



**Banca Popolare  
di Sondrio** FONDATA NEL 1871

# NFS 2022



## Banca Popolare di Sondrio

Founded in 1871

### ORDINARY GENERAL MEETING OF 29 APRIL 2023

Joint-Stock Company

Head Office and General Management:

16 Piazza Garibaldi, 23100 Sondrio (SO), Italy

Tel. +39 0342 528.111 - Fax +39 0342 528.204

Websites:

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

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Email: [info@popso.it](mailto:info@popso.it)

Certified email address: [postacertificata@pec.popso.it](mailto:postacertificata@pec.popso.it)

Sondrio Companies Register no. 00053810149

– Registered in the Register of Banks under no. 842

Parent Company of the Banca Popolare di Sondrio Banking Group –

Registered in the Register of Banking Groups under no. 5696.0

Member of the Interbank Deposit Protection Fund

Tax Code and VAT number: 00053810149

Share capital: €1,360,157,331 – Reserves: €1,380,852,212

(Figures approved by Shareholders at the General Meeting of 30 April 2022)

COVER PHOTO by: **Davide Pola**, Financial Risk Office

#### Rating

Rating issued to Banca Popolare di Sondrio by Fitch Ratings on 27 July 2022:

- Long-term Issuer Default Rating (IDR): BB+
- Short-term Issuer Default Rating (IDR): B
- Viability Rating: BB+
- Government Support Rating: ns
- Long-term Deposit Rating: BBB-
- Short-term Deposit Rating: F3
- Senior Preferred Debt: BB+
- Subordinated Tier 2 Debt: BB-
- Outlook: Stable

Rating issued to Banca Popolare di Sondrio by DBRS Morningstar on 14 November 2022:

- Long-Term Issuer Rating: BBB (low)
- Short-Term Issuer Rating: R-2 (middle)
- Intrinsic Assessment: BBB (low)
- Support Assessment: SA3
- Trend: Stable
- Long-Term Deposit Rating: BBB
- Short-Term Deposit Rating: R-2 (high)
- Long-term Senior Debt: BBB (low)
- Short-term Debt: R-2 (middle)
- Subordinated Debt: BB

Rating issued to Banca Popolare di Sondrio by Scope Ratings on 14 March 2023:

- Issuer rating: BBB
- Outlook: Stable

# NFS 2022

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

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# PREFACE

## Vittorio Coda

Professor Emeritus  
**Bocconi University, Milan**

“Non-Financial Statements” prepared by businesses all have seemingly similar formats. When reading these reports, it may therefore be useful to approach them with the awareness that the real difference lies in the spirit underlying the business activities described. And so the decision to present our readers with a preface focused on the concept of entrepreneurial spirit in general – and on that of Banca Popolare di Sondrio in particular.

### ***Entrepreneurial spirit***

Businesses are all different from one another. Certainly, they are all productive organisations that offer goods or services on the market, which contribute to individual or collective living. Even companies that belong to the same sector – such as the credit sector for example –, while they all conduct the same type of work, can be quite different from each other. Yet beyond different corporate structures, sizes or geographical regions where they operate, these companies essentially differ in the spirit that has been instilled in their way of being and doing business and which continues to animate them, perpetuating their culture. It is this very spirit which, together with the specific strategic positioning choices, defines the distinctive identity of a company.

But what is an entrepreneurial spirit? Where does it come from? How does it spread and take root in the corporate culture of an organisation? How do you recognise it? And what are the values that underlie it? Each of these questions deserves in-depth analysis, but in this brief preface it is only possible to attempt to provide readers with a short yet clear answer.

Unlike what it might seem at first glance, an entrepreneurial spirit is anything but a vague and elusive concept. In fact, it is nothing other than the de facto aim pursued in doing business, by whoever is responsible for it. This plays a key role as, consciously or unconsciously, it is engraved in the heart and mind of the individual at the helm of the company – whether he or she is an entrepreneur or a manager – and therefore drives their behaviour in carrying out their duties<sup>1</sup>.

Where the purpose or motivation that actually animates the head of the company comes from is never entirely clear. Nevertheless, considering the contexts in which he or she was trained – family, school, companies, associations – and of the past experience that has left an imprint on their human and professional profile can be quite enlightening.

Whatever it may be, this driving purpose spreads among the people who make up the organisation and takes root in the corporate culture, thanks to the daily leadership actions and some key managerial processes adopted – such as recruitment, training, promoting and rewarding employees.

The purpose defining the deep motivation that drives the thoughts and actions of the head of the company thus becomes the spirit that animates and informs individual and group behaviour in the organisation – in other words the spirit of that given company.

<sup>1</sup> On the purpose/spirit that animates whoever is at the helm of a company and on the impact it has on their entrepreneurial dynamism, see Coda V., *Il buongoverno dell'impresa fra stabilità e dinamismo*, Milan, Egea, 2021.



More than by *what* the company actually does, entrepreneurial spirit can actually be recognised by *how* it does it.

In service companies, for example, with the vast exposure of personnel in direct contact with users – e.g. in those operating in the credit, health, education or air transport sectors – one can immediately understand if they are dealing with a tense working environment that detracts from the quality of interpersonal relationships (between employees and with customers), or one of serene industriousness, in which there is attention to people as such, regardless of the reason why they come into contact with them and interact. And, if we ask ourselves what lies at the basis of these different organisational contexts, we discover the different underlying values of leadership – of that currently in office, as well as of those who have left their mark in the past – which ultimately is the essential element of the entrepreneurial spirit.

This underlying value can fundamentally be traced back to two distinct and opposing models for the definition of individual corporate objectives, from which two radically different purposes and two ways of doing business derive. Typically, these are:

- the **shareholder primacy model**, which places the maximisation of shareholder value and profit for the benefit of shareholders at the top of all objectives;
- the **model of long-term corporate prosperity in the interest of all stakeholders**, in which profit is at the centre of a circular configuration of the corporate objectives system, as it is conceived as a consequence of competitive objectives and social objectives and is primarily intended to drive the company's competitive and cohesive capacity.

In the first model, the shareholders are considered the prominent stakeholder over all others, with the following consequences: (i) the purpose of the company is defined as that of “serving the interests of the shareholders”; (ii) the relationships with other stakeholders are considered instrumental to the goal of enriching shareholders<sup>2</sup>; (iii) the requests of the other stakeholders are therefore only taken into account to the extent necessary to gain consent and collaborations and to ensure compliance with the applicable regulations protecting them.

In the second model, on the other hand, the organisation must serve its own purpose, achieving its productive mission in the economic and social system of which it is an active part. This, by creating value above all in the relationships it establishes with customers, employees/collaborators and shareholders: with customers, because the satisfaction of their needs is the *raison d'être* of any company; with employees and collaborators, because the company cannot achieve its goals and its main purpose without their constant commitment; with shareholders, because decisions of vital importance for the survival and development of the company depend on them.

The spirit of good management does not encourage serving the primary interests of shareholders or any other stakeholder, but to do what is good and right for the company in the interest of all.

If a decision is not right for the company, it is also not right for its stakeholders. And the decisions that form part of a forward-looking development strategy aimed at a strong positioning in the outlet markets and at quality relationships with customers, employees, shareholders and any other stakeholder are, indeed, the right ones.

<sup>2</sup>The error does not lie in the goal, but in making the goal the very purpose of the enterprise. In fact, in the passage from goal to purpose, the goal is made absolute, with the consequence of inducing a managerial short-sightedness that is detrimental to the company and therefore to the shareholders' interest.

***The entrepreneurial spirit of the Banca Popolare di Sondrio***

In 2021 Banca Popolare di Sondrio celebrated 150 years since its foundation.

This in itself is quite an achievement if we consider the hardships and the epochal changes the world has gone through in such a long period of time and the many famous banks that did not survive over the years, as they went bankrupt or were acquired by other banks. And if we also consider that the Bank has had “150 years of accounts that have always been positive”<sup>3</sup>, one cannot help but be amazed and wonder what the secret to such longevity is.

At a closer look, the first hundred years were those of a small bank with solid roots in its local geographical area, inspired by and faithful to the values of the popular cooperative credit movement advocated in Italy by Luigi Luzzatti, and to the sound and prudent criteria of managing a bank. Its survival, therefore, does not come as a surprise, even if it should not be taken for granted that a small business is able to successfully manage generational changes across a century, remaining firmly anchored to the values that define its identity characteristics.

The path of organic development undertaken by Banca Popolare di Sondrio in the last fifty years is, on the other hand quite impressive, resisting the pressure to get involved in the banking sector consolidation process, neither by launching itself into a growth strategy through acquisitions, nor by giving in to the attractive offers of those who saw it as an attractive prey, given its deep local roots and its transparently good state of health.

The explanation of how this journey was made possible cannot fail to give credit to the work of those who have been able to lead the Bank with consistency and tenacity over the years, to the entrepreneurial spirit that has animated them, to how this spirit was disseminated and transformed into a strong corporate culture and reproduced in each new branch through which the Bank has gradually extended its business in different geographical regions, based on the adoption of well-thought out and defined strategic positioning choices. A spirit for which Piero Melazzini deserves credit – who ran Banca Popolare di Sondrio for forty-four years (from 1969 to 2014) –, as well as those who inherited it.

<sup>3</sup> Closing speech by Mario Alberto Pedranzini at the “Development and the banking system” Conference, Sondrio, 2 December 2022.

***But exactly how can we define the entrepreneurial spirit of Banca Popolare di Sondrio?***

I had the privilege of personally getting to know Piero Melazzini and the BPS Banking Group – and, therefore, of observing his entrepreneurial spirit in action – during the many years in which I served as chairman for companies in the Arca Nord Est Group, of which Piero Melazzini has always been a committed supporter. Moreover, the research carried out by the Istituto per i Valori d'Impresa (ISVI), also allowed me to form a pretty clear idea of Banca Popolare di Sondrio's entrepreneurial spirit. So I can confidently define it as a spirit of great love and intelligence. Specifically, to me it appears as:

- **a spirit characterised by a deep love for the local area:** for the people and families who live there, for its businesses, for its products, for its cultural heritage, for its natural beauty;
- **a spirit of an extremely lucid intelligence:** in the selection of the geographical areas to which to extend business activities; in making kindness and trust the cornerstone of lasting, efficient and authentically human personal relationships with customers; in setting up and managing human resource management systems (starting with those for the recruitment and training of young talent and the bonus system), making it possible to rely on collaborators driven by the very same entrepreneurial spirit.

Thanks to these characteristics, the entrepreneurial spirit of Banca Popolare di Sondrio, in turn, generates: (i) a “sense of working community” that goes hand in hand with a “sense of local community”, elements that continuously feed one another the deeper the bank's roots and the more collaborators have ties with the local area; (ii) virtuous development circuits of the bank and its local areas, in a perspective that combines short, medium and long-term objectives and results; (iii) a competitive advantage that is difficult to imitate and which, as such, cannot fail to be appreciated by a forward-looking shareholder base.

In conclusion, it is the spirit of good management which fully places Banca Popolare di Sondrio among companies fitting perfectly into the second of the two models described earlier: that of the lasting prosperity of the organisation in the interest of all its stakeholders, including, first and foremost, the local area, employees and shareholders.

A model based on the universal and perennial values of transparency and fairness, efficiency and humanity. Among them, as far as Banca Popolare di Sondrio is concerned, the values of kindness and attention to people clearly stand out. These are the very values which, incorporated into the Bank's strategy and culture, have taken the form of an approach model for the opening of new branches that has enabled the progressive and physiological expansion of the organisation's range of business operations, from the original Alpine valleys to very different “worlds”: to the Lombard metropolis, to Italy's capital, to Lugano and to all of Switzerland, Lombardy and the other regions of Northern Italy. And all this, with a well-thought-out gradualness, fully aware of its limits, but also of the strength of its corporate characteristics and of the need to keep up with the times.



# CONTENTS

	Letter to stakeholders	X
	Highlights	XII
<b>01.</b>	<b>INTRODUCTION, CONTEXT AND DRAFTING METHODOLOGY</b>	<b>01</b>
	– Who we are, what we do and what we believe in	3
	– Methodological note	60
	– The war in Ukraine and its repercussions	78
<b>02.</b>	<b>ENVIRONMENT: THE COMMITMENT TO THE CLIMATE AND THE ENVIRONMENT</b>	<b>83</b>
	– Environment and climate change	88
	– Sustainable finance and responsible credit	118
<b>03.</b>	<b>SOCIAL: THE COMMITMENT TO A SOCIAL AND INCLUSIVE ECONOMY</b>	<b>161</b>
	– Support to the community and ties with the local area	163
	– Supply chain management	180
	– Enhancement of human resources	184
	– Human rights, diversity and inclusion	206
<b>04.</b>	<b>GOVERNANCE: A SUSTAINABLE ADMINISTRATION</b>	<b>221</b>
	– Integrity and fight against corruption	223
	– Privacy and IT security	233
	– Solidity and economic performance	241
	– Innovation	249
	Glossary	260
	GRI Content Index	264
	UN Global Compact – Communication On Progress	272
	Independent Auditor’s Report	274
	<b>Annex I – TCFD Report – separate document</b>	

## Letter to stakeholders

# For lasting and sustainable growth

In this sixth edition, our Non-Financial Statement or NFS, engages readers with a pleasant graphic design and enriched content.

A captivating presentation of the content helps the reader – given that we certainly have something of value to tell and it is useful for grasping the dynamics of the evolution of a corporate structure, ours, marked by an ever greater attention towards sustainability – to respond to changes and to the expectations that emerge stronger than ever in the current social context.

Organising the ideas and putting together the actions undertaken by everyone is of great value for reporting and planning the future, enhancing the effects of the individual behaviours in the overall business context.

Well, we can certainly say that we are quite satisfied with the work carried out so far, despite being aware of just how much still remains to be done.

It must be said that in the style of our Bank, influenced by our origins, and by the natural and human environment in which we live, we have always dedicated, without having to comply with any specific obligation, particular attention and respect for our surroundings.

We welcome with open arms the global, planetary awakening of governments and institutions which, looking around, finally realising the many problems caused by man, the wounds inflicted on the local area and on the environment, have rushed to sign manifestos and, even more ambitiously, to set goals to improve the current dire situation.

We too – even if just a small part of the universe – feel responsibly involved, because respect for people and for the environment needs to be at the heart of the company that looks to the future. But this unprecedented challenge will only be won if the necessary cultural change is undertaken by everyone, in the belief that people, with their values and rights, with their needs, are the ultimate goal that the Company must take into account.

Characterised by a highly complex scenario, 2022 was a year of great challenges that Banca Popolare di Sondrio was able to face with the solidity and consistency needed to be able to respond to the expectations of its various stakeholders.

The Russia-Ukraine war, which broke out in February 2022 and is still ongoing, has caused and continues to cause serious geopolitical and economic upheavals, making quite clear the importance of international cooperation and cohesion against human rights violations, while supporting the self-determination of people and urging to defend established democratic principles.

The brutal conflict has triggered a global energy crisis that is nothing short of alarming. The partial interruptions in the supplies of fossil fuels have stressed the advantages, in terms of energy security, of energy from renewable sources – solar and wind energy in particular –, leading many countries, including Italy, to strengthen their support policies, with a focus on the transition towards an economy powered by green energy.

A glance at the world scenario allows us to better understand the dynamics currently in play and makes us aware that climate change generates injustice.

The countries that are most affected by it are by no means those that have contributed the most to the genesis of this phenomenon. And, within each country, it is poor and marginalised communities that are most affected. Issues that must be adequately addressed and managed at a national and international policy level, carefully laying the groundwork for “climate justice”, which includes aspects of distributive and intergenerational justice and is advocated by the Conference organised on the subject by the countries participating in COP27 and supported by specific financial instruments.

The effects of the events described have also manifested themselves on the inflation front, which in 2022 saw exponential growth, with consequences on businesses and households, which found understanding and support from our Bank, in the implementation of the path of sustainability that we are pursuing as a development paradigm.





Proof of this is the continued integration – physiological and natural – but in an increasingly transversal way, of the theme of environmental, social and ethical sustainability in our 2022-2025 Strategic Business Plan, developing new intervention tools and demonstrating a capacity for renewal in terms of products and business practices.

Through the definition of this Plan, our Bank aims to intensify its commitment and approach to sustainability and inclusion, combining the traditional closeness to local communities, with the most innovative practices and the best international standards. All this, in order to guarantee sustainable growth, maintaining the corporate identity that distinguishes us.

An ambition that requires continuous updating, through the integration of ESG aspects in the business and in daily operations.

Firstly, the new ESG credit policy was adopted, which defines the guidelines for integrating sustainability into credit processes and introduces an ESG evaluation of counterparties. In addition, “next” products have been developed: loans for individuals and companies that aim to reduce energy consumption, optimise mobility management, invest in energy efficiency and renewable energies.

Credit institutions were engaged by the supervisory bodies – ECB and EBA – as facilitators of the transition to a low-emissions economy.

The ECB drafted the “Guide on climate-related and environmental risks”, which defines the expectations on how banks should manage the risks in question in a safe and prudent manner, communicating them to the public in a transparent way.

In compliance with the guidelines provided by the ECB, with the Report attached to this Document, our Bank complies with the recommendations made by the TCFD – Task Force on Climate-related Financial Disclosure, aimed at encouraging forward looking information-based loans and investments, in terms of the financial impacts deriving from the risks and opportunities related to climate change.

In order to clearly convey the values of respect for the environment and at the same time support the green sector in its development, Banca Popolare Sondrio dedicated special credit lines to green-oriented projects, as highlighted in the publication of the “Green Bond Report 2022”, one year after the issue of the first “Senior Preferred Green Bond”: savings of 33,960 tons of CO<sub>2</sub>, through the financing of renewable energy plants in 15 Italian regions and targeted interventions illustrated in detail in the NFS.

Our commitment was recognised with the MF Best ESG Rating Award, promoted by the “Milano Finanza” newspaper, for having obtained from the Standard Ethics Agency the confirmation of the “EE” corporate rating, in addition to the “EE+” long-term sustainability rating.

Banks and businesses can not only interpret the idea of sustainability well, but also guide and direct it in the connections it has with other areas, first and foremost in relation to the economy. Full sustainability – in the most authentic and noble sense of the word – can only be truly achieved when it is understood that applying sustainability means defining new economic visions, accepting and recognising the profound and essential correlation between the two areas.

However, the sustainability that we all hope for will only be possible with a new culture and a new economy, a true synergy between the environment and the market.

**Mario Alberto Pedranzini**

Managing Director and General Manager  
of Banca Popolare di Sondrio



## The NFS: some figures to illustrate our progress

The NFS is the main tool for sustainability-related disclosure. Some key performance indicators and first targets in the ESG area are presented below:

### E<sub>nvironment</sub>

2,124

financing initiatives in the **Green Bond portfolio** helped avoid the production of 34,000 tons of CO<sub>2</sub>e

>90%

of the corporate credit portfolio with a **GHG inventory** and **physical risk** analysis

98%

**renewable electricity** for BPS buildings

11 m tCO<sub>2</sub>e

financed in 2022

7

**green loans**

### S<sub>ocial</sub>

~30%

access points in **low-populated areas**

+40,000

days of **remote work** for 400 tons of CO<sub>2</sub> avoided

+4,800

**stakeholders involved** in ESG-related topics

99%

employees with **ESG training**

259

new **hires**, 75% of whom <29 years

### G<sub>overnance</sub>

>27%

investment funds subject to **ESG screening**

+€1 billion

**funds analysed based on ESG criteria** in the banking book, equal to approximately 10%

+60%

**budget** for ESG activities and ESG risk management

+30%

**ESG Contact Persons** in business areas since 2021

+€350 m

of assets managed **with ESG investment strategies**



## SOME KEY GOALS AND INITIATIVES OF THE 2022-2025 “NEXT STEP” BUSINESS PLAN

by 2023

TCFD



by 2023

Valore D



by 2023

NZBA and PRB

by 2023

ESG procurement

by 2024

ESG investment Policy

by 2024

ISO 14001

by 2025

New ESG Bonds





Photo by: **Carlo Graziato**, Somma Lombardo Branch





# 01. INTRODUCTION, CONTEXT AND DRAFTING METHODOLOGY







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

One of first Italian cooperative banks, Banca Popolare di Sondrio (hereinafter also referred to as “the Bank” or “BPS”) has been serving the areas in which it operates since 1871. A long history, based on mutual trust and fuelled by a passion for work, a constant focus on customers and their changing needs, by strong roots that have enabled the Bank to broaden its horizons.

Over the years, BPS has extended its business operations nationwide, maintaining strong ties with its geographical area of origin and its traditions, while fostering the Community’s sustainable economic development through careful, tailored support for small entrepreneurs, ordinary citizens, as well as medium and large-sized enterprises.

A point of reference for an entire community, after 150 years of tradition, in December 2021 Banca Popolare di Sondrio approved the transformation into a joint-stock company, a historic step that has not changed its role as a “local bank”. This, in keeping with the tradition of cooperative credit, catering for households, small and medium-sized enterprises, cooperatives and public and private bodies, while paying special attention to the areas it serves, starting with its native Valtellina and Valchiavenna.

In 2022, for the first time in the history of the Banca Popolare di Sondrio Group (hereinafter also referred to as “the Group”), the Business Plan was presented to the public: 2022-2025 “Next Step” defines the strategy and targets of BPS, with a view to generating significant and sustainable value. Among other things, the update of the Business Plan offered a valuable opportunity to strengthen the Group’s strategy in relation to ESG topics, also particularly relevant in the current context and, by their very nature, transversal to the various areas covered by the Plan, detailed in a specific section of the NFS.

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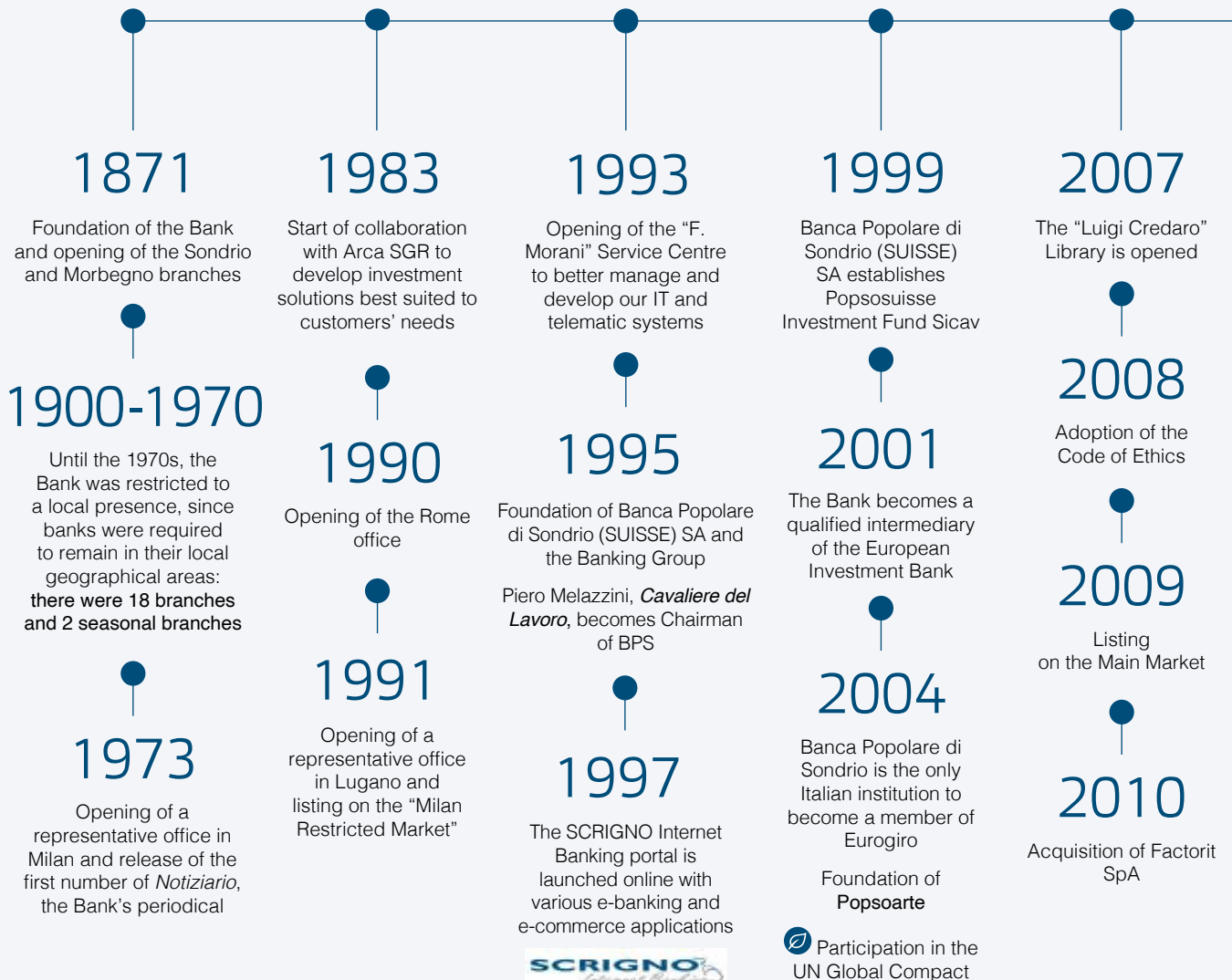
**“It is a source of great pride for me to be able to present our first Business Plan after becoming a joint-stock company at the end of 2021. With the foundation in Sondrio in 1871, we were one of the first cooperative banks in Italy. Our vocation is to grow. Grow together with our customers, with our employees, beyond the confines of a traditional local bank. With rigour, availability towards our customers, closeness to the communities of the areas served, preserving our identity but continuing to innovate.”**

**Mario Alberto Pedranzini**, Managing Director and General Manager of Banca Popolare di Sondrio, Press release issued on 29 June 2022





## Our History



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

Letter to shareholders and friends, 1 January 2022

Photo by: **Diego Gallotta**, Castel San Giovanni Office

2014

Francesco Venosta becomes the new BPS Chairman

2018

Rent2Go Srl becomes a partner and PrestiNuova SpA is acquired

2021

- Participation in the ECB questionnaire on climate-related and environmental risks

- New corporate website with a dedicated sustainability section

- Achievement of Standard Ethics' first solicited sustainability rating, with an EE score

- Creation of the Sustainability Committee

- Creation of the Sustainability Office

- Adoption of the Sustainability Policy

- First placement of a Green Bond

Entry of PrestiNuova Srl Agenzia in Attività Finanziaria into the Banking Group

- Drafting of Home-Work Travel Plans

- Adoption of the Environmental Policy

Transformation into a Joint-Stock Company

2022

- Standard Ethics improves the Bank's long-term rating from “EE” to “EE+”

Full acquisition of Factorit and Rent2Go

Presentation of the 2022-2025 Group Business Plan

- ESG integration of the 2022-2025 Business Plan

- Publication of the 2022 Green Bond Report

- ESG training for all Group employees

- Guidelines for reducing the environmental impact of employees

- ESG data collection for evaluation of counterparties

- Increased number of ESG securities in the proprietary portfolio

- Development of ESG credit products

- ESG credit policy

- Drafting of new Home-Work Travel Plans

2015

BPS (SUISSE) SA reports a record profit of +73%

2019

Merger of PrestiNuova SpA into Banca della Nuova Terra SpA

2017

- First edition of the Non-Financial Statement

Acquisition of 100% of BNT Banca

2020

- Preparation of the first CDP Questionnaire

## The Group

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



The common goal is to create value over time





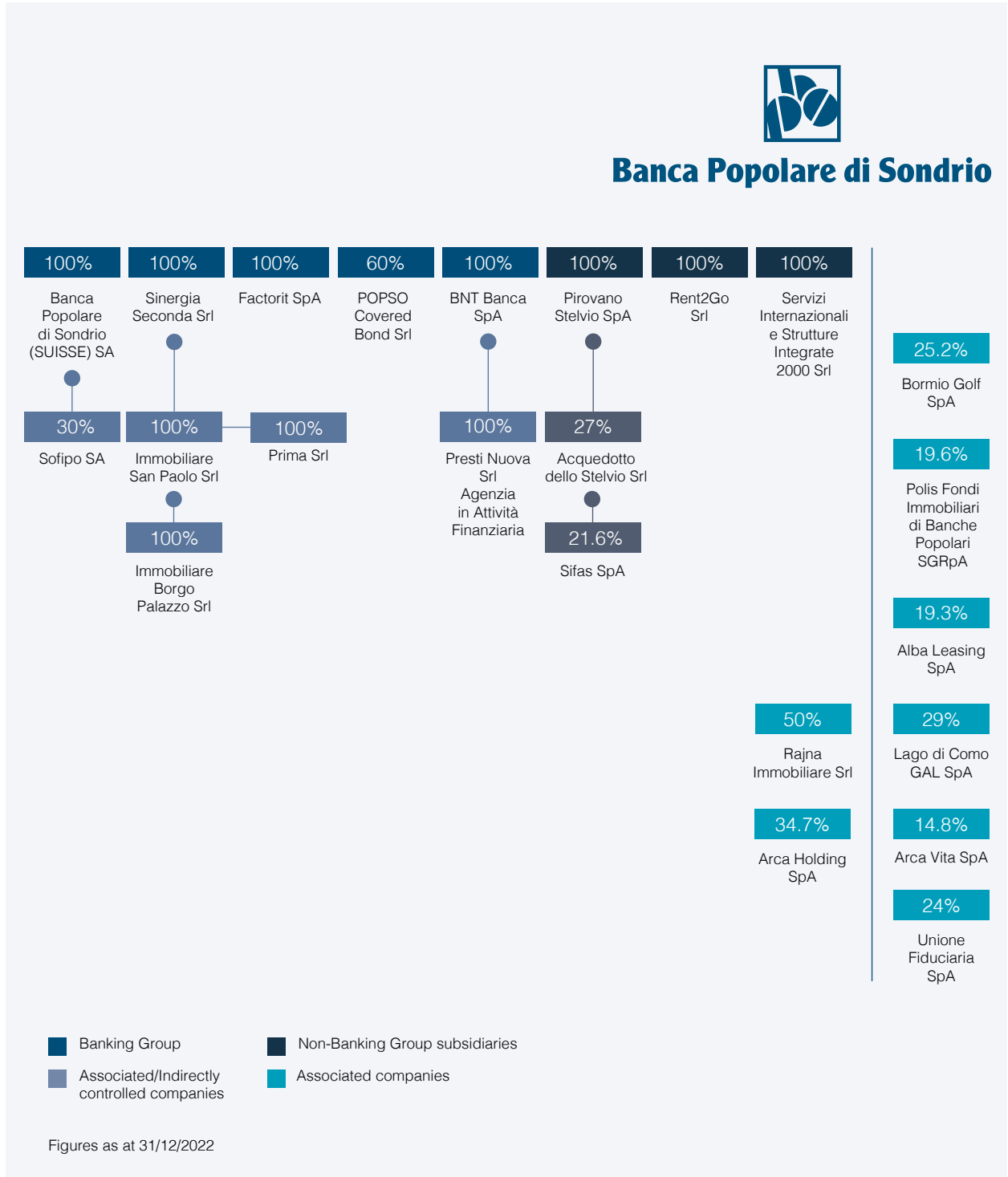
## In addition to Banca Popolare di Sondrio, the Banking Group comprises:

- **BPS (SUISSE) SA:** a bank under Swiss law wholly owned by the Parent Company, established in Lugano on 3 May 1995. Its network now comprises 20 branches in 8 Cantons in addition to the Representative Office in Verbier, the Virtual Direct Banking Unit in Lugano and the Foreign Branch in Monaco, in the Principality with the same name. BPS (SUISSE) SA carries out broad and diversified activities covering all sectors, presenting itself as a universal bank and operating according to the Group's philosophy: a bank that prioritises customers.
- **Factorit SpA:** a company specialised in factoring, wholly owned by the Parent Company, which offers companies operating in Italy and abroad a complete range of products to meet their financing, guarantee and receivables management needs. Factorit derives its values from the founding cooperative banks that constituted its shareholding and distribution channel; these values are formally expressed in the Code of Ethics.
- **Banca della Nuova Terra SpA:** founded in 2004 with the primary aim of providing credit to the agricultural sector, the agro-industrial sector, private individuals and households. Since joining the Group, BNT has specialised in the placement of consumer credit products, specifically loans repayable by means of pension-backed loans (CQP), salary-backed loans (CQS) and delegation of payment (DEL).
- **PrestiNuova Srl – Agenzia in Attività Finanziaria:** a company wholly owned by Banca della Nuova Terra SpA, it carries out its activities as a financial services agency for the public, focusing mainly on salary-backed and pension-backed loans under the direct mandate of Banca della Nuova Terra SpA.
- **Sinergia Seconda Srl:** a company operating in the property sector which mainly provides operational support for the activities of the Bank and the Banking Group.
- **Popso Covered Bond Srl:** a company active in the issuance of covered bonds.

The following companies are also part of the Group, although they do not fall within the scope of prudential supervision or offer financial services: **Pirovano Stelvio SpA, Immobiliare San Paolo Srl, Rent2Go Srl, Immobiliare Borgo Palazzo Srl, Servizi Internazionali e Strutture Integrate 2000 Srl and Prima Srl.**



### Ownership structure of the Banca Popolare di Sondrio SpA Group as at 31/12/2022





## Our geographical areas

# 485

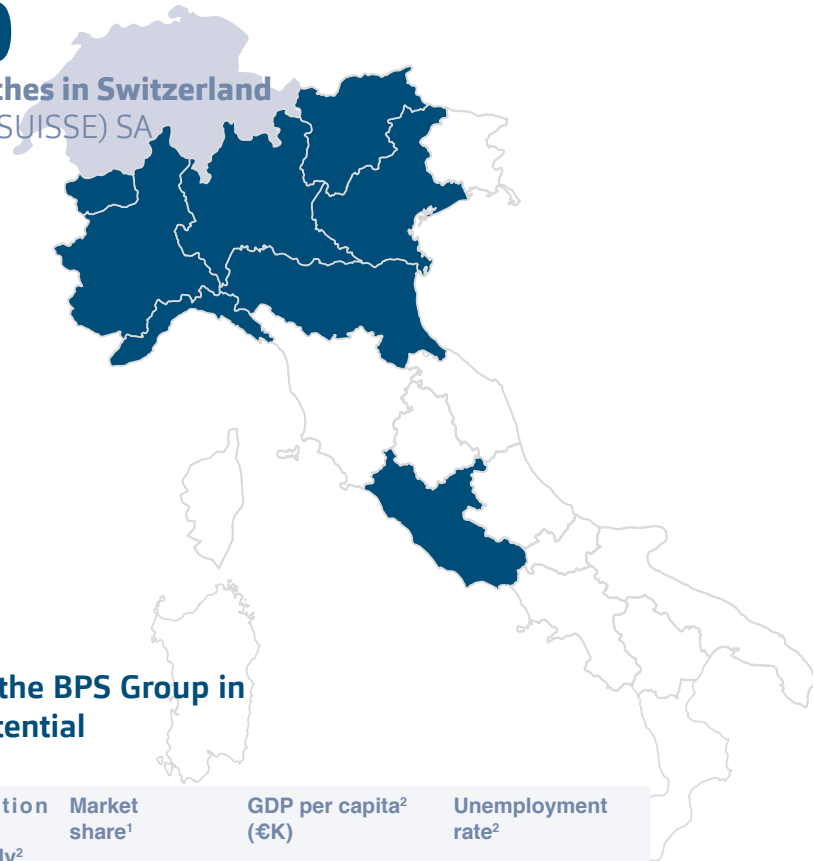
Branches in Italy

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

# 20

Branches in Switzerland

BPS (SUISSE) SA



# 1

Branch in the  
Principality of  
Monaco

# 51

Service Desks

abroad at external  
partners' offices in 44  
countries

### Geographical presence of the BPS Group in areas with the greatest potential

	Contribution to GDP in Italy <sup>2</sup>	Market share <sup>1</sup>	GDP per capita <sup>2</sup> (€K)	Unemployment rate <sup>2</sup>
Lombardy	22.2%	8.9%	37	6.0%
Lazio	11.3%	2.6%	32	10.2%
Piedmont	7.6%	0.9%	30	7.5%
Liguria	2.8%	2.5%	30	8.5%
Emilia Romagna	9%	0.3%	34	5.6%
Veneto	9.2%	0.4%	30	5.4%
Trentino Alto Adige	2.7%	1.1%	37	4.3%
Valle d'Aosta	0.3%	4.4%	35	7.3%
<i>Italy average</i>			27	9.7%
<b>Total</b>	<b>65.1%</b>			

<sup>1</sup> Percentage of the number of bank branches in relation to the total number of branches | Source: Bank of Italy 31/12/ 2021

<sup>2</sup> Source ISTAT: GDP per capita and % contribution to Italy's GDP updated as at 2020; Unemployment rate updated as at 2021



## Business model and strategy

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

In a context where the market and European regulations are, more and more, emphasising the role of the banking sector in the transition towards a more sustainable economy, developing a business model that is attentive to the integration of environmental, social and governance aspects (hereinafter referred to as ESG) is fundamental.

In fact, the BPS Group bases its business strategy on scenarios that consider the environment, industry and finance as a common factor. With this in mind, the Group intends to move forward, with a holistic approach and with the desire to be an actor of change, in the path – already undertaken – of identification, implementation and monitoring of sustainability objectives, adopting the most suitable ways to implement them at group and system level.



## Business Strategies and the 2022-2025 Business Plan

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

The search for new products and services, to better seize the existing market opportunities and respond to the renewed needs of customers, is continuous, with particular attention paid to sectors such as factoring, salary/pension-backed loans, asset management, insurance, leasing and mobility services.

The ability to establish a unique and tailored relationship with both new and long-standing customers is undoubtedly one of the Group's hallmarks, which has enabled it, among other things, to gain significant market shares in core banking sectors such as credit intermediation, payment systems and assets under administration and management. Branch managers have always represented, both for small savers and for households and entrepreneurs, an important and essential point of reference capable of analysing their financial and asset situation, identifying their needs and, with a sense of responsibility, guiding their choices, even in times of difficulty.

The Bank's service model is, in fact, based on a direct relationship with customers, accompanied by an increasingly significant use of digital channels to effectively and efficiently respond to the needs of all stakeholders.

Distinctiveness

## Qualified geographical presence, local roots, personnel competence, service excellence, unique approach to Banking

### Qualified geographical presence

- > Leading bank in **key areas for the Italian economy** and industry
- > Consolidated presence in **Switzerland** through universal banking services
- > Presence in the **Principality of Monaco** and in leading countries around the world

### Local roots and broad shareholder base

- > **Community Bank**
- > **Broad cooperative shareholder base** including households and SMEs
- > Extremely loyal **clientele**

### Outstanding services

- > **Competent**, motivated and reliable **personnel**
- > **Short decision-making chain** in customer relations
- > **Competitive multi-functionality** thanks to internal product factories and a well-structured foreign network

**Value generation** that is constant over time.

**Solidity, resilience** and "free" capital for growth.

**Organic and continuous growth. Lean and flexible** operational mechanisms.

**Productivity of best-in-class** branches.

UNIQUE  
APPROACH  
TO BANKING



## The Business Plan



*“The 2022-2025 'Next Step' Business Plan describes the future prospects of a 'bank that does banking', focused on its own distinctive areas, aiming to grow in areas such as asset management and bancassurance, in which we believe we still have ample potential, evolving the relationship with our customers towards the digital realm. Our bank is committed to distributing more than half a billion in dividends over the next few years, with an annual payout of 50%.”*

**Mario Alberto Pedranzini,**

Managing Director and General Manager of Banca Popolare di Sondrio

On 28 June 2022, the Bank's Board of Directors approved the 2022-2025 Business Plan: an intense programme that defines the strategy and the new targets to achieve significant and sustainable generation of value.

The Plan comes to life in a historical period that presents a unique and complex macroeconomic scenario: on the one hand the drive for growth of the NextGenerationEU recovery programme and of Italy's National Recovery and Resilience Plan; on the other, the persistence of elements of instability linked to the Russia-Ukraine war, the costs of the pandemic, the rising inflation, the slowdown in trade and the greater prudence in consumption.

The Plan is based on three development guidelines and three enabling factors for the implementation of the initiatives contained in the programme.



STRATEGIC  
GUIDELINESConsolidation and development of current solid foundations  
for continuous and sustainable growthDevelopment  
guidelines

	Today	Tomorrow
<b>Focus on distinctive areas</b>	Lending activity is the core business of the Bank, thanks to long-term relationships with households, institutions and businesses in the geographical areas in which BPS boasts a significant market position.	Consolidation of the market position in the corporate sector, stimulation of cross-selling on the Group's overall commercial offer, increasing penetration along the consolidated supply chains.
<b>Qualified growth in value-generating areas</b>	BPS has remained innovative in services with incremental investments in its geographical presence, seizing market opportunities, in line with its offer model.	Intensification of BPS' presence in high-value areas with potential not yet fully exploited, capitalising on the new opportunities offered by the market and Italy's National Recovery and Resilience Plan, including in areas in close proximity to the banking business.
<b>Digital evolution of customer relations</b>	The service model is based on a direct, frank and transparent relationship with branch customers.	Evolution of the physical and "universal" branch model – central to customer relations – based on a "phygital" and multi-channel structure; robotisation and process automation to improve the customer experience, freeing up commercial capacity.

Enabling  
factors

<b>Corporate identity, competence, training and incentives</b>	The Bank is characterised by a distinctive culture of collaboration, loyalty and pragmatism.	Maintenance of a distinctive corporate identity. Evolution of the set of skills and expertise based on a "new ways of working" approach, with the adoption of new customer service methods.
<b>Sound capital</b>	BPS boasts capital solidity at the top of the market, as well as quality assets, also by virtue of targeted de-risking activities.	Maintenance of CET1 best-in-class levels and distribution of constant value to shareholders, anticipating adverse impacts on the credit portfolio.
<b>Environmental, social, ethical and human sustainability of the entire business activity</b>	Since its founding, BPS bases its activity on the harmonious management of the relationship with the geographical areas where it operates.	Strengthening of the commitment and approach to sustainability and inclusion, combining the traditional closeness to local communities with the most innovative practices and the best international standards.





## ESG Business Plan

Within the 2022-2025 Business Plan, the integration of ESG factors in business and operations consists of numerous activities divided into two strategic lines, each organised into five areas of integration.

1

The first line focuses on interventions that are transversal to the Bank's main business and operational areas, namely:

- **strengthening of governance**, for an increased engagement of the Board of Directors and integration of the control system to ensure the effective implementation of ESG guidelines;
- **improvement of sustainability ratings/scoring** assigned to the Group by third party suppliers;
- **participation in national and international initiatives** on sustainability issues;
- **integration of sustainability into the Bank's main processes**, through updates to existing regulations and practices and the adoption of new policies, particularly in the credit, investment and risk control spheres;
- **Assessment of the products and services catalogue**, through the development of an "ESG Score" relating to each customer, and **creation of dedicated products** with specific reference to asset management and loans with differentiated pricing (e.g. loans with favourable conditions to customers with an ESG connotation and/or to support activities and investments with a proven positive environmental or social impact);
- **extension of the Green Bond Framework**, which the Bank adopted during the first issue, to other aspects deemed worthy according to ESG principles (e.g. social issues);
- **continuous updating of reporting** (including the Consolidated Non-Financial Statement) and definition of a broader ESG communication strategy, which enhances the brand identity of the Group specifically in terms of sustainability.

2

The second line, instead, focuses on interventions in specific areas, originating from the Sustainability Policy, which the Group has adopted since the summer of 2021, namely:

- **definition of environmental performance targets and related monitoring KPIs**, both concerning the direct emissions of the Group and the indirect emissions of the financed counterparties;
- **strengthening of the Group's activities with a positive impact on the local area and the reference community** such as, on the one hand, a well-defined strategy of sponsorships and donations and, on the other hand, the provision of new mechanisms for selecting suppliers that also take into account their performance in the ESG realm;
- **implementation of new initiatives relating to personnel management** (with particular attention to the aspect of a work-life balance; interventions focused on diversity and inclusion);
- **continuous updating of internal regulations** on issues related to the protection of personal data, as well as the anti-corruption sphere, including through voluntary initiatives.





# The first Business Plan integrated with the ESG Plan



Environmental impacts



Social topics



Enhancement of human resources

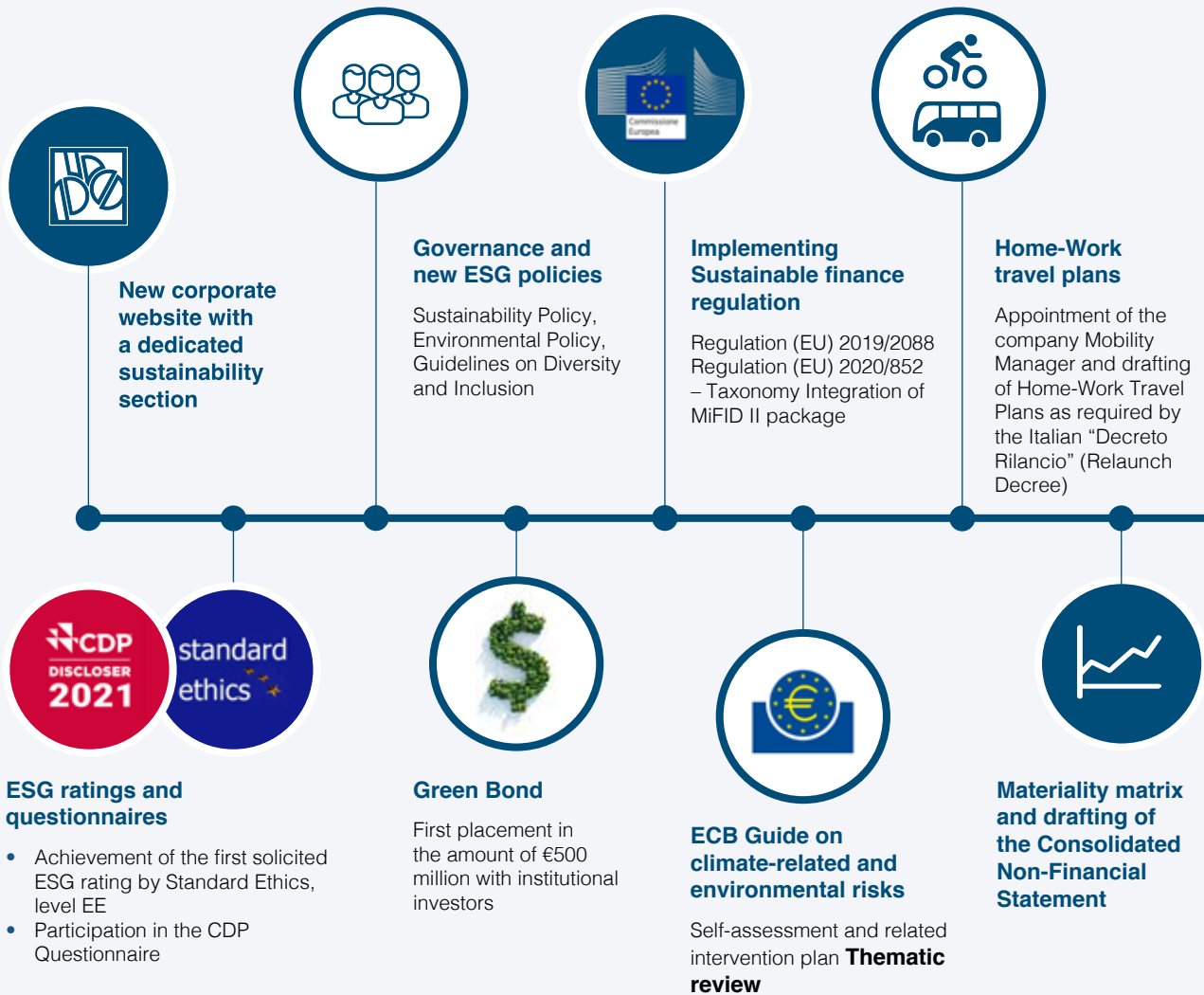


Protection of human rights Fight against corruption



	ESG GOVERNANCE	INTERNATIONAL INITIATIVES AND ESG RATINGS	BUSINESS POLICIES AND STRATEGIES	PRODUCTS AND SERVICES	REPORTING AND COMMUNICATION
BY 2022	<ul style="list-style-type: none"> <li>Further strengthening of <b>ESG Governance</b></li> <li>Level II and III checks</li> <li><b>ESG training</b> for all Group personnel</li> <li><b>ESG compliance programme</b></li> <li>Internal behavioural guidelines for the <b>reduction of environmental impacts</b></li> </ul>		<ul style="list-style-type: none"> <li><b>ESG credit policy</b> and integration of the ESG Score in loan practices</li> <li><b>Integrated Risk Management:</b> RAF, ICAAP and stress testing</li> <li>Definition of the carbon neutrality path and portfolio alignment</li> </ul>	<ul style="list-style-type: none"> <li>Development of <b>ESG financing products</b> for customers</li> <li>Expansion of <b>ESG asset management lines</b></li> <li>Development of a <b>process digitisation</b> programme for customers</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of analyses concerning <b>indirect emissions</b> (Scope 3)</li> <li>Strengthening of the <b>ESG communication strategy</b></li> </ul>
BY 2023	<ul style="list-style-type: none"> <li>Introduction of <b>ESG objectives</b> in remuneration policies</li> <li><b>Sustainable mobility operational plan</b></li> <li>Operational plan on <b>Diversity and Inclusion</b></li> <li>Launch of the <b>women leadership</b> programme</li> </ul>	<ul style="list-style-type: none"> <li>Participation in initiatives dedicated to ESG topics:                             <ul style="list-style-type: none"> <li>– <b>UN PRB</b></li> <li>– <b>Net-Zero Banking Alliance</b></li> <li>– <b>TCFD</b></li> <li>– <b>Valore D</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Definition of <b>responsible investment guidelines</b></li> <li>Increase of the <b>target on the ESG segment</b> of the proprietary portfolio</li> <li>Definition of the <b>giving strategy:</b> <ul style="list-style-type: none"> <li>– sponsorships</li> <li>– donations</li> </ul> </li> <li><b>ESG ratings for suppliers</b></li> </ul>	<ul style="list-style-type: none"> <li>Integration of the <b>Green Bond Framework</b> for the structuring of new ESG Bonds</li> <li>Integration of <b>counterparties' ESG Score</b> with Taxonomy-alignment</li> <li>Development of <b>Taxonomy-aligned</b> products</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of the analyses of the environmental performance of <b>real estate assets</b></li> <li><b>ESG brand identity</b></li> </ul>
BY 2024			<ul style="list-style-type: none"> <li><b>ISO 14001</b> Environmental Management System</li> </ul>		
Continuous path		<ul style="list-style-type: none"> <li>Improvement of <b>ESG rating &amp; scoring</b> to best-in-class levels</li> <li>Intensification of the dialogue with the <b>most deserving providers</b></li> </ul>			<ul style="list-style-type: none"> <li>Evolution of the contents of the NFS as regards the <b>Corporate Sustainability Reporting Directive and the new reporting standards</b></li> <li>Integration of the NFS with the <b>TCFD recommendations</b></li> </ul>

# Sustainability as an enabling factor of the strategic plan



## Development of the Bank with a SUSTAINABILITY focus



## The United Nations Global Compact underlies our strategy

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

The Bank has adhered to these principles since 2004 and in 2018, it also joined the Italian network (Global Compact Network Italia) as a founding member.

Every year, BPS confirms its support for the United Nations Global Compact by publishing its Communication on Progress (COP), also included at the end of this document.

- 1 Businesses should support and respect the protection of internationally proclaimed human rights
- 2 Make sure that they are not complicit in human rights abuses
- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- 4 The elimination of all forms of forced and compulsory labour
- 5 The effective abolition of child labour
- 6 The elimination of discrimination in respect of employment and occupation.
- 7 Businesses should support a precautionary approach to environmental challenges
- 8 Undertake initiatives to promote greater environmental responsibility;
- 9 Encourage the development and diffusion of environmentally friendly technologies.
- 10 Businesses should work against corruption in all its forms, including extortion and bribery



HUMAN  
RIGHTS



LABOUR



ENVIRONMENT



ANTI-  
CORRUPTION



# An overview of the market from the Letter to Shareholders and Friends dated 1 January 2023

*The shadow of the Russia-Ukraine conflict has caused upheaval in our collective lives, leading to a serious geopolitical risk and a period of instability unparalleled in contemporary history.*

*After a positive start to the year, the economy of the United States has marked time. China's GDP has increased less than expected: the government imposed draconian anti-Covid measures in addition to the rationing of electricity.*

*The European economy, characterised by a rather limited growth, suffered enormously from the cut in gas and oil supplies following the system of sanctions imposed on Russia, with disruptive effects on energy costs. The galloping inflation led the European Central Bank to attempt to rein in the situation by raising interest rates, through successive increases in July, September, October and December, with the main rate rising to 2.5%, that on deposits to 2% and that on marginal loans to 2.75%.*

*The Italian economy was also strongly marked by the sharp rise in raw materials. Energy in particular, showed some resilience, with a 3.9% increase in GDP. Despite the well-known challenges faced by energy-intensive sectors, the industrial segment held up for the most part. Tourism, on the other hand, which drives a good supply chain, recorded a real boom, also due to the arrival of a large number foreigners.*

*As the year drew to a close, the economic situation became more unfavourable, with a strong negative impact on in the less well-off population and on some businesses, with respect to whom the Government is committed to finding support measures.*

*Consumption has gradually contracted, both due to the decreased spending capacity of households, as well as to the growing uncertainty about the future, which has a significant impact on the propensity to purchase.*

*In a rather complex context, characterised by constantly changing dynamics, the Bank continued to steer a straight course, operating with its usual intensity and with breadth of scope, thanks to the contribution of the BPS (SUISSE) SA, Factorit SpA and Banca della Nuova Terra SpA subsidiaries, which closed the year with positive results.*

*The solidity of the Group is in the numbers. While waiting to finalise the accounts as at 31 December 2022, we can anticipate that the results are good, in line with the Business Plan forecasts. These are the result of the commitment of our employee base who, with great dedication, have once again demonstrated their ability to work as a team, taking the guidelines and the careful decisions made by the Management team and putting them into action.*

*As far as capitalisation is concerned, our Bank can boast values at the very top of the system. In fact, as at 30 September 2022 the Cet 1 Ratio and the Tier 1 Ratio were equal to 15.4%, while the Total Capital Ratio stood at 18%.*

The results are good, in line with the Business Plan forecasts

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







## NPLs – Non-performing loans

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

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







As part of a broader programme of measures for non-performing loans and in line with the derisking and asset quality improvement strategy, on 29 December 2022, Banca Popolare di Sondrio concluded, together with 14 other participating institutions, the multi-originator securitisation of bad loans named “LUZZATTI POP NPLS 2022”, for a total gross book value of €545 million. Specifically, the Bank sold, with an economic effect as of 1 January 2022, a portfolio of bad loans with a gross value of €242.5 million to the “Luzzatti POP NPLS 2022 S.r.l.” securitisation vehicle.

Following the deconsolidation of the portfolio, in line with the provisions of the Business Plan, the Group's gross NPL ratio, equal to 5.2% as at 30 September 2022, stood at 4.3% at the end of the year, mainly thanks to the sale transaction.

Outstanding  
services

## Competitive multi-functionality, thanks to internal product factories

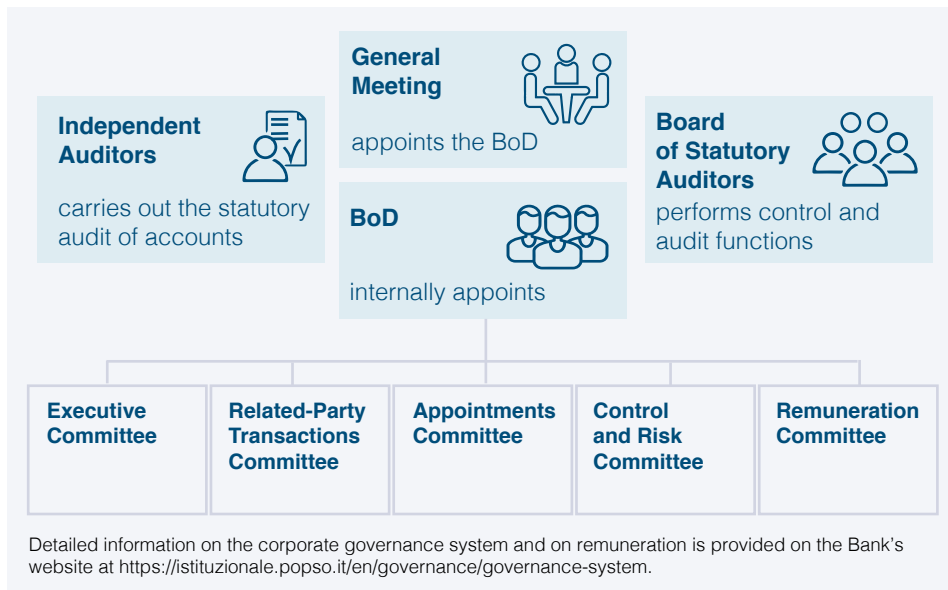
 **Banca Popolare di Sondrio** FONDATA NEL 1871

Factoring	Salary/pension-backed loans	Asset Management	Insurance
			
100%	100%	34.7%	14.8%
Leasing	Mobility services	Trust services	
			
19.3%	100%	24%	



## Governance

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



GRI 2-11

GRI 2-9a

The Board of Directors consists of 15 members elected by the Ordinary General Meeting and one third are renewed every year, allowing for generational turnover and adequate diversity in terms of both age and term of office, thereby helping to ensure a variety of approaches and perspectives.

GRI 2-10

The Articles of Association regulate the appointment of Directors through the list voting mechanism. The Board of Directors and the shareholders who alone or jointly represent at least 1% of the share capital can submit a list. For more information, please refer to the "Report on corporate governance and ownership structure drawn up pursuant to Article 123 bis of the Italian Consolidated Law on Finance (TUF)", available on the corporate website at <https://istituzionale.popso.it/en/governance/corporate-governance-reports>.

The Board of Directors undergoes an annual self-assessment to evaluate its adequate composition and its proper and effective functioning. The process, which involves the Board as a whole and its internal Committees is specifically designed to:

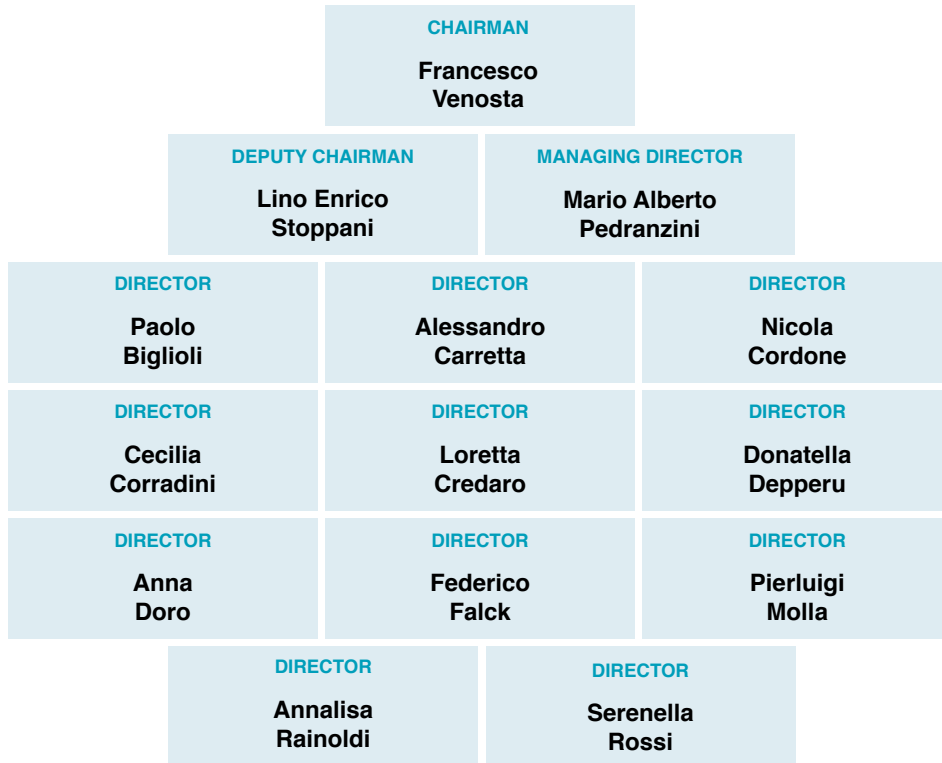
- identify the main weaknesses in the Board functioning, promote discussion and determine corrective actions;
- promote updating of the internal regulations governing the Board functioning in light of developments in the Company's business and operating environment;
- stimulate the active participation of individual Directors and foster full awareness of their role and responsibilities;



GRI 2-10	<ul style="list-style-type: none"> <li>■ ensure compliance with the applicable supervisory provisions on corporate governance;</li> <li>■ strengthen trust and cooperation between Directors, while respecting individual roles.</li> </ul> <p>The Board of Directors also drafts the “Optimal Qualitative and Quantitative Composition of the Board of Directors of Banca Popolare di Sondrio SpA” document, which is promptly made available to stakeholders so that they can consider the required professionalism and characteristics when choosing candidates for the appointment of the Board of Directors. For more information, please refer to the aforementioned document, which can be found on the corporate website at <a href="https://istituzionale.popso.it/en/investor-relations/shareholders-meeting">https://istituzionale.popso.it/en/investor-relations/shareholders-meeting</a>.</p> <p>Supervisory regulations stipulate that the composition of corporate bodies must reflect an appropriate degree of diversification in terms of, among other things, skills, experience, age, gender and international outlook. Article 11 of Decree no. 169 of the Italian Ministry of Economy and Finance dated 23 November 2020 states that:</p> <p><b>“the composition of the management and control bodies must be adequately diversified so as to: encourage debate and dialogue within the bodies; foster the emergence of a variety of approaches and perspectives when analysing issues and making decisions; effectively support the corporate processes of strategy formulation, business and risk management, and control over the work of senior management; take into account the multiple interests that contribute to the sound and prudent management of the bank”.</b></p>
GRI 2-10	<p>In implementing current regulations, BPS adopts its own “Regulation on diversity in the composition of the Board of Directors and the Board of Statutory Auditors of Banca Popolare di Sondrio”.</p> <p>Without prejudice to the need for the activity of all directors to be characterised by independent judgement, 7 Directors meet the independence requirements set out by Article 148 of Italian Legislative Decree 58/98 (Consolidated Law on Finance) and by the Decree of the Italian Ministry of Economy and Finance no. 169/2020. In this regard, it should be noted that, pursuant to the current “Supervisory Provisions for Banks” issued by the Bank of Italy (Circular no. 285 of 17 December 2013 and subsequent amendments), at least a quarter of the members of the Board of Directors must meet these requirements. In the case of Boards of Directors made up of 15 members, as is the case for Banca Popolare di Sondrio, this number is equal to 4.</p>
GRI 2-15	<p>Information on how to manage conflicts of interest can be found on the corporate website at <a href="https://istituzionale.popso.it/en/governance/corporate-governance-reports">https://istituzionale.popso.it/en/governance/corporate-governance-reports</a>.</p>



**BoD**



One third of Board members are renewed annually





GRI  
2-9c**BPS governance structure and composition**

	Number			Percentage		
	Women	Men	Total	Women	Men	Total
<b>Total members</b>	<b>6</b>	<b>8</b>	<b>14</b>	<b>43%</b>	<b>57%</b>	<b>100.00%</b>
Non-executive members	4	5	9	29%	36%	65%
Executive members	2	3	5	14%	21%	35%
Members with independence requirement	3	4	7	21%	29%	50.00%
Members who belong to underrepresented social groups (minority directors)	0	1	1	0%	7%	7%
Members with expertise related to ESG topics (self-assessment)	4	7	11	36%	64%	100%

For information relating to the roles/responsibilities and to other functions held by Board members, please refer to the “Report on corporate governance and ownership structure drawn up pursuant to Article 123 bis of the Italian Consolidated Law on Finance (TUF)”, available on the corporate website at <https://istituzionale.popso.it/en/governance/corporate-governance-reports>.

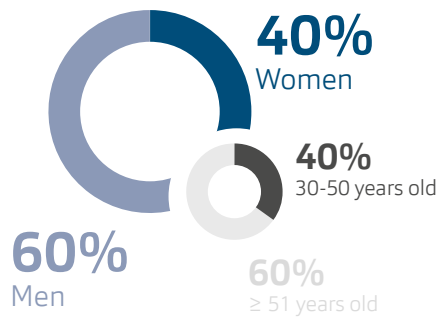
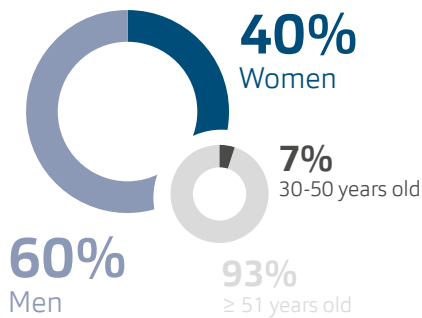
GRI  
405-1**Diversity in the Group’s governing bodies**

Composition of the Group’s BoD	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total BoD members (number)	8	21	29	7	25	32	7	25	32
Total BoD members (%)	28%	72%	100%	22%	78%	100%	22%	78%	100%
<= 29 years old (number)	0	0	0	0	0	0	0	0	0
<= 29 years old (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
30-50 years old (number)	1	0	1	1	0	1	1	0	1
30-50 years old (%)	3%	0%	3%	3%	0%	3%	3%	0%	3%
>= 51 years old (number)	7	21	28	6	25	31	6	25	31
>= 51 years old (%)	24%	73%	97%	19%	78%	97%	19%	78%	97%

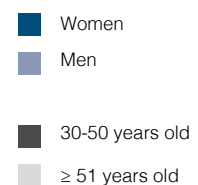
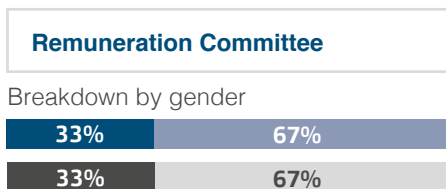
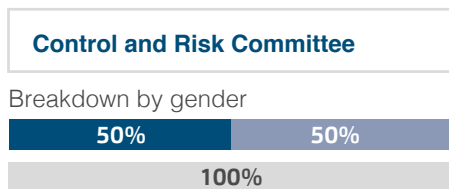
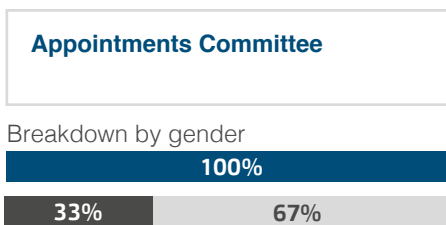
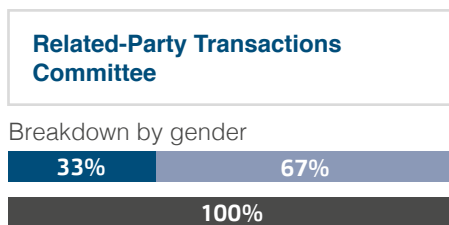
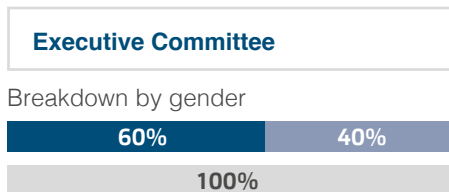
Unlike in previous years, all Directors are included in the calculation regardless of their presence on various Group’s BoD; the data for 2020 and 2021 shown here has been updated to apply the same calculation parameters.



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



Committee members are appointed annually by the Board of Directors, normally during the first meeting following the renewal of the Board pursuant to Article 34 of the Articles of Association, and remain in office until the new appointment resolution



Data as at 17 March 2022



Banca Popolare di Sondrio has implemented an ESG governance framework

## Sustainability governance





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

GRI  
2-13

With a view to increasingly integrating sustainability into its business, Banca Popolare di Sondrio has implemented an ESG governance system that provides for the interaction of different bodies devoted to overseeing and managing these issues and their impacts. Within the 2022-2025 Business Plan, in fact, additional interventions aimed at strengthening the governance are envisaged, for an increased engagement of the Board of Directors and the integration of the control system to ensure the effective implementation of ESG guidelines.

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





Corporate body	Roles and responsibilities	Composition
 <p><b>Board of Directors (BoD)</b></p>	<ul style="list-style-type: none"> <li>• Defines Group-wide guidelines, targets and strategies on sustainability issues (Business Plan);</li> <li>• Ensures that ESG risks are integrated into business strategies, governance, processes, procedures and the control system;</li> <li>• Approves the Consolidated Non-Financial Statement (NFS) and the main policies falling within their competence;</li> <li>• Approves the Risk Appetite Framework and the risk governance policies, integrating them with ESG issues as appropriate and, in particular, climate and environmental risks;</li> <li>• Carries out training and continuous updating on ESG topics and the risks connected to them, with particular attention to climate and environmental risks and with the aim of monitoring and gradually increasing its expertise;</li> <li>• Supervises the correct handling of these issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman</li> <li>• Deputy Chairman</li> <li>• Managing Director</li> <li>• Directors</li> </ul>
 <p><b>Board of Statutory Auditors</b></p>	<ul style="list-style-type: none"> <li>• Oversees compliance with the legal requirements for drawing up the NFS;</li> <li>• Monitors the adequacy of the procedures and processes governing the drafting of the NFS.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Statutory Auditors</li> <li>• Auditors</li> <li>• Alternate Auditors</li> </ul>

Directors participate in the meetings of the Sustainability Committee, thus contributing to ensuring the alignment of Directors on the progress achieved by the Group






The Sustainability Committee makes it possible to link management decisions with the actual operations of the Group

Corporate body	Roles and responsibilities	Composition
 <p><b>Sustainability Committee</b></p>	<ul style="list-style-type: none"> <li>Periodically reviews regulatory developments, standards and relevant national and international practices on ESG topics;</li> <li>Supports and makes proposals to the Board of Directors, introducing and amending relevant internal regulations and turning guidelines into concrete initiatives, for which it also defines operational plans and monitors actual implementation;</li> <li>Contributes to the coordination of organisational structures and subsidiaries in order to comply with the sustainability guidelines established by the Board of Directors and implemented in strategic planning as applicable from time to time;</li> <li>Coordinates activities aimed at identifying potentially relevant sustainability issues and updating the materiality matrix; it also examines the NFS, making relevant comments and suggestions;</li> <li>Oversees transactions with debt instruments whose issuance is related to Group activities in the field of sustainability;</li> <li>Coordinates and monitors interface activities with relevant stakeholders and <i>disclosure actions</i>;</li> <li>Informs the Board of Directors about the work carried out at each meeting (at least quarterly) by providing minutes and working documents;</li> <li>Delegate the Head of the Sustainability Office to periodically report to the Board of Directors, at least every six months, on all the activities carried out and, if necessary, providing support to the Chief Financial Officer, as part of the recurring reports on the implementation of the Business Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Managing Director</li> <li>General Manager</li> <li>Chief Financial Officer (CFO)</li> <li>Chief Commercial Officer (CCO)</li> <li>Chief Lending Officer (CLO)</li> <li>Chief Risk Officer (CRO)</li> <li>Chief Information and Operations Officer (CIOO)</li> <li>Head of Logistics and Operational Support Service</li> <li>Head of Staff and Organisational Models Service</li> <li>Head of the Planning, Investor Relations and Management Control Service</li> <li>Head of the Sustainability Office</li> </ul>
 <p><b>Control and Risk Committee</b></p>	<p>In line with its mandate, it assists the Board of Directors with regard to ESG factors and associated risks:</p> <ul style="list-style-type: none"> <li>In determining the guidelines of the internal control and ESG risk management system;</li> <li>In periodically reviewing the adequacy of this system with respect to the Bank's characteristics and risk profile, as well as its effective functioning;</li> <li>In examining the contents of the NFS, for preliminary investigation purposes with respect to the subsequent examination of the same by the BoD.</li> </ul>	<ul style="list-style-type: none"> <li>Non-executive and mostly independent directors</li> </ul>

GRI  
2-12, 2-13, 2-14



Corporate body	Roles and responsibilities	Composition
 <p data-bbox="175 570 318 619"><b>Sustainability Office</b></p>	<ul style="list-style-type: none"> <li>• Constantly monitors national and international regulations, standards and practices on sustainability issues;</li> <li>• Supports and coordinates the central and peripheral structures, as well as the subsidiaries in understanding and addressing sustainability factors and interfacing with relevant stakeholders;</li> <li>• Drafts the NFS and coordinates the related activities;</li> <li>• For the parts falling under its expertise, carries out communication activities with the Supervisory Authorities, in particular by supporting the Risk Control Service in relation to climate and environmental risk issues;</li> <li>• Manages dialogue with ESG rating agencies, handles questionnaire completion and monitors Group-wide ratings;</li> <li>• Supports and coordinates the drafting of Group guidelines, targets and strategies on sustainability issues (Business Plan);</li> <li>• Supports the Sustainability Committee:             <ol style="list-style-type: none"> <li>i. in identifying the initiatives to be implemented;</li> <li>ii. in the promotion and management of the ESG and sustainability strategy;</li> <li>iii. in the operational management of ESG topics, in line with what is defined in the Business Plan;</li> <li>iv. in the periodic monitoring and reporting of the initiatives.</li> </ol> </li> <li>• Promotes external and internal communication on ESG topics, promoting the dissemination of the culture of sustainability among colleagues, customers and all stakeholders;</li> <li>• Defines, in agreement with the Staff Office, the training plans for the Board of Directors, the management and Group personnel, aimed at guaranteeing adequate dissemination and awareness of ESG topics, the risks connected to them, with particular attention to climate and environmental risks;</li> <li>• Through the Head of the Office and providing support to the Chief Financial Officer, periodically reports to the Board of Directors, at least every six months, on all the activities carried out and, if necessary, as part of the recurring reports on the implementation of the Business Plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Head of the Sustainability Office</li> <li>• Resources with diverse skills</li> </ul>

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



Corporate body	Roles and responsibilities	Composition
 <p><b>Operational ESG Contact Persons</b></p>	<p>Appointed for each of the subsidiaries and for each of the main business areas of the Parent Company:</p> <ul style="list-style-type: none"> <li>• Are reference figures for the dissemination of a culture of sustainability;</li> <li>• Adapt ESG factors with respect to the specific activities under their responsibility, identifying projects and seizing business opportunities;</li> <li>• Favour the circulation of information, the coordination of activities and their sharing, making it possible to increase the effectiveness of interaction between business functions and to direct internal operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Resources with diverse skills</li> </ul>
 <p><b>Mobility Manager</b></p>	<ul style="list-style-type: none"> <li>• Provides ongoing support for decision-making, planning, scheduling, management and promotion of optimal solutions for the sustainable mobility of Group employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Head of the Supply Office</li> </ul>



Photo by: **Paolo Sertorelli**, Planning and Investor Relations Office

Further information on the gender and age composition of ESG governance bodies is provided below:

	Women	Men	Total
Board Level	7	12	<b>19</b>
Management Level*	4	12	<b>16</b>
Operational Level	8	7	<b>15</b>

	≤ 29 years old	30-50 years old	≥ 51 years old	Total
Board Level	0	3	16	<b>19</b>
Management Level*	0	1	15	<b>16</b>
Operational Level	4	9	2	<b>15</b>

\* Including the Mobility Manager and the Members of the Sustainability and Control and Risk Committees.

Reflecting the increasing importance of ESG-inspired corporate governance, in 2021 the Bank set up a new organizational unit, the Sustainability Office, within the Planning, Investor Relations and Management Control Service (Chief Financial Officer area).

In addition to the above-mentioned structures, in order to improve understanding and adoption of the relevant sustainability factors with respect to the Group's activities, "ESG Contact Persons" have been appointed for each of the subsidiaries and, within Banca Popolare di Sondrio, for each of the main business areas.

Business area	Role
Credit Service	Periodically, at least once a month, a meeting is organised between the ESG Contact Persons and the Sustainability Office with the aim of facilitating an exchange of information between the various structures, providing updates on the activities carried out by the individual office and collaborating on specific initiatives (e.g. assessment of the impacts associated with topics relevant to the NFS).
Finance Service	
Commercial Service	
Logistics and Operational Support Service	
International Service	
Staff and Organisational Models Service	
Risk Control Service	
Compliance and DPO Function	
Internal Audit Service	
Administration and General Accounting Service	
IT Service	
BPS (SUISSE) SA Subsidiary	
Factorit Subsidiary	
BNT Subsidiary	





## ESG Committee of the Swiss bank

The identification of contact persons with regard to the operational management of ESG-related activities promotes the circulation of information and the coordination and sharing of activities, thereby increasing the effectiveness of the interaction between the functions and helping to direct the internal operations of the Bank towards the Sustainability guidelines defined in the strategic planning.

The focus on managing sustainability issues was also confirmed by the role of the Mobility Manager in the Supply Office, which is part of the Logistics and Operational Support Service. This figure provides ongoing support for decision-making, planning, scheduling, management and promotion of optimal solutions for sustainable mobility.

### BPS (SUISSE) SA: ESG governance

The Swiss bank set up an ESG Committee to specifically deal with sustainable investment issues.

The main tasks of this body are as follows:

- following ESG regulation and trends in the asset management industry;
- formulating proposals for working methodologies, rules and sustainability parameters to be integrated into the various stages of the investment process;
- discussing ESG investment ideas for consideration by the Investment Committee;
- reporting to the Executive Board on the status of the implementation of sustainability policies in investments;
- drawing up a document once a year, called the “ESG Investment

Newsletter”, which aims to inform people inside and outside the bank about its positioning with respect to sustainable investment.

An ESG team has also been set up within the Investments department dedicated to studying the issue in all its aspects and particularly focused on product innovation and investment processes.

Two working groups were created in June 2022: the Credit Working Group which deals with credit-side regulatory changes and mortgage advice (e.g. impact of the SBA legislation on mortgages) and the Investment Working Group which evaluates the ESG aspects that can be implemented on managed products (provision of ESG data).



## ESG training

The Board of Directors is involved in training and continuous updating activities on ESG topics and the risks connected to them, with particular attention to climate and environmental risks, with the aim of monitoring and gradually increasing its expertise.

Sustainability Policy

In order to facilitate the fulfilment of these important steering and control tasks, a training programme was developed for the Board of Directors and members of the Sustainability Committee.

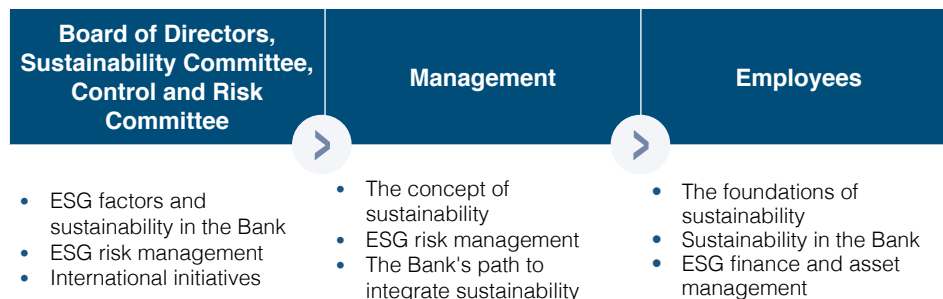
October 2021 saw the delivery of the first training module by the Sustainability Office, covering non-financial reporting standards, the main stages of sustainability integration, with a review of national and international initiatives, and an in-depth analysis of the connections between materiality and the UN Sustainable Development Goals (SDGs).

In 2022, training focused on the issue of ESG risk management and, in particular, on the reference regulatory framework, on the process of aligning the Bank with the expectations of the Regulator, on the collection, management and use of ESG information and on the positioning of the European banking market.

Alongside the training dedicated to the Governing Bodies, a training plan dedicated to management and all Group employees was developed, with the aim of promoting greater awareness and dissemination of ESG topics among all stakeholders.

In particular, the first part of the training provided an introduction to the basic notions of sustainability, explaining how it can be measured, showing how the Bank reports through the NFS, while the second part clarified the concept of sustainable finance, analysing ESG products and services and examining how BPS is integrating ESG factors into its business.

Some examples of courses relating to sustainability are provided below.



The 2022-2025 Business Plan provides for continuous ESG training, from 1 to 3 hours per year per employee



## The internal control system

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

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

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

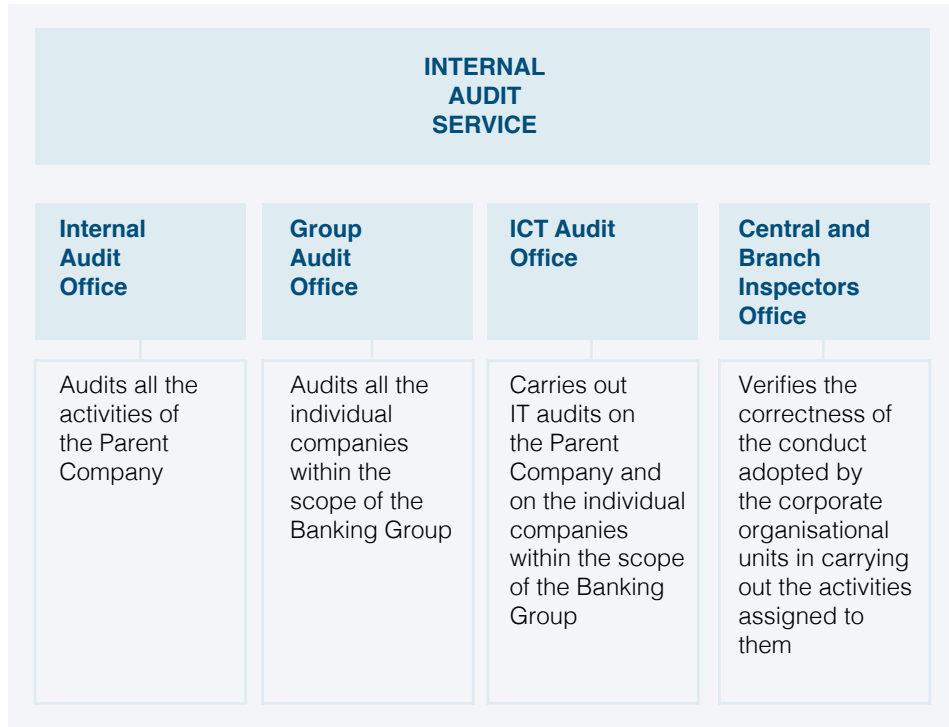
- **proportional approach** to applying regulations according to dimensional and operational characteristics;
- **gradual transition** to progressively more advanced methodologies and processes for measuring risks and the resulting assets available;
- **consistency** in defining the approaches used by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

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

Specifically, in accordance with the supervisory instructions, the following control lines have been identified:

- **First-level controls:** they consist of procedural, IT and behavioural checks to allow operations to run smoothly. The central services, offices and local branches are responsible for the effective implementation of the controls and their adequacy;
- **Second-level controls:** they consist of risk and compliance controls, the aim of which is to ensure, among other things, the proper implementation of the risk management process, consistency of the operations of individual business areas with risk-return objectives and current and prospective capital adequacy. These controls are performed by the Chief Risk Officer, the Compliance and DPO Function, the Financial Reporting Officer and the Anti-Money Laundering Function;
- **Third-level controls:** they consist of the activities carried out by the Internal Audit Service, aimed at verifying, including through on-site inspections, the regular performance of operations and the evolution of risks, as well as the assessment of the adequacy and functionality of the organisational structure and components of the internal control system, bringing possible improvements to the attention of corporate bodies.







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

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

The Group has adopted an Organisation and Management Model, pursuant to Italian Legislative Decree 231/2001 (hereinafter also referred to as the “OMM” or the “Model”), concerning the administrative liability of bodies, companies and associations. The recipients of the OMM are: the members of the Board of Directors, of the Board of Statutory Auditors and of the Supervisory Body, employees, collaborators and the auditing firm.

The Supervisory Body is currently revising and updating the Organisation, management and control model pursuant to Italian Legislative Decree 231/2001. This, primarily in order to incorporate the extension of the list of offences provided for in the Decree and to introduce ad hoc protocols relating to corporate activities “at risk of constituting an offence” containing the description of the procedures, the predicate offences, the activities at risk, the tools to protect against the risk of offence and the information flows to the Supervisory Body, to which a specific attachment is also dedicated. It should be noted that the planned revisions include the introduction of a specific paragraph dedicated to the NFS.

The Code of Ethics has been revised in order to introduce references to international principles and good practices on the subject of sustainability, the environment, diversity and inclusion, in line with the provisions of the internal Policies. These changes were approved by the Board of Directors on 31 March 2023.

The purpose of the Model is to set up a structured and organic system of procedures and control activities (ex ante and ex post) for the prevention and conscious management of the risk of offences being committed through the identification of sensitive processes and their subsequent formalisation.

The adoption of ethical principles relevant to the prevention of offences pursuant to Italian Legislative Decree 231/2001 is an essential element of the preventive control environment, elements defined in the Code of Ethics. This document outlines the Bank’s rights, duties and responsibilities towards all stakeholders (employees, suppliers, Public Administration, shareholders, the financial market, etc.) and is intended to recommend, promote or prohibit certain behaviours, while also providing for penalties proportionate to the seriousness of any breaches committed. To this end, the Bank has prepared a special form to be submitted for acceptance to third parties, requiring them to adopt conduct in line with that adopted by the Bank, stipulating, inter alia, that any violations of the Code of Ethics constitute just cause for termination of the contract.

Pursuant to Italian Legislative Decree 231/2001, the task of supervising the operation of and compliance with the Model, as well as the updating of the same, has been assigned to a body with independent powers of initiative and control. In particular, the Board of Directors established the Supervisory Body (hereinafter also referred to as the “SB”), responsible for monitoring the actual implementation of the organisational model, made up of a Chairman and the pro tempore managers of the Compliance Function, Internal Audit, and Legal and Regulatory Office.

From a Group standpoint, without prejudice to the fact that each company is required to independently carry out the activity of preparing, implementing and revising its own organisational model, the Bank, in its capacity as Parent Company, recommends the adoption and effective implementation by all companies of their own organisational, management and control models pursuant to Italian Legislative Decree 231/2001, which must not be incompatible or conflicting with the guidelines received.

More information on the Organisation, management and control model pursuant to Italian Legislative Decree 231/2001 can be found on the Bank’s website at <https://istituzionale.popso.it/en/governance/corporate-governance-reports>.



### Whistleblowing procedure

In order to strengthen the culture of correctness and compliance with the rules within the entire corporate structure and in compliance with the Supervisory Provisions, the Bank has implemented a system for reporting violations (whistleblowing) through which employees can report crimes, possible fraud, offences or any irregular conduct of which they have become aware in relation to their respective business operations and which, in a broad sense, may constitute a violation of the rules governing the banking activity.

The various objectives of the whistleblowing procedure are:

- preventing risks related to any act or fact prejudicial to the Bank, its employees, its customers, its shareholders and in any case to any other stakeholder and, consequently, to the collective public interest;
- making personnel and other interested parties aware of reporting the aforementioned events;

- promoting an organisational culture of trust, transparency and responsibility, which helps prevent the aforementioned unlawful conduct.

The communication channel adopted ensures the necessary privacy and confidentiality of the information received both in relation to the reporting party and the reported party, in compliance with the envisaged regulatory standards. In the event of a report concerning anti-money laundering legislation, anonymity is, in any case, guaranteed.

As part of the application of the Regulatory Provisions, a policy on internal reporting of violations has been prepared, extended to Banking Group companies operating in Italy, which must have whistleblowing systems in place in relation to the relevant regulations. The individual identified as the Head of the Internal Reporting System valid for all target companies is the pro tempore Head of the Compliance Function.

Training on the subject is compulsory and is provided through classroom and multimedia courses.

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

In 2022, with reference to the three-year 2022-2024 Internal Audit Plan approved by the BoD on 28/02/2022, no ad hoc checks were carried out on the process of drafting the Non-Financial Statement, but attention has been paid to some relevant areas contained therein.

In particular, an audit of the "ESG Framework" was completed with a view to assessing the extent to which the Bank is committed and able to manage and monitor climate and environmental risks – of the broader ESG risks category –, assessing the implications in terms of internal policies and procedures, as well as the internal control system adopted.

## Reporting system

## Third-level controls on the ESG framework



### Activities carried out by the Compliance Function in relation to the management of regulatory obligations and compliance

During 2022, the Function conducted a series of activities related to ESG topics, in particular:

- verification relating to ensuring regulatory compliance with the MiFID II and IDD regulations on sustainable finance;
- ESG Risk Assessment pursuant to Regulation (EU) 2019/2088;
- verification relating to the management of regulatory obligations and compliance regarding the Non-Financial Statement;
- verification relating to the management of regulatory obligations and compliance regarding product oversight and governance arrangements in the distribution of protection insurance products – non IBIPs

Moreover, the Function conducted assessments, in terms of regulatory compliance, primarily with reference to the drafting of the Guidelines on Diversity and Inclusion, the ESG Credit Policy and pertaining to the updates of the pre-contractual disclosures (MiFID – ESG) and the ESG management guidelines.

As part of the analysis of new projects, the existence, correctness and adequacy of the organisational procedures and systems adopted for the prevention of non-compliance risks regarding “ESG credits” aimed at businesses and consumers were ascertained.



## The values of BPS

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

Code of Ethics





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

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

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





# Mission and Values

FOCUS ON INDIVIDUALS AND ON COMMUNITIES

CLOSENESS TO HOUSEHOLDS AND SMES

SUSTAINABLE SOCIAL AND ECONOMIC DEVELOPMENT OF THE AREAS WHERE IT OPERATES

SOLIDARITY

RIGOUR

SUPPORT

INNOVATION AND TECHNOLOGY

AVAILABILITY

TRANSPARENCY

RELIABILITY

## Sustainability Policy

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

In order to define a clear strategic direction towards sustainable development, which can guide not only the Group's operations, but also the actors of its value chain, the Policy identifies the relevant regulations and principles and establishes the SDGs that are specifically endorsed by the Group.

Moreover, the document defines the roles and responsibilities at the Group level with regard to sustainability topics and identifies the areas on the basis of which the sustainability strategy is defined and subsequently updated:





## The value of participating

“The new agenda is a promise by leaders to all people everywhere. It is an agenda for people, to end poverty in all its forms – an agenda for the planet, our common home.”

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



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

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

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





MUTUALITY  
ETHICS  
RECIPROACITY

## The commitment of the Banca Popolare di Sondrio Group

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

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



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



**“I call on you – individually through your firms, and collectively through your business associations – to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices.”**

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

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

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

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

The Ten Principles of the Global Compact have always guided Banca Popolare di Sondrio's strategy and corporate culture, as well as its daily banking and financial activities. Therefore, our Bank, as it does every year, confirmed its support for the UN Global Compact and reaffirmed its commitment to corporate sustainability by publishing the Communication on Progress (COP).

The document, annexed to this NFS, can also be consulted online on the Bank's website at the following link: <https://istituzionale.popso.it/en/sustainability/our-commitment>.

In 2022, Banca Popolare di Sondrio participated in two training courses organised by UNGCN Italy, namely:

- **Climate ambition accelerator**, a programme for companies adhering to the Global Compact developed by UNGC and implemented through Local Networks focused on Science-based Targets;
- **Target gender equality accelerator**, a plan for companies adhering to the Global Compact developed by UNGC and implemented through Local Networks, focused on the concrete implementation of the Women's Empowerment Principles on gender equality.



## ESG ratings/scoring

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

To illustrate the Group's commitment to sustainability, we report the initiatives (so-called solicited rating) in which Banca Popolare di Sondrio has decided to participate in 2022:



**CDP** is an international not-for-profit organisation that directs companies and governments to reduce their greenhouse gas emissions, conserve water resources and protect forests. It is considered the leading provider of climate reporting data, working with institutional investors whose total assets amount to approximately \$110 trillion.

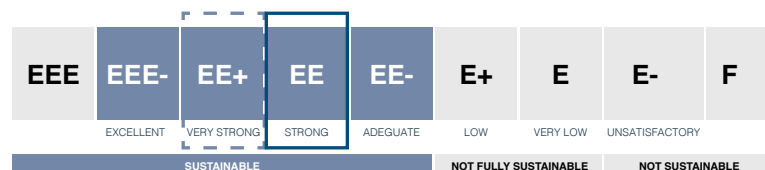
In 2022, more than 18,600 companies disclosed their environmental impact through CDP. Banca Popolare di Sondrio has been participating in the initiative since 2020, through the completion of the CDP's Climate Change Questionnaire, demonstrating transparency and awareness, indispensable characteristics to embark on the path towards a prosperous and sustainable future. In 2022, the Bank achieved a score of C.



The **sustainability rating** assigned by the independent agency **Standard Ethics** is a summary assessment of the level of compliance with international sustainability guidelines set by some of the major international institutions (European Union, United Nations, OECD). On 9 March 2021, Banca Popolare di Sondrio was, for the first time, assigned a solicited rating of EE, certifying its strong level of compliance.

On 14 March 2022, Standard Ethics, at the end of its annual rating review process, raised the Bank's long-term sustainability rating to EE+ (from EE stable) while confirming the corporate rating at EE. In its final report, the agency states that Banca Popolare di Sondrio "has recently completed its transformation from a 'cooperative joint-stock company' to a 'joint-stock company'. It is the opinion of Standard Ethics analysts that the rich experience acquired thanks to the tradition of cooperative banks will be kept alive and will keep the Bank close to the areas where its stakeholders live and operate, and their culture. The transition has been prudently managed [...]"

The agency's analysts also note that during 2021 and early 2022, the Bank implemented several measures that keep it aligned with international sustainability guidelines and the latest social and environmental targets.



### **BPS and the Italian Banking Association (ABI)**

In 2022, Banca Popolare di Sondrio once again actively participated in the specific Working Groups (so-called WGs) promoted by the Italian Banking Association (ABI) and in particular:

- the “Bank, environment and climate change” working group, in which European consultations and emerging regulations are analysed and best practices regarding the issue of climate change are shared;
- the “Social sustainability” working group dealing with the theme of social taxonomy and other related topics;
- the “Sustainability Reporting” working group, which examines NFS-related aspects;
- the “Sustainability” working group, where all the other issues related to ESG topics are addressed such as, for example, Taxonomy.

In general, the association promotes knowledge sharing activities within the banking sector, enabling synergies among its actors, including through training courses and other events or activities. As far as environmental aspects are concerned, the Italian Banking Association also supports banks in the dissemination of data, providing indications and clarifications on the matter. In addition, ABI is focused on promoting a harmonised regulatory framework through direct dialogue with the institutions.

In this context, the Bank plays an active role, also thanks to the participation of Mario Alberto Pedranzini, the Bank’s Managing Director and General Manager, in the Board of ABI since 2004, as well as in the Executive Committee since 2014 and in the Presidential Committee since 2018.

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

**CEPS:** (Centre for European Policy Studies): cost-benefit analysis carried out by a consortium composed of CEPS and Milieu Consulting on behalf of the European Financial Reporting Advisory Group (EFRAG).

The questionnaires aimed to evaluate the positive and negative impacts deriving from the application of the European Sustainability Reporting Standards (ESRS).

**“ABI BusinEsSG” 2022:** structured analysis of the content and methodologies adopted for reporting for the year 2021, with particular attention to the new regulatory

requirements at a national and international level. The areas covered by the research concerned: the reporting methodology, the materiality analysis, the sustainability strategy and governance, the risks connected to ESG factors and the disclosure based on the European Taxonomy.

**ESMA** (European Securities and Markets Authority): questionnaire carried out by ESMA to develop an overview of the size, structure, resources, revenues and product offering of the different ESG rating providers operating in the EU.



## The context of sustainable finance

EU's ambitious financial services policy agenda had to adapt rather quickly to the Russian invasion of Ukraine, which ended decades of peace on the continent and created new disruptions in global markets. Nonetheless, the war and its economic fallout have stressed the importance of key European political objectives, such as strategic autonomy, the green energy transition and overcoming regulatory fragmentation.

In recent years, and in particular since the adoption of the 2030 Agenda and the signing of the Paris Agreement in 2015, the integration of the SDGs into investment objectives and strategies has become an increasingly widespread practice. A trend fuelled by a growing awareness on the part of governments and investors on the financial relevance of sustainability topics and on the central role of capital markets in supporting inclusive economic growth with a low environmental impact. Moreover, savers are more and more interested in aligning financial choices with their own values or with environmental and social issues they consider important. This is precisely what emerges from the 2022 Position Paper published by the ASviS Working Group on sustainable finance.

Although the interest of governments, regulators, financial operators and savers has mainly focused on environmental issues, actors, strategies and financial products for sustainable development consider the environmental, social and governance dimensions as profoundly interconnected: in fact – the document reads – phenomena such as climate change produce effects of both an environmental nature (e.g. greater frequency and intensity of extreme atmospheric phenomena, drought, floods, etc.), and of a social nature (e.g. climate migrants, increase in poverty and social tensions generated by famine and lack of primary resources) and their effective management is closely related to good corporate governance. With this in mind, financial action aimed at sustainable development is animated by the concept of a “Just Transition”, according to which the transition to an economy with no impact on the environment requires support to the areas, sectors and subjects which are greater exposed and vulnerable to change (e.g. companies operating in the fossil fuel sector).





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

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

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

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

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

- Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation or SFDR): requires financial operators and advisors to disclose how ESG risks are accounted for at the entity and product level. This regulation provides for specific disclosure requirements for products that promote environmental or social characteristics and for products that target sustainable investments. European supervisory authorities regulate implementation aspects by means of Regulatory Technical Standards (RTS).
- Regulation (EU) 2020/852 (Taxonomy): introduced a classification of activities considered sustainable based on their alignment with EU environmental objectives and compliance with certain social clauses.
- Corporate Sustainability Reporting Directive (CSRD): on 21 April 2021, the EU Commission published a legislative proposal updating Directive 2014/95/EU (so-called Non-Financial Reporting Directive). After approval by the European Council, the CSRD was published in the Official Journal of the European Union on 16 December 2022.
- EU Green Bond Standard: the draft regulation published by the European Commission introduces a strict standard to which all issuers will be able to voluntarily adhere, certifying that the projects to be financed are in line with the Taxonomy and providing investors with greater rigour and transparency.

Because of the constantly evolving regulatory framework and the frequent changes associated with the adoption of implementing acts, a concise, non-exhaustive timeline is provided, which will be updated in due course.

## 2022

### 01/01/2022 Taxonomy

*Disclosure* obligation on the eligibility of 2021 economic activities with respect to the first two environmental objectives without counterparty information

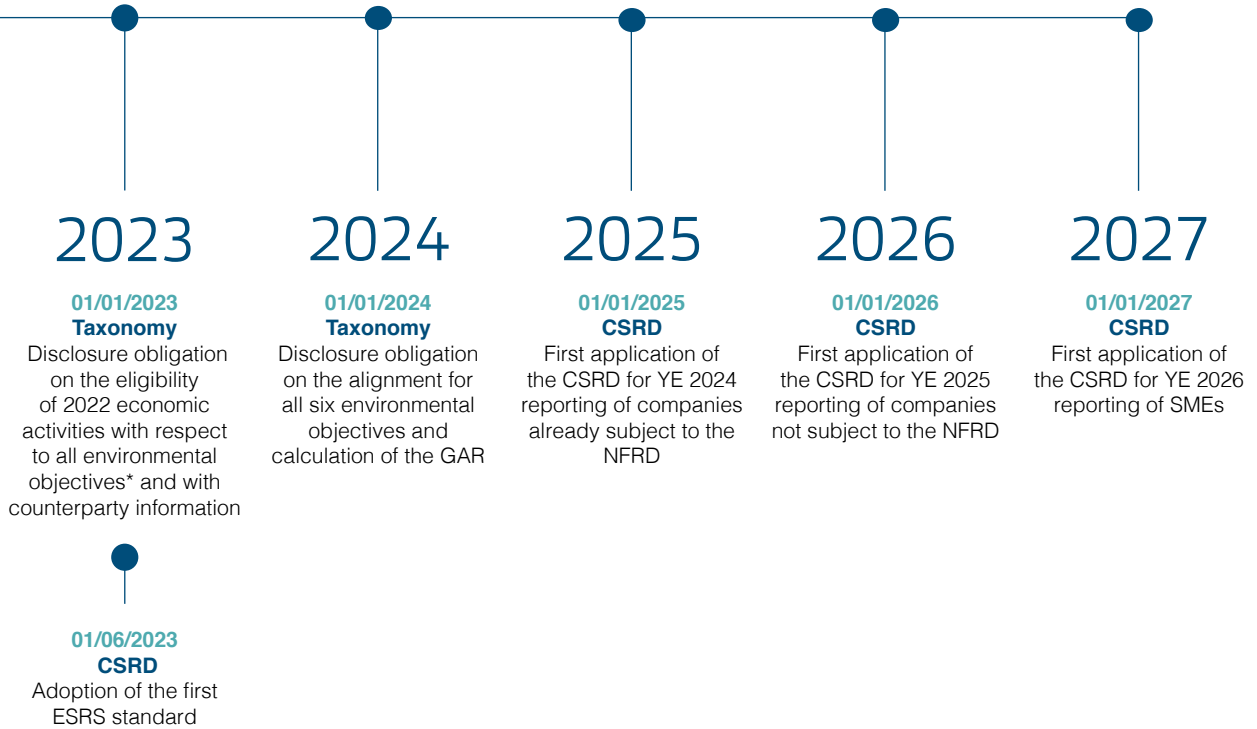
### 01/01/22 – 31/12/23 SFDR

Financial and non-financial undertakings must disclose in the NFS the proportion of assets and eligible and non-eligible economic activities pursuant to Article 8 of the Taxonomy

### 01/04/2022 Green Bond Standard

Publication of the position of the European Council on the "EU GBS Regulation"





## ESG risks

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

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



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

In Europe, in November 2020, the European Central Bank (hereafter also referred to as ECB) published its "Guide on climate-related and environmental risks", which set out a number of supervisory requirements regarding the integration of these specific risk factors in strategic processes and banking risk management systems. Specifically, as part of the work align to the expectations of the ECB Guide, the Bank carried out a gap analysis and defined action areas with respect to the European Commission's "Guidelines on non-financial reporting: Supplement on reporting climate-related information".

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



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

In response to these expectations, institutions should therefore take a holistic and well-documented view of the impact of ESG risks – and in particular of climate and environmental risks – on existing risk categories, implementing regular processes aimed at the identification, measurement, management and monitoring of the same.

In this regard, the Bank is committed to implementing a systematic integration of ESG risks into the corporate risk management system, since these – with particular attention to climate and environmental factors – are likely to determine impacts on the exposure to traditional prudential risks.

With regard to the risk identification process, in accordance with the practices of the European Banking Authority and the ECB, since 2020 the Bank has developed specific internal methodologies for identifying the risks associated with ESG aspects within its business management system (the so-called "ESG risk inventory").

As far as measurement is concerned, the Bank worked on the recognition and analysis of the potential impacts of the risks associated with climate and environmental factors, defining new processes to carry out a more complex and in-depth assessment of the material nature of the exposure to these types of risks, accompanied by advanced methodologies and analysis tools, as well as the availability of more granular data.



With regard to tools, evolving from the previous mapping and classification approaches of ESG risk to which the Bank is exposed at the sector level (so-called “ESG Heat Map”), an internal methodology was developed for the construction of summary scores representing the ESG related risks at the individual counterparties level. This scoring system, developed primarily to measure the individual vulnerability of client companies to climate and environmental risk factors, will make it possible to estimate the potential financial impacts associated with the exposure of credit counterparties, initially in relation to transition and physical risks and, subsequently, to the overall ESG risks.

The monitoring of ESG risks associated with portfolios of credit risk exposures and investments in financial instruments is also supported by external IT tools and services (e.g. non-proprietary ESG rating systems for assessing the riskiness of investments and of issuers of financial assets in the portfolio). These enable the systematic determination of the degree of exposure through the adoption of appropriate tools, metrics and algorithms for measuring risk levels, capable of feeding the internal monitoring and reporting systems.

As regards the management and control practices of these particular risk aspects, steps were taken to integrate within the Bank’s RAF (Risk Appetite Framework), qualitative objectives in the ESG domain already in place, as guidelines for the promotion of additional and new ESG risk assessments aimed at guiding strategic choices with a view to limiting the impacts of these factors on exposure to credit and investment, strategic, reputational and legal risks. The introduction of a new quantitative parameter for measuring climate and environmental risks in the context of credit risk exposure of the corporate portfolio based on the aforementioned recently developed counterparty scoring system is also worth noting.

More information on climate risk management can be found in the TCFD Report 2022







## ESG risk inventory

A first method for the identification and categorisation of ESG risks adopted from 2020, based on a self-assessment approach, draws from internationally advocated best practices that are also supported by the European Banking Authority and the ECB. This method is based on the identification of ESG risks that can potentially arise in light of the strategic guidelines pursued and the management policies adopted for conducting the Company's business. Risk typologies are classified according to a taxonomic approach inspired by the scheme adopted in the CDP Questionnaire for collecting information on sustainability-related risks, suitably contextualised through the use of specific information attributes, defined within the framework of the Task Force on Climate-related financial Disclosure (TCFD), an initiative supported by the Bank.

To ensure that the methodological framework is flexible, the TCFD's taxonomic options are supplemented with additional analytical dimensions for a more accurate classification of non-climate environmental, social and governance considerations (topics not covered by the CDP initiative, which only focuses on carbon-related risks).

ESG factors are assessed yearly by various figures within Company who are required to identify, within the scope of their competence, any possible negative repercussions – current or prospective – of various ESG issues, cataloguing them in a special “ESG risk inventory” and supplementing them with additional information, useful for qualifying the risk dimensions identified.

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

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



For the year 2022, the Integrated Risk Office (Chief Risk Officer Area), coordinator of this review, has promoted the update of the Inventory based on the same corporate scope as in the previous year. First and foremost, this update provided for a general rationalisation of the risk descriptors identified during the previous annual self-assessment activity, followed by the approval or possible integration of the content by the relevant figures involved within the Company.

The risks identified in the Inventory were then associated, based on a principle of prevalence, with the material ESG topics defined in this NFS (please refer to the “Risks associated with the topic” section).

The following is an overview of the potential risks generated or incurred by the Group in relation to the ESG factors identified in the last update of the Inventory. These risks will be listed in the sections that follow based on their reconciliation with material topics.

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



## “E” – Environmental

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

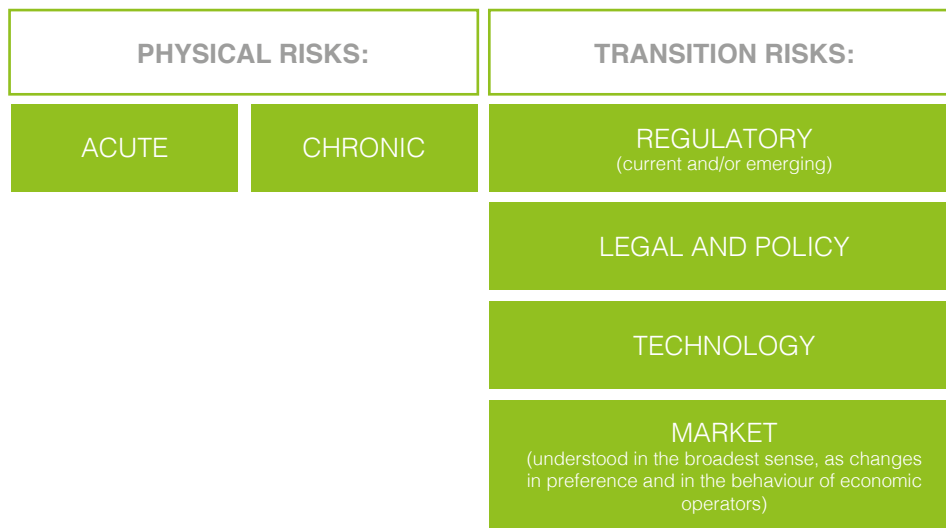
Physical risk refers to the possibility of losses caused by climate change, including both the more frequent and/or more intense occurrence of extreme weather or natural events, as well as gradual climate change and environmental degradation (e.g. air, water and soil pollution, water stress, biodiversity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

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

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

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

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





## “S” – Social

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

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



## “G” – Governance

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

The Governance risk category includes the same subcategories that have been identified for the Social area.

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



## ESG Risk Governance

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



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

Following the extension of its mandate, and with reference to ESG and related risks, the Control and Risk Committee is responsible for assisting the Board of Directors in determining the guidelines of the internal control and management system for these risk factors and for periodically reviewing its adequacy with respect to the Bank's characteristics and risk profile, as well as its effective functioning.



In this regard, it should be noted that, for the year 2022, the following were submitted to the Board of Directors and to the Control and Risk Committee:

- updates on the overall progress of the implementation programmes of the supervisory expectations set by the ECB in its “Guide on climate-related and environmental risks”, of which a new and more detailed version was finalised last December on the recommendation of the Supervisory Body;
- a new quarterly report on the dynamics of the risk of credit exposure portfolios in terms of the incidence of ESG factors, recently supplemented with dedicated analyses of the factors impacting financial exposures from investment activities in securities;
- a disclosure in August 2022 on the final results of the climate risk stress test promoted at the European level by the ECB in the first part of the year under review;
- a descriptive methodological summary of the logic for determining the sectoral ESG Heat Map and the new climate-environmental scoring calculated at the individual counterparty level.

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

The Risk Control Service (Chief Risk Officer Area), within which the Integrated Risk Office operates, with the task of coordinating and overseeing the issue across the board, is responsible for identifying, assessing, measuring and monitoring exposures to ESG and associated risks. To these ends, it ensures their gradual integration into the relevant internal regulations, processes, procedures, support systems, data and senior risk reporting. Specifically, the Service supports and coordinates the gradual integration of climate and environmental risk factors in the corporate and Group risk management and reporting systems; it supervises and, for the aspects within its competence, oversees the performance of internal stress tests and those required by the Supervisory Authorities pertaining to ESG profiles; it also supervises the drafting of public disclosure, applying the ESG Pillar 3 regulations.

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

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

Additional organisational impact activities related to the management, control and mitigation of ESG risks are underway with the aim of supporting the allocation of responsibilities along the three lines of defence of the Company and calibrating the appropriate ESG training activities, assessing the available capacity and resources and determining the eventual need to improve the various structures involved.





# Methodological note

## Legal framework and reporting standards

The Group's NFS was drafted in accordance with Italian Legislative Decree 254/2016 concerning the disclosure of non-financial information of certain large and public-interest companies and the Global Reporting Initiative Sustainability Reporting Standards, updated in 2021 by the Global Reporting Initiative (GRI), based on the "in accordance" option. Additionally, the Financial Services Sector Disclosures, defined by the GRI in 2013, were also adopted.

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

The NFS was also prepared taking into consideration the publications of the European Securities and Markets Authority (ESMA) and Italy's financial markets supervisor (CONSOB).

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

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

This procedure places particular emphasis on certain key aspects:

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

This Consolidated Non-Financial Statement was approved by the Board of Directors of Banca Popolare di Sondrio SpA on 17 March 2023 and is subject to limited review by EY SpA.

The results of the audits carried out pursuant to Article 3, paragraph 10 of Italian Legislative Decree 254/2016 and CONSOB Regulation no. 20267 are included in the "Independent Auditor's Report", which can be found at the end of this document. Audits are carried out on the basis of the "limited assurance engagement" procedure in accordance with the criteria set out by ISAE 3000 (Revised).

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





With reference to the ESG Risks paragraph and the Environment section, the Bank has also taken into account the European Commission's Guidelines on non-financial reporting in relation to climate-related information published in June 2019.

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

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

Moreover, in line with the objectives set in its Business Plan, the Bank adhered to the TCFD Recommendations, drafting its first TCFD Report, published as an attachment to the NFS.

In defining the content and quality of its reporting, the Bank applies the following reporting principles, as defined by GRI 1:

- **Accuracy:** the reported information is correct and with sufficient detail to allow an assessment of its impacts.
- **Balance:** the reported data reflect both the negative and positive aspects of the Group's results, so as to allow for a weighted assessment of the overall performance.
- **Clarity:** data is made available both in paper format and on the Bank's website, in a way that is easily accessible, usable and understandable to the stakeholders who use it.
- **Comparability:** the information is selected, compiled and reported in a consistent manner to enable an analysis of changes in impacts over time and an analysis of these impacts relative to those of other organisations.
- **Completeness:** the data is sufficient to allow for an assessment of the impacts during the reporting period.
- **Sustainability context:** the information relating to impacts is reported in the wider context of sustainable development.
- **Timeliness:** the NFS is published annually at the same time as the financial reports and in a timely manner to ensure the reliability of the data, including any revisions of previous disclosures.
- **Verifiability:** the reported information can be examined to establish its veracity and to determine the extent to which the reporting principles have been applied.

In line with the previous year, this document includes additional information regarding the approach to the Taxonomy, required pursuant to Article 8 of Regulation (EU) 2020/852, clearly and separately identifiable in the "Taxonomy: eligibility disclosure pursuant to Article 8 of Regulation (EU) 2020/852" section of this document.

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





### The Task Force on Climate-related Financial Disclosures

The **Task Force on Climate-related Financial Disclosures** (TCFD) was created in 2015, within the **Financial Stability Board**, to provide **recommendations for effective reporting on climate-related risks**.

The goal of the recommendations is **to improve the consistency and transparency of climate-related financial reporting** and to encourage action to reduce the business impact on climate change.

In the **2017 Report**, the TCFD published a **list of recommendations** aimed at supporting companies in drafting financial disclosures relating to climate change.

The TCFD promotes the adoption of the **non-binding recommendations** to all companies, but in particular to **issuers of debt or equity securities**, in order to promote loans and investments based on **forward-looking information on the financial impacts** deriving from risks and opportunities related to climate change.

In line with the objectives of its **Business Plan**, the Bank adhered to the TCFD Recommendations, drafting its **first Report**, attached to the NFS.



## Reporting period and scope

The reporting scope coincides with that of the financial statements and includes the fully consolidated companies, thus allowing for an understanding of the Group's business, its performance and results. This scope does not include companies with non-material sustainability performance and impacts (assessed in terms of the number of employees and type of business carried out), such as: Popso Covered Bond Srl, Sinergia Seconda Srl, Immobiliare San Paolo Srl, PrestiNuova Srl – Agenzia in Attività Finanziaria, Immobiliare Borgo Palazzo Srl, Servizi Internazionali e Strutture Integrate 2000 Srl, Pirovano Stelvio SpA, Rent2go Srl and Prima Srl.

Any additional scope limitations on specific indicators have been reported and justified within the document and are due either to lack of relevance in terms of impact on the consolidated figure, or to the unavailability of information for certain Group subsidiaries. These limitations do not compromise the representative nature of the Group's results and activities, as required by Italian Legislative Decree 254/2016.



In this regard, it should be noted that, with reference to the information required by Article 3, paragraph 2, in view of the Group's business sector, water consumption was not considered significant for the purpose of ensuring an understanding of the business, since it only pertains to domestic use.

The reporting year to which this report refers is 2022 and is compared with the two previous years, 2021 and 2020.

This edition of the NFS is also available on the Bank's website, at <https://istituzionale.popso.it/en/sustainability/non-financial-report>.

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

Italian Legislative Decree 254/2016	Material topics
Social	Support to the community and ties with the local area
	Supply chain management
	Innovation
Personnel-related	Enhancement of human resources
Respect for human rights	Human rights, diversity and inclusion
Fight against active and passive corruption	Privacy and IT security
	Integrity and fight against corruption
Environmental	Environment and climate change
	Sustainable finance and responsible credit





## Reporting process

The process of collecting data and information and drafting the NFS, formalised in a specific Procedure approved on 04/11/2021 and updated on 28/12/2022, is coordinated and managed by the Parent Company's Sustainability Office, in collaboration with the contact persons of the Group's offices and companies responsible for the various areas and directly involved in the document drafting process. The main steps involved in drafting the NFS are outlined below.

### Materiality update and approval

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

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



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

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

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

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

### **Validation and approval of the draft NFS**

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

### **Independent Auditor's Report**

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

### **Publication**

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



## Roles and responsibilities of the NFS

Corporate body or figure	Roles and responsibilities
<b>Sustainability Office</b>	<p>On an annual basis, it is responsible for:</p> <ul style="list-style-type: none"> <li>• coordinating and completing all activities related to each phase of reporting;</li> <li>★ representing the sustainability action lines of the Business Plan and the activities implemented in order to achieve the objectives set therein;</li> <li>★ coordinating the collection of information relating to the monitoring of ESG risks, with particular attention to climate and environmental risks;</li> <li>• submitting the NFS to the examination of the Sustainability Committee and the Control and Risk Committee and, subsequently to the approval of the Board of Directors;</li> <li>• providing the Independent Auditor, in collaboration with the approvers and contributors, with documentary evidence where required.</li> </ul>
<b>Contributors</b>	<p>According to the timelines set out in the work plan, they are responsible for:</p> <ul style="list-style-type: none"> <li>• filling in and verifying the data entered in the relevant data collection schedules within the ESGeo software;</li> <li>• attaching the relevant documentation to support the verification and approval process by the approvers;</li> <li>• providing the auditor, in collaboration with the Sustainability Office and the approvers, with additional documentary evidence where required.</li> </ul>
<b>Approvers</b>	<p>According to the timelines set out in the work plan, they are responsible for:</p> <ul style="list-style-type: none"> <li>• involving contributors in drafting data collection schedules on the ESGeo platform, in line with the deadlines set in the work plan;</li> <li>• viewing, checking and approving the content of the schedules drafted by the contributors;</li> <li>• providing the Independent Auditor, in collaboration with the Sustainability Office and the contributors, with additional documentary evidence where required.</li> </ul>
<b>Compliance and DPO Function</b>	<p>On a regular basis, it provides for:</p> <ul style="list-style-type: none"> <li>★ identifying applicable standards;</li> <li>★ verifying the compliance of corporate processes with internal and external regulations;</li> <li>★ evaluating the degree of exposure to pertinent risks through summary quantitative and/or qualitative indicators;</li> <li>★ preparing information flows dedicated to the corporate bodies and structures involved in the process.</li> </ul>

★ Activities updated in 2022



Corporate body or figure	Roles and responsibilities
Internal Audit Service	<p>As part of its responsibilities to verify the regular performance of corporate activities, it assesses the functionality and reliability of the organisational structures and components of the internal control system responsible for drafting the NFS. In particular:</p> <ul style="list-style-type: none"> <li>★ it verifies compliance with sustainability policies, as well as the functionality of the designed process and the procedures for their implementation;</li> <li>★ it reports to the corporate bodies any inefficiencies, weaknesses or irregularities that emerge during its verification activities, formulating recommendations and bringing possible improvements to their attention.</li> </ul>
Sustainability Committee	<ul style="list-style-type: none"> <li>• It coordinates the activities that lead to the identification of potentially relevant sustainability topics;</li> <li>★ it approves the materiality;</li> <li>★ it examines the contents of the NFS;</li> <li>• it formulates any observations and recommendations to the Board of Directors in view of its approval.</li> </ul>
Control and Risk Committee	<ul style="list-style-type: none"> <li>★ It examines the contents of the NFS, for preliminary investigation purposes with respect to the subsequent examination by the Board of Directors, paying particular attention to those dedicated to the identification, assessment and monitoring of ESG risks and to the climate and environmental risk management process.</li> </ul>
Board of Directors (BoD)	<ul style="list-style-type: none"> <li>• It approves the NFS;</li> <li>• it guarantees that the NFS is drafted and published in compliance with the requirements established by the relevant Decree.</li> </ul>
Board of Statutory Auditors	<ul style="list-style-type: none"> <li>• It supervises compliance with the provisions of the relevant Decree and reports on it in its annual report to shareholders during the General Meeting.</li> </ul>
Independent Auditor	<ul style="list-style-type: none"> <li>• It verifies that the NFS is prepared;</li> <li>• pursuant to Article 3 paragraph 10 of the relevant Decree, it certifies with a specific report the conformity of the information provided with respect to the Decree requirements and of the standard used. Audits are carried out on the basis of the "limited assurance engagement" procedure in accordance with the criteria set out by ISAE 3000 (Revised).</li> </ul>

★ Activities updated in 2022





## Dialogue with the stakeholders

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

Sustainability Policy, Banca Popolare di Sondrio

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





Properly identifying stakeholders and organising the most effective communication channels, constantly monitoring expectations, needs and opinions, is therefore the starting point for establishing an effective engagement process.

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

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

During 2022, the Bank updated the list of its most relevant stakeholders, creating a specific mapping for non-financial reporting purposes. This analysis took into account what was defined in the 2021 Communication and Resolution Plan, in line with Article 22 of the Commission Delegated Regulation (EU) 2016/1075, as well as the external context and a benchmark analysis.

The main categories of stakeholders and a summary of the main interaction channels and tools are therefore shown below.



#### INTERACTION CHANNELS AND TOOLS

●●	Press conferences
●	General Meeting
●●	Media news
●●	Digital channels
●	Materiality questionnaire
●	Letter to the shareholders
●●	Web and mobile apps
●	Social activities and community work
●●	Meetings with the Bank and the Networks
●●	Discussion tables with trade union organisations and workers' representatives
●	Social support activities
●●	Periodic documents and detailed reports
●	Customer satisfaction

Main channels and tools for interaction with Group stakeholders

- Internal stakeholders
- External stakeholders



### Directors-Shareholders dialogue

The Regulation for the management of the Directors-Shareholders Dialogue (<https://istituzionale.popso.it/en/investor-relations/dialogue-directors-shareholders>) sets out the rules adopted by the Bank to promote and regulate dialogue between the Board of Directors and its shareholders in general, on issues falling within the Board's oversight, defining the procedures for its implementation, identifying parties involved, topics to be discussed, methods, timing and interaction channels.

Corporate governance, as well as environmental, social and sustainability issues are among the topics discussed in the dialogue with investors.

This form of dialogue should be understood as further and additional to the ordinary methods of engagement, through which the Bank interacts with shareholders, investors and the financial community through the competent corporate functions.



## The materiality of the BPS Group

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Materiality is a principle according to which companies must prepare their reports by taking into account information on aspects that significantly affect their ability to create value over time, identifying the most significant issues for their stakeholders, and also taking into consideration the impacts on the economy, the environment and people, including those on human rights, in the context of business activities and relationships.

The materiality analysis, as required by Italian Legislative Decree 254/2016, defines the relevant aspects to report (so-called Material Topics). A topic is considered “material” if it can influence the decisions, actions and performance of an organisation and its stakeholders. Creating constructive dialogue with all actors is therefore essential in order to identify their needs and expectations, so that the most relevant topics for the Bank and its stakeholders can be defined and addressed.

During 2022, steps were taken to update and approve a new materiality, an activity that became necessary following the changes in the context and the evolution of national and international legislation.

The materiality defined in relation to risks is different from the materiality analysis through which the material topics for the NFS are determined



The BPS materiality update for 2022 was carried out following the methodological steps outlined below.

## Context analysis

Analyses of internal and external context elements are carried out, in particular:

Context element	Activity performed	Context area
<b>Benchmark</b>	Benchmark analysis conducted on 3 peers selected by BPS	External
<b>Strategy</b>	Analysis of the strategic elements defined in the 2022-2025 Business Plan	Internal
<b>Taxonomy</b>	Analysis of the objectives included in the Regulation	External
<b>ESRS</b>	Analysis of the issues considered as most relevant by EFRAG, responsible for defining the new reporting standards	External
<b>New CSRD</b>	Analysis of the most relevant topics included in the proposed legislation	External
<b>SASB material topics</b>	Analysis of the topics considered as most relevant by SASB	External

## Stakeholder engagement

In 2022, the Group involved its stakeholders in an engagement activity aimed at updating the relevance attributed to each topic by the Group and its main stakeholders.

In particular, three different methods of engagement were organised, which made it possible to significantly increase the level of engagement:

### ■ Online questionnaire

Dissemination of an online questionnaire through the SCRIGNO Internet Banking portal, the institutional website, the corporate website and LinkedIn, in which stakeholders were asked to order the potentially material topics according to their importance; around **4,800 stakeholders were involved**.

### ■ Online event

Online meeting with a group of around **50 representatives of the main**

**stakeholder categories:** an occasion that made it possible not only to ascertain their opinion on the most material ESG topics, but also to better understand their expectations regarding the Bank's work on these themes.

### ■ Management engagement

Given the extremely important role played by management in defining material sustainability topics, it was decided to disseminate a web-based questionnaire to **Directors, Statutory Auditors, members of the Sustainability Committee and Service Heads**.

In addition to the prioritisation of relevant topics, the aforementioned activities also enabled the collection of comments on stakeholders' expectations in the ESG area.





## Impact analysis

Downstream of the stakeholder engagement activity, following the suggestions of the new GRI standards, an impact assessment was carried out, analysing the effects that the Bank has or could have at an economic, environmental and social level, including those on human rights as a consequence of its activities or business relationships. Impacts can be actual or potential, negative or positive, short-term or long-term, intentional or unintentional, reversible or irreversible, and represent the organisation's positive or negative contribution to sustainable development.

The implementation of the impact analysis was carried out by directly engaging the ESG Contact Persons of Banca Popolare di Sondrio (SUISSE) SA and Factorit SpA and the Parent Company contact persons of the following functions: Credit, Tax, Compliance, Commercial, Finance, Risk, IT, Audit, International and Staff. Each contact person identified provided his or her own (qualitative and quantitative) assessment in relation to the impacts previously identified by the Bank.

In particular, for the various material topics, each contact person, supported by the Sustainability Office, assessed the characteristics of the impacts as:

- positive or negative;
- current or potential;
- short- or long-term;
- intentional or unintentional;
- reversible or irreversible;
- severity: to be filled in only if the impact is negative, on a scale of 1 to 3;
- scale: to be filled in only if the impact is positive, according to the level of benefit, on a scale of 1 to 3;
- scope: to be filled in only if the impact is positive, according to the number of stakeholders impacted, on a scale of 1 to 3;
- probability: when the impact is negative and potential or when the impact is positive (both potential and current) on a scale of 1 to 3 if the impact/effect is unlikely (1), likely (2), or very likely (3).

By aggregating the assessments of the individual contact persons, a prioritisation of the impacts identified was carried out, in order to evaluate their significance.

Impacts may change over time as the organisation's activities, business relationships and operating context evolve. For this reason, in accordance with the new GRI standards, the Group plans to evaluate the context in which it operates and identify the relevant impacts on an ongoing basis.

## The key changes in terms of materiality in 2022

### 1 CHANGE IN PRIORITIES

Compared to 2021, the relevance of the "ties with the local area" and "privacy" topics decreases, while the "**sustainable finance and responsible credit**" together with "**enhancement of human resources**" topics become priorities

### 2 LEAST RELEVANT TOPICS

**2021:** relations with the supply chain  
**2022:** supply chain management

### 3 MOST RELEVANT TOPICS

**2021:** ties with the local area and the community  
**2022:** sustainable finance and responsible credit

### 4 NUMBER OF MATERIAL TOPICS

In **2021**, **13** topics were examined, while in **2022** there was a rationalisation of the topics, down to **10**





## Materiality update for 2022

The outcomes of the process described above led to an update of the materiality which, as described below, provides a comprehensive view of the priorities of all stakeholders and a representation of the Group's contribution to sustainable development, through the impacts generated.













The materiality analysis, as illustrated below, was validated by the Sustainability Committee on 21 December 2022 and approved by the Board of Directors on 17 March 2023.



## Reconciliation between material topics, the 2022-2025 Business Plan and SDGs

A disclosure of some of the activities defined in the Business Plan to support the integration of sustainability and material topics is provided below. This list is not exhaustive of the activities that will enable effective implementation of the strategic plan.



Material topic	ESG objectives defined in the Business Plan	SDGs
Environment and climate change	<ul style="list-style-type: none"> <li>■ <b>By 2022</b> <ul style="list-style-type: none"> <li>– Internal behavioural guidelines for the reduction of environmental impacts ✓</li> <li>– Improving the analysis of indirect emissions (Scope 3) ✓</li> </ul> </li> <li>■ <b>By 2023</b> <ul style="list-style-type: none"> <li>– Adhering to the UN PRB, Net-Zero Banking Alliance</li> <li>– Adhering to the TCFD and drafting of the TCFD Report ✓</li> <li>– Sustainable mobility operational plan</li> <li>– Improving the analysis of the environmental performance of real estate assets</li> </ul> </li> <li>■ <b>By 2024</b> <ul style="list-style-type: none"> <li>– ISO 14001 Environmental Management System</li> </ul> </li> </ul>	  
Sustainable finance and responsible credit	<ul style="list-style-type: none"> <li>■ <b>By 2022</b> <ul style="list-style-type: none"> <li>– ESG credit policy and integration of the ESG Score in loan practices ✓</li> <li>– Definition of the carbon neutrality path and portfolio alignment ✓</li> <li>– Development of ESG financing products for customers ✓</li> <li>– Expansion of ESG asset management lines ✓</li> </ul> </li> <li>■ <b>By 2023</b> <ul style="list-style-type: none"> <li>– Definition of Responsible Investment Guidelines</li> <li>– Increase of the target on the ESG segment of the proprietary portfolio</li> <li>– Integration of the Green Bond Framework for the structuring of new ESG Bonds</li> <li>– Integration of counterparties' ESG Score with Taxonomy-alignment</li> <li>– Development of Taxonomy-aligned products</li> </ul> </li> </ul>	      
Enhancement of human resources	<ul style="list-style-type: none"> <li>■ <b>By 2022</b> <ul style="list-style-type: none"> <li>– ESG training for all Group personnel ✓</li> <li>– Internal behavioural guidelines for the reduction of environmental impacts ✓</li> </ul> </li> <li>■ <b>By 2023</b> <ul style="list-style-type: none"> <li>– Introduction of ESG objectives in remuneration policies</li> <li>– Sustainable mobility operational plan</li> <li>– Operational plan on Diversity and Inclusion</li> <li>– Launch of the female leadership programme</li> <li>– Adhering to Valore D ✓</li> </ul> </li> </ul>	 



Material topic	ESG objectives defined in the Business Plan	SDGs
Integrity and fight against corruption	<ul style="list-style-type: none"> <li>■ <b>By 2022</b> <ul style="list-style-type: none"> <li>– ESG compliance programme ✓</li> <li>– Further strengthening of ESG Governance ✓</li> <li>– Level II and III checks</li> </ul> </li> <li>■ <b>By 2023</b> <ul style="list-style-type: none"> <li>– Operational plan on Diversity and Inclusion</li> <li>– Launch of the female leadership programme</li> <li>– Introduction of ESG objectives in remuneration policies</li> </ul> </li> </ul>	
Support to the community and ties with the local area	<ul style="list-style-type: none"> <li>■ <b>By 2022</b> <ul style="list-style-type: none"> <li>– Strengthening the ESG communication strategy ✓</li> <li>– Development of a process digitisation programme for customers</li> <li>– Development of ESG financing products for customers ✓</li> </ul> </li> <li>■ <b>By 2023</b> <ul style="list-style-type: none"> <li>– Definition of the giving strategy: <ul style="list-style-type: none"> <li>– sponsorships</li> <li>– donations</li> </ul> </li> <li>– ESG brand identity</li> </ul> </li> </ul>	
Innovation	<ul style="list-style-type: none"> <li>■ <b>By 2022</b> <ul style="list-style-type: none"> <li>– Development of a process digitisation programme for customers ✓</li> <li>– Integrated Risk Management: RAF, ICAAP and stress testing ✓</li> </ul> </li> <li>■ <b>By 2023</b> <ul style="list-style-type: none"> <li>– ESG ratings for suppliers</li> <li>– Artificial Intelligence Policy ✓</li> </ul> </li> </ul>	  
Human rights, Diversity and Inclusion	<ul style="list-style-type: none"> <li>■ <b>By 2022</b> <ul style="list-style-type: none"> <li>– Development of a process digitisation programme for customers</li> </ul> </li> <li>■ <b>By 2023</b> <ul style="list-style-type: none"> <li>– Introduction of ESG objectives in remuneration policies</li> <li>– Sustainable mobility operational plan</li> <li>– Operational plan on Diversity and Inclusion</li> <li>– Launch of the female leadership programme</li> <li>– Adhering to Valore D ✓</li> </ul> </li> </ul>	 
Privacy and IT security	<ul style="list-style-type: none"> <li>■ <b>By 2022</b> <ul style="list-style-type: none"> <li>– Development of a process digitisation programme for customers ✓</li> </ul> </li> </ul>	
Supply chain management	<ul style="list-style-type: none"> <li>■ <b>By 2022</b> <ul style="list-style-type: none"> <li>– Intensification of the dialogue with the most deserving providers ✓</li> </ul> </li> <li>■ <b>By 2023</b> <ul style="list-style-type: none"> <li>– ESG ratings for suppliers</li> </ul> </li> </ul>	



# The war in Ukraine and its repercussions

## Emergency management

The Russian invasion of Ukraine in February 2022 and the ensuing war has led to serious geopolitical and economic upheavals. However, above all, these events highlighted the importance of international cooperation and cohesion against human rights violations, while supporting the self-determination of peoples and nations and universally recognised democratic principles.

The war has also led to profound uncertainty on the macroeconomic level, interest rates, energy and raw materials costs, trade, inflationary expectations and on the cost of debt. The impact was particularly strong in the natural gas and energy market, due to the high dependence of the European Union on imports from Russia to cover its energy needs.

In order to provide the Ukrainian population with substantial aid, the Bank has implemented various initiatives, including:

- **A joint Banca Popolare di Sondrio – Pro Valtellina Foundation initiative**

The Bank and the Pro Valtellina Onlus Foundation, the local arm of the Cariplo Foundation, have implemented a joint initiative to support reception and hospitality projects in the province of Sondrio, in various forms, for the benefit of refugees from Ukraine.

The funds raised are directed to non-profit organisations that deal with the reception of people fleeing the war in Ukraine.

Support for individual projects, identified by non-profit organisations, is calibrated by the Pro Valtellina Onlus Foundation on the basis of the development of the situation, identifying issues with respect to which it is more difficult to provide effective answers, thus avoiding an overlap of support.

- **Customer financing**

Different analyses were conducted aimed at identifying the economic sectors most impacted by the complex macroeconomic situation underway. An in-depth analysis was also carried out at the credit portfolio level of each geographical area, together with the promotion of evaluations relating to the quality of the BPS credit portfolio and the capacity of customers

to meet the commitments deriving from their financial debt in a context characterised by uncertainty such as the current one. At the same time, initiatives were promoted for the monitoring of individual positions assigned, in order to verify, on a timely basis, any critical issues related to the Russian-Ukrainian war and the sudden rise in inflation, particularly energy costs.

- **Measures to support the liquidity of businesses**

The Italian Decree no. 50 of 17 May 2022 (“Ukrainian Crisis Aid” Decree) provides for a loan, within a limit of Euro 35,000 with a 100% free guarantee from ISMEA (Institute of Services for the Agricultural and Food Market), aimed at agricultural and fishing companies which, with respect to 2021, have registered an increase in energy, fuel and/or raw materials costs.

The rising cost of living and of raw materials has put many households and businesses in a difficult situation. The Bank firmly stands by those affected, supporting them with its products and loans. Our nature as an “Identity Bank” inspires us to support and assist the communities where we operate, for the benefit of residents, households first and foremost, businesses, the real economy and development in general.

- **Subsidised loans for exporting companies affected by the war in Ukraine**

With Legislative Decrees 14/2022 and 50/2022, the Italian Government introduced extraordinary measures to support businesses affected by the crisis in Ukraine, making available low-interest loans managed by SIMEST on behalf of Italy’s Ministry of Foreign Affairs, drawing on Fund 394/81.

In this context, the Bank has made the following aid available to Italian SMEs and Mid-Caps, established in the form of joint-stock and exporting companies, operating with Ukraine, the Russian Federation and Belarus:

- support to companies exporting to Ukraine and/or Russia and/or Belarus;
- support to exporting companies with supplies from Ukraine and/or Russia and/or Belarus.



## Risk management

Since the outbreak of the war, the BPS Group has taken steps to start monitoring the risks associated with the consequences of Russia's invasion of Ukraine.

In terms of credit risk, given the very limited level of direct exposures towards persons or entities residing in Russia, Belarus and Ukraine, monitoring activities continued on indirect exposures, namely relating to companies characterised by significant commercial relations with the countries involved in the war or operating in economic sectors considered more vulnerable. Specific credit review activities were carried out on this set of exposures, defined as "high risk Ukraine", in relation to which the Group has identified the exposures for which potentially critical elements could still exist. These exposures were monitored during the year and subjected to in-depth analytical review activities.

With the persistence of the geo-political crisis and the worsening of the energy crisis, further analysis and assessment activities were carried out in the second half of the year on companies operating in economic sectors whose operations require a high use of electricity or gas (so-called energy-and gas-intensive sectors) and which, for this reason, could find themselves in a difficult economic situation. This analysis, conducted with reference to the Parent Company given the prevalence of exposures, led to the prudential identification of a set of companies defined as "high risk, energy-intensive, gas-intensive". The set of exposures identified as "high risk Ukraine" and "high risk, energy-intensive, gas-intensive" were subjected to the appropriate assessments in terms of stage allocation.

The corporate bodies and functions in charge of these activities continuously monitor the development of the context and the correlated risk profile, in order to implement, in a timely manner, the measures that may become necessary.

More in-depth information on the impacts of the war in Ukraine can be found in the financial report available at the following link: <https://istituzionale.popso.it/en/investor-relations/reports>.





# Credit portfolio emissions

(Scope 3, category 15)

## POWER

reduction of intensity of  
**-63%** (kgCO<sub>2</sub>e/kWh) **by 2030**

## OIL&GAS

absolute reduction of  
**-25%** (kgCO<sub>2</sub>e) **by 2030**

## AGRICULTURE

absolute reduction of  
**-45%** (kgCO<sub>2</sub>e) **by 2030**

## TRANSPORT

**Automotive manufacturing**  
reduction of intensity of **-45%**  
(tCO<sub>2</sub>e/vehicles sold) **by 2030**

### Rail transport

reduction of intensity of **-35%**  
(gCO<sub>2</sub>e/passenger.km) **by 2030**

# Emissions from BPS' operations

Scope 1 **-46% t CO<sub>2</sub>e**  
related to corporate vehicle  
emissions **by 2025**

Scope 2 **100%**  
certified **renewable**  
**electricity by 2025**

Scope 3 **-14% t CO<sub>2</sub>e**  
relating to the purchase of  
recycled paper **by 2025**

NOTE: Targets for the reduction of CO<sub>2</sub> emissions compared to the 2021 base year, defined for sectors identified by the NZBA considering the emissions financed by BPS (Scope 1, 2 and 3) of customers with a NFS.



**02.**

**ENVIRONMENT:  
THE COMMITMENT TO THE CLIMATE AND THE ENVIRONMENT**



## Environment – The commitment to the climate and the environment

The material topics reported in this section are “Environment and climate change” and “Sustainable finance and responsible credit”. While for the first topic the correlation to the “E” factor is evident, for the second one a clarification is necessary: Aware of the urgency associated with environmental issues and the fight against climate change, BPS has paid particular attention to integrating the “E” factor into its traditional activities, namely the granting of credit and financial investments, in its Business Plan. Specifically, the Bank has adopted a new ESG Credit Policy and has developed “Next – sustainable credit products”, a new line of loans intended for individuals and companies that aim to reduce their energy consumption, ensuring more sustainable travel or investing in energy efficiency and renewable energy sources. Moreover, as detailed in the TCFD Report, the Bank is developing a Risk Management system aimed at identifying, assessing and monitoring climate-related and environmental risks in an increasingly more robust way. This, in the strong conviction of the need to also integrate all business processes and the Bank’s operations with the “S” and “G” factors.

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

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

Within its Code of Ethics, the Bank outlines specific *“Conduct principles with reference to climate-related and environmental aspects”*.

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**“The Bank is aware that safeguarding the natural environment in which we live and implementing practices that do not have negative consequences on the climate and the environment are an essential prerequisite for long-term sustainable development. In line with what is defined in the Environmental Policy, the Bank’s approach is based on the gradual reduction of direct and indirect impacts on the environment and climate, also paying attention to the consequences of the behaviour adopted, with the aim of promoting environmental protection. In carrying out its operations and relations with customers, suppliers, collaborators and commercial and non-commercial partners, the Bank therefore ensures that these are undertaken taking into account the costs and environmental and social impacts, in such a way as to minimise the negative effects that could impact the community and the quality of the environment and climate.”**

BPS Code of Ethics





The Bank's gaze towards the future is also confirmed in the 2022-2025 Business Plan, in which environmental sustainability is considered as a cross-level enabling factor for all the objectives that the Group aims to achieve by 2025. Defining a role in environmental protection and in the fight against climate change is one of the key challenges undertaken by the Group. In this regard, in 2022 BPS further took an even closer look at its indirect emissions (Scope 3), primarily concerning our portfolios of loans and investments.

The Bank has also adopted solid internal regulations to implement its commitment to environmental protection and the fight against climate change in its business and operations: the Sustainability Policy and the Environmental Policy.

Within the former, the Bank describes the steps taken to monitor and reduce the impact that its operations generate, both directly and indirectly, on the environment and the climate.

The Environmental Policy, on the other hand, reinforces the Bank's commitment to ensure that its activities and relationships with customers, suppliers, collaborators and partners are conducted in light of a cost-benefit balance assessment that takes into account the environmental impacts, with the aim of minimising the eventual negative effects.

2022 also represented a key year for BPS's commitment in the "E" area: as defined in its Business Plan, the Bank has launched a process aimed at defining a first set of ESG targets and, in particular, climate- and environmental-focused. These are qualitative and quantitative objectives that guide the identification of actions to implement the climate strategy, to be monitored over time through specific performance indicators, useful for measuring the impact associated with business activities.

A first set of targets, approved by the Sustainability Committee on 21 December 2022, will be explored in the section dedicated to the "Environment and climate change" topic. A second set of targets, relating in particular to credit portfolio emissions – large corporate – is outlined in the TCFD Report, in the "Metrics and targets" section.

### **BPS supports TCFD Recommendations**

An important change introduced is the participation in the Task Force on Climate-related Financial Disclosures (hereinafter also referred to as TCFD), an international organisation aimed at encouraging companies to be more transparent on the financial risks and opportunities associated with climate change.

The Bank has undertaken to report the environmental and climate-related risks and opportunities, as well as the targets, in the TCFD Report, attached to the NFS, thus aligning with international

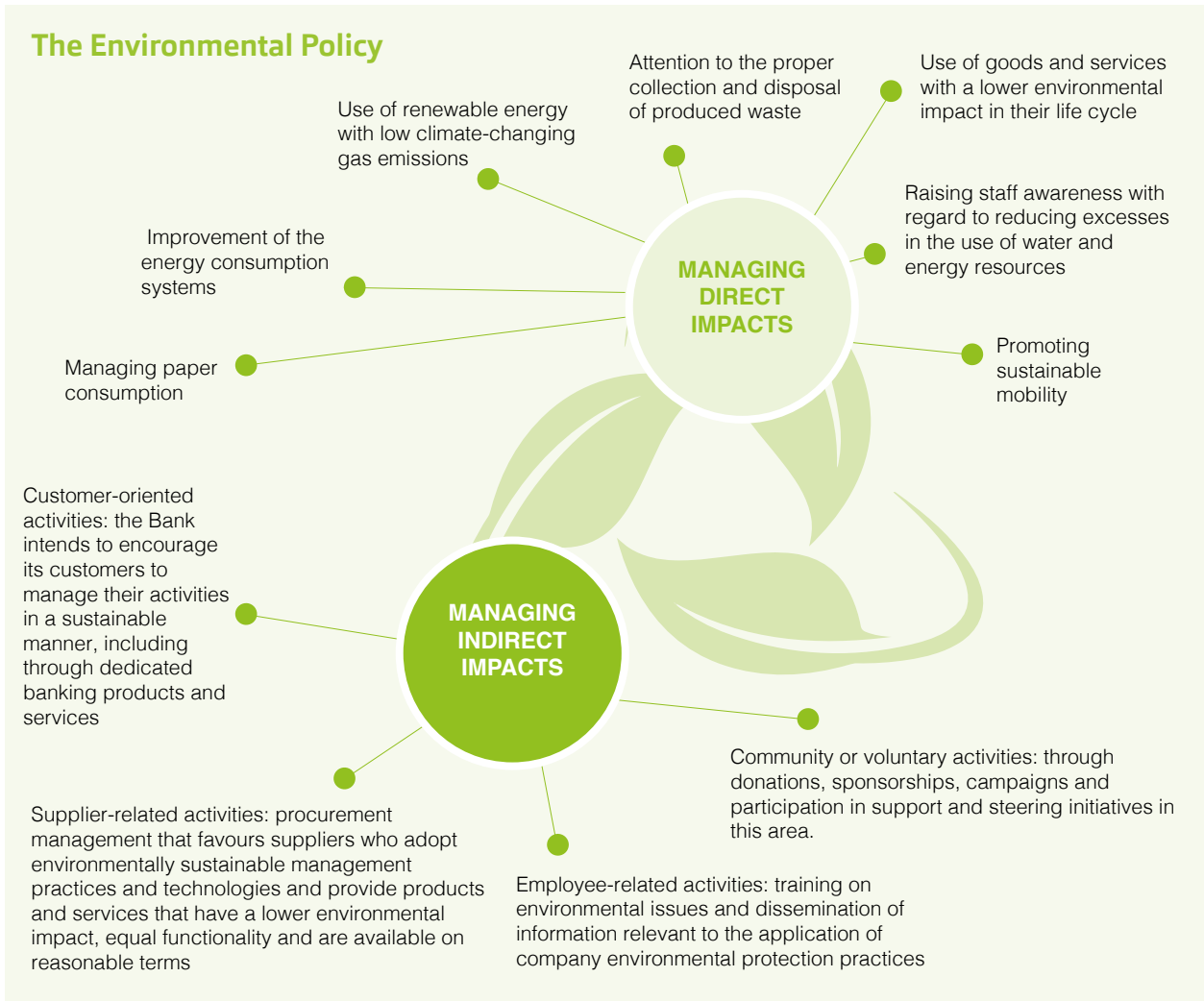
best practices. In particular, the TCFD recommends the use of a scenario analysis precisely in order to assess the risks related to climate change, so as to ensure a clear direction towards a reduction of direct and indirect impacts. The guidelines drawn up by the TCFD aim to measure the adequacy of the climate strategy of member companies and to support them in communicating the relevant aspects relating to the climate promptly and transparently. The first TCFD Report drafted by BPS is presented as an attachment to the NFS.

The Business Plan includes the steps necessary to implement ambitious portfolio alignment and carbon neutrality initiatives





The following figure summarises the measures and actions planned to reduce direct and indirect impacts, which are fully disclosed in the TCFD Report and in the Environmental Policy, also available on the Bank’s website (<https://istituzionale.popso.it/en/sustainability/our-commitment>).



2022 saw the continuation of the work initiated in 2021 with reference to the promotion of sustainable mobility continued: by defining Home-Work Travel Plans (HWTPs) using a software called “Mobility Manager”, the Bank was able to draw a detailed picture of the mobility habits of its employees, the starting point for rationalising corporate mobility, increasing the quality of life of employees and reducing pollution.



With regard to the reduction of direct environmental impacts and, in particular, those connected to the everyday actions carried out by Group employees, a Behavioural Handbook was created in 2022. The document consists of a list of virtuous behaviours addressed to personnel, enabling them to adopt simple measures in their everyday activities, helping to reduce environmental impacts and, at the same time, obtain economic savings. The document contains both advice for employees and a list of activities that the Bank is undertaking in order to reduce its environmental footprint through, for example, making paper, electricity and energy consumption more efficient.

These activities form the basis of the Sustainability process along which the Group will define further actions to improve its impact on the environment and the climate, thus contributing to the achievement of the 17 Sustainable Development Goals of the United Nations.

### **The drive of the European regulator in the study of climate-related and environmental risks**

In November 2020, the ECB published its “Guide on climate-related and environmental risks”, which sets out a number of supervisory requirements regarding the integration of these specific risk factors in relation to banks’ business and strategic models, governance arrangements and risk appetite framework, risk management system, and internal and external reporting.

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

Following a self-assessment with regard to the expectations set out in the Guide, in 2022 the Bank updated and submitted to the ECB an action plan to ensure, over a multi-year period, the development and implementation of a series of organisational, procedural and methodological solutions through which to achieve progressive alignment with supervisory expectations.

In particular, these expectations concern the integration of climate and environmental risks into the formulation and implementation of the Company’s strategies and its governance and risk management systems, with the aim to increase the levels of information transparency and reporting on these aspects. The plan was subsequently extended to include the main compliance initiatives in the area of ESG risk management viewed as a whole, for the purpose of comprehensive and coordinated monitoring of the issue. The following box provides further details on the activities undertaken by the Bank.

### Gap Analysis on EU Commission Guidelines

The ECB requires credit institutions to report material climate risks in their NFSs, taking into account the European Commission's "Guidelines on non-financial reporting: Supplement on reporting climate-related information" (hereinafter also referred to as the Guidelines). This document supplements the recommendations of the TCFD, incorporating, albeit in a non-binding manner, the contents of Directive 2014/95/EU on non-financial reporting.

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

- business model
- policies and due diligence process
- outcomes
- principal risks and their management
- key performance indicators.

For each area, the Guidelines identify a number of pieces of information that should be disclosed within the NFS. Additionally, the Commission has developed complementary guidelines for banks and insurance companies to facilitate the adoption of recommendations by institutions that are both providers and users of climate-related information. As part of the process of aligning with the ECB Guide on disclosure, the Bank has initiated a gap analysis and definition of action areas with respect to the above-mentioned European Commission Guidelines, following which information related to the management of the main risks of the area is clearly identifiable within the NFS through a specific infographic.



## Environment and climate change

“There’s nothing like environmental protection, beyond political and geographical divisions, that today brings people together into a global community, whose life and destiny are inextricably linked to the survival and health of the planet.”

Mario Alberto Pedranzini, Managing Director and General Manager of Banca Popolare di Sondrio





The consequences of climate change affect the financial system in various respects: the materialisation of physical and transition risks can cause damage to real estate and businesses, including from an economic point of view. The potential negative effects of “climate change” are the main reason why central banks and Supervisory Authorities have long included environmental sustainability in their work programmes. Moreover, by ensuring adequate management of these risks, the financial system can make a key contribution to channelling the resources necessary for the transition towards a sustainable economy. This evolution therefore requires a careful analysis of the climate-related and environmental risks to which the financial sector may be exposed in the medium to long term, in order to determine how the sector and its assets will be impacted by the effects of climate change. As requested by the ECB in the “Guide on climate-related and environmental risks” (November 2020), each bank must define and implement the most suitable climate adaptation strategy for the context in which it operates. The assessment of climate-related and environmental risks, both physical and transitional, on the banking business can be strengthened through an activity of climate scenario analysis in the medium-long term. The Banca Popolare di Sondrio Group has intensified its commitment to these issues, setting itself challenging objectives, as provided for both in the 2022-2025 Business Plan and by joining the TCFD at the beginning of 2023, with the aim of carrying out an initial disclosure with respect to the Recommendations and improving its reporting on climate-related topics. In fact, climate change generates new risks, but also new opportunities that the Group intends to seize with the intention of improving its impact, but also to support its customers in the ecological transition process.

More in-depth information on governance, strategy, risk management, metrics and objectives related to climate-environmental issues can be found in the TCFD Report attached to the NFS.

The Bank operates in line with the 2030 Agenda, the United Nations document aimed at ensuring the protection of human rights, and in particular it supports SDG 7 “Ensuring access to affordable, reliable, sustainable and modern energy for all”, SDG 12 “Ensuring sustainable consumption and production patterns” and SDG 13 “Take urgent action to combat climate change and its impacts”.

With the 2022-2025 Business Plan, the Bank has defined an ambitious path with respect to the reduction of its environmental and climate impacts, defining the challenging goal of joining the Net Zero Banking Alliance in 2023. This initiative, promoted by the United Nations, aims to accelerate the sustainable transition of the banking sector, through the commitment of member banks to align their loan and investment portfolios to achieve the goal of net zero emissions by 2050.





No climate strategy can be defined as effective if it is not preceded by an accurate analysis of the carbon footprint, namely the calculation of the emissions of climate-changing gases or greenhouse gases (GHG) attributable to a product, an organisation or an individual.

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

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

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

An effective corporate strategy to combat climate change requires a detailed understanding of the Company’s own climate-changing emissions, through an accurate GHG inventory.

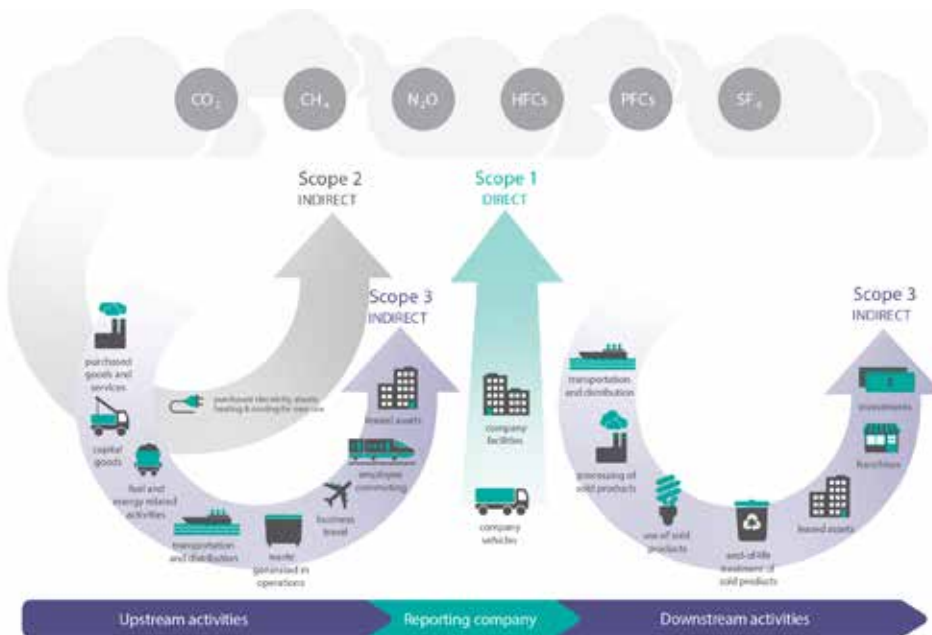


Image source: GHG Protocol – Technical Guidance for Calculating Scope 3 Emissions - Supplement to the Corporate Value Chain (Scope 3) Accounting & Reporting Standard, World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).



GRI  
305-1

## Direct environmental impacts

### Direct (Scope 1) GHG emissions

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

	UoM	2022	2021	2020
<b>Total direct emissions</b>	<b>t CO<sub>2</sub>e</b>	<b>3,383</b>	<b>4,368</b>	<b>6,933</b>
Heating oil	t CO <sub>2</sub> e	1,214	1,293	1,240
Diesel for motor vehicles	t CO <sub>2</sub> e	220	196	142
Petrol	t CO <sub>2</sub> e	51	30	49
LPG (liquefied petroleum gas)	t CO <sub>2</sub> e	6	0	6
Natural gas	t CO <sub>2</sub> e	1,885	2,736	2,799
Fluorinated greenhouse gases (F-gas)	t CO <sub>2</sub> e	0	113	2,698
Electricity from renewable sources produced and consumed	t CO <sub>2</sub> e	8	0	0
Other (specify)	t CO <sub>2</sub> e	0	0	0

Source of emission factors: ISPRA (Italian Institute for Environmental Protection and Research) with transformation into CO<sub>2</sub>e according to the procedure set out in the "Guidelines on the application of the GRI (Global Reporting Initiative) Standards on environmental issues in banks" published by ABI Lab. The gases included in the calculation are CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O.



## Indirect environmental impacts

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

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

### Planned measures and actions to reduce indirect impacts.



#### CUSTOMER-ORIENTED ACTIVITIES

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

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



#### SUPPLIER-ORIENTED ACTIVITIES

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



### COMMUNITY-ORIENTED ACTIVITIES

The Group intends to:

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



### EMPLOYEE-ORIENTED ACTIVITIES

The Group plans to organise the following activities:

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



## Scope 2 emissions

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

Indirect emissions (Scope 2)	UoM	2022	2021	2020
Total indirect emissions – “Location-based” method	t CO <sub>2</sub> e	5,231	5,502	5,809
Total electricity purchased (renewable and non-renewable) (national grid average emission factor)	t CO <sub>2</sub> e	4,854	5,126	5,502
Total district heating purchased (renewable and non-renewable)	t CO <sub>2</sub> e	377	376	308
Other (specify)	t CO <sub>2</sub> e	0	0	0
Total indirect emissions - “Market-based” method	t CO <sub>2</sub> e	384	406	372
Non-renewable electricity purchased	t CO <sub>2</sub> e	199	216	186
Electricity purchased from renewable sources	t CO <sub>2</sub> e	0	0	0
Non-renewable district heating purchased	t CO <sub>2</sub> e	185	191	186
Renewable district heating purchased (zero emission factor)	t CO <sub>2</sub> e	0	0	0
Other (specify)	t CO <sub>2</sub> e	0	0	0

Source of emission factors: “Guidelines on the application of the GRI (Global Reporting Initiative) Standards on environmental issues in banks” published by ABI Lab.

The GRI standard provides for two different approaches to calculating Scope 2 emissions: “Location-based” and “Market-based”. The “Location-based” approach involves the use of average emission factors relating to the specific national energy mixes for the production of electricity; the emission coefficient used for Italy is equal to 278.02 gCO<sub>2</sub>/kWh for 2021 and 296.5 g CO<sub>2</sub>/kWh for 2020 (source of emission factors: ISPRA, the Italian Institute for Environmental Protection and Research, with transformation into CO<sub>2</sub> according to the procedure set out in the “Guidelines on the application of the GRI Standards on environmental issues in banks” published by ABI Lab). The “Market-based” approach, instead, involves the use of emission factors defined on a contractual basis with the electricity supplier. In the absence of specific contractual agreements between Group companies and the electricity supplier, for this approach the emission factor relating to the national “residual mix” was used, which for Italy is equal to 459 g CO<sub>2</sub>/kWh for 2021 and 466 g CO<sub>2</sub>/kWh for 2020 (source of emission factors: AIB, European Residual Mixes 2020 and 2019 for 2021 and 2020 data respectively, with transformation into CO<sub>2</sub> equivalent according to the procedure set out in the aforementioned document).

GRI  
305-2

98% of  
the energy  
electricity  
purchased  
comes from  
renewable  
sources





Scope 3  
emissions  
represent the  
most significant

## Scope 3 emissions

The term “Scope 3 emissions” refers to emissions of climate-changing gases (or GHGs) generated along the value chain of an organisation, upstream and downstream, thus from sources not owned or controlled by the organisation itself. These emissions include those related to the production of purchased material and fuel used by vehicles not owned by the organisation, as well as the end use of products or services and investments made.

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

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

For this reason, starting in 2021, the Bank has undertaken a study of its Scope 3 emissions, beginning with an initial exercise to analyse the emissions of its credit portfolio. The data collection methodology follows two key literature references:

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

The tables below illustrate the emissions connected to the Bank’s credit portfolio, in line with the Pillar 3 disclosure (so-called Pillar 3 pursuant to Regulation (EU) 2013/575, Capital Requirements Regulation, of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and disclosure requirements).

The information used to calculate GHG emissions derives from:

- “info provider” databases, containing information and statistical data relating to emissions per individual counterparty and NACE sector;
- “reported data” databases, containing the GHG emissions reported on the Non-Financial Statements published by groups and companies.

According to the PCAF, financial institutions must report the absolute Scope 1 and 2 emissions of their counterparties; for the reporting of Scope 3 emissions of counterparties, however, the PCAF follows a gradual introduction:



**Table 5-6. List of sectors with required Scope 3 emissions inclusion as defined the EU TEG**

Phase in period	NACE L2 sectors considered
For reports published in 2021 onwards	At least energy (oil & gas) and mining (i.e., NACE L2: 05-09, 19, 20)
For reports published in 2023 onwards	At least transportation, construction, buildings, materials and industrial activities (i.e., NACE L2: 10-18, 21-23, 41-43, 49-53, 81)
For reports published in 2025 onwards	Every sector

Source: PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

For the first year, BPS includes in the calculation of its emissions connected to the selected corporate loan portfolio the sum of the Scope 1, 2 and 3 emissions of the financed entities, according to an attribution factor. The latter is represented by the attribution of the emissions produced by the customer, calculated on the basis of the ratio between the financed amount (numerator) and the value of the financed company (denominator, understood as the sum of the company's total equity and debt, from the customer's financial statements):

$$\text{Attribution factor}_c = \frac{\text{Outstanding amount}_c}{\text{Total equity+debt}_c}$$

In particular, the emissions of the portfolio considered are calculated as follows:

$$\text{Financed emissions} = \sum \text{Attribution factor}_c \times \text{Company emissions}_c$$

(with  $c$  = borrower or investee company)

In addition, portfolio emissions for 2022 are presented according to the following PCAF metrics:

Metric	Description	Objective	2022 Value
Absolute portfolio emissions	Sum of the GHGs associated with the entire selected portfolio (Scope 1+2+3)	Understand the climate impact of financing and establish a baseline for climate-related strategies	520m tCO <sub>2</sub> e
Economic emission intensity	Absolute portfolio emissions (Scope1+2+3) in relation to the value of the loan	Evaluate the emission intensity of the financed activities	11m tCO <sub>2</sub> e
Weighted average carbon intensity (WACI)	Quantity of emissions of a given company (Scope1+2) per Euro of Turnover	Evaluate the emission intensity of the portfolio (or parts of the portfolio) per monetary unit. It enables the assessment of the degree of pollution that different companies produce, for the same turnover	128 tCO <sub>2</sub> e/€m



A representation of exposures, financed emissions and emission intensity by macro-sector is provided below. Specifically, the sectors have been sorted in descending order on the basis of the portfolio WACI.

Macro-sector	% Exposure	% Financed Emissions	WACI
D - Electricity, gas and steam supply	3.8%	2.9%	896
B - Mining and quarrying	0.4%	0.4%	573

C1 - Manufacturing (high energy intensity)	13.0%	63.2%	268
E - Water supply	1.4%	0.4%	227
F - Construction	8.1%	5.0%	101
H - Transporting and storage	2.6%	0.6%	91

A - Agriculture, forestry and fishing	1.5%	0.1%	85
C2 - Manufacturing (other)	19.4%	23.1%	82
G - Wholesale and retail trade	16.4%	3.1%	41
Q - Human health and social work activities	1.5%	0.1%	39
J - Information and communication	2.5%	0.1%	33
P - Education	0.1%	0.0%	31
S - Other services activities	0.3%	0.0%	30
M - Professional, scientific and technical activities	7.1%	0.6%	29
I - Accommodation and food service activities	5.3%	0.1%	24
R - Arts, entertainment and recreation	1.3%	0.0%	23
L - Real estate activities	12.2%	0.0%	9
N - Administrative and support service activities	1.5%	0.1%	8
K - Financial and insurance activities	1.5%	0.0%	5
O - Public administration and defence	0.0%	0.0%	-

GRI  
305-3

### Other indirect GHG emissions (Scope 3)

Other indirect emissions (Scope 3)	2022	2021	2020
Purchased goods and services (paper and toners)	372	395	407
Business travel (public transport)	303	263	240
<b>Total other emissions</b>	<b>675</b>	<b>658</b>	<b>647</b>

\* Portfolio emissions were calculated for the first time in 2021.

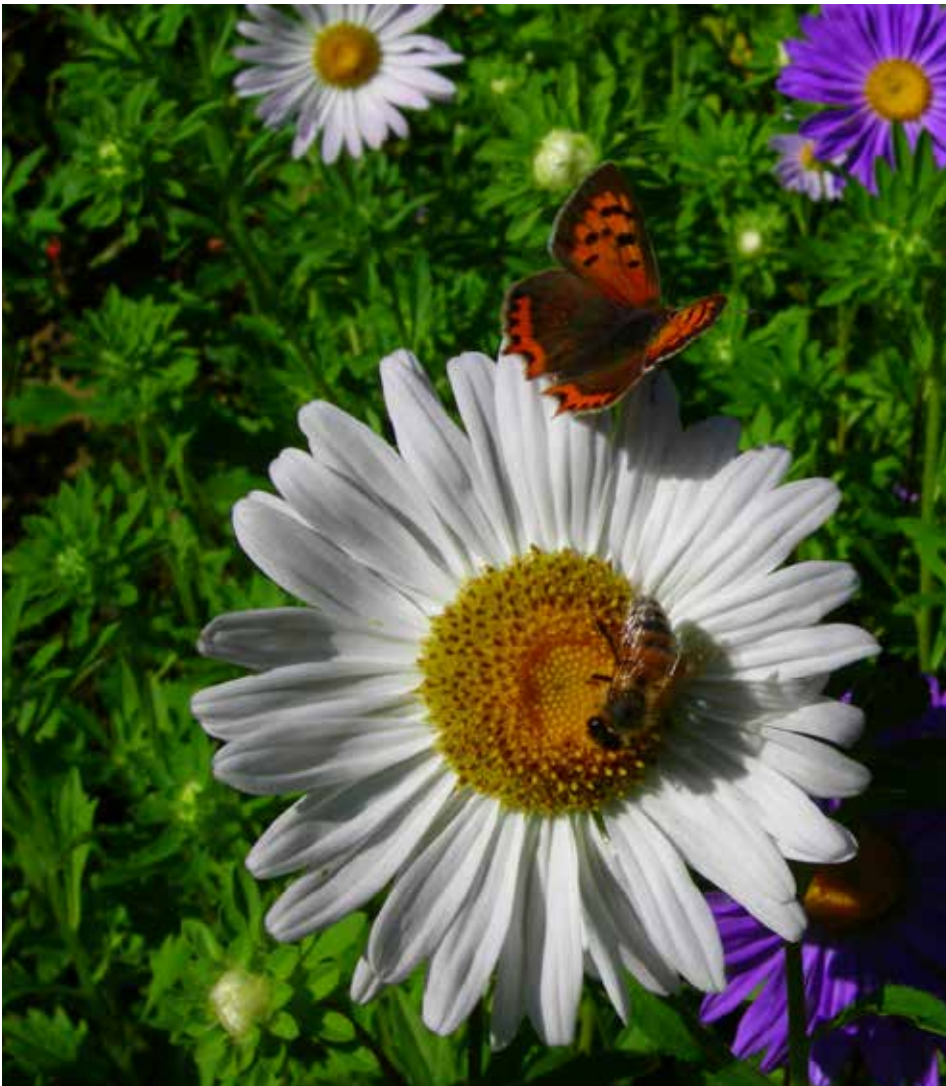
Source of emission factors: "Guidelines on the application of the GRI (Global Reporting Initiative) Standards on environmental issues in banks" published by ABI Lab.



## Sustainable mobility at BPS

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

Urban mobility is one of the main topics of interest to institutions and companies. Better organisation can help reduce the levels of urban traffic congestion and, at the same time, those of air pollution, with consequent benefits at both a social and economic level. The Italian Ronchi Decree issued on 27 March 1998, alongside the obligation to clean up and protect the air quality, introduces the figure of the corporate Mobility Manager, with the aim of engaging companies in the management of alternative solutions.



The Decree recognises Home-Work Travel Plans (hereinafter also referred to as HWTP) as one of the tools to reduce the use of individual private vehicles by encouraging sustainable forms of transport. Subsequently, the Italian Relaunch Decree, converted into Law no. 77 of 17 July 2020 and including “Measures to encourage sustainable mobility”, confirmed the lowering of the minimum threshold for the appointment of the Mobility Manager and the consequent drafting of the HWTP from 300 to 100 employees in companies located in metropolitan cities, regional and provincial capitals and, in general, in municipalities with more than 50,000 inhabitants. This law aims to further increase the sustainability of travel and to favour alternative means to traditional ones, both for the protection of the environment and for limiting the spread of Covid-19 infections. Moreover, with the introduction of the Italian Interministerial Decree no. 179 of 12 May 2021, containing “Methods for implementing the provisions relating to the figure of the Mobility Manager”, the figures, functions and requirements of the corporate Mobility Managers and area Mobility Managers are defined.

In this context, the Bank falls within the application boundary of such regulations for the sites in Sondrio (headquarters) and Milan (BPS and Factorit subsidiary offices). In November 2021, the Bank therefore appointed its corporate Mobility Manager and drafted the first HWTPs for the locations affected, which were promptly updated in 2022.

Specifically, the HWTPs identify measures to steer the employees’ home-work travel habits towards sustainable forms of mobility as an alternative to the individual use of private motor vehicles, based on an analysis of the modes that are currently used, mobility needs and the state of the public transport services available in the relevant area.



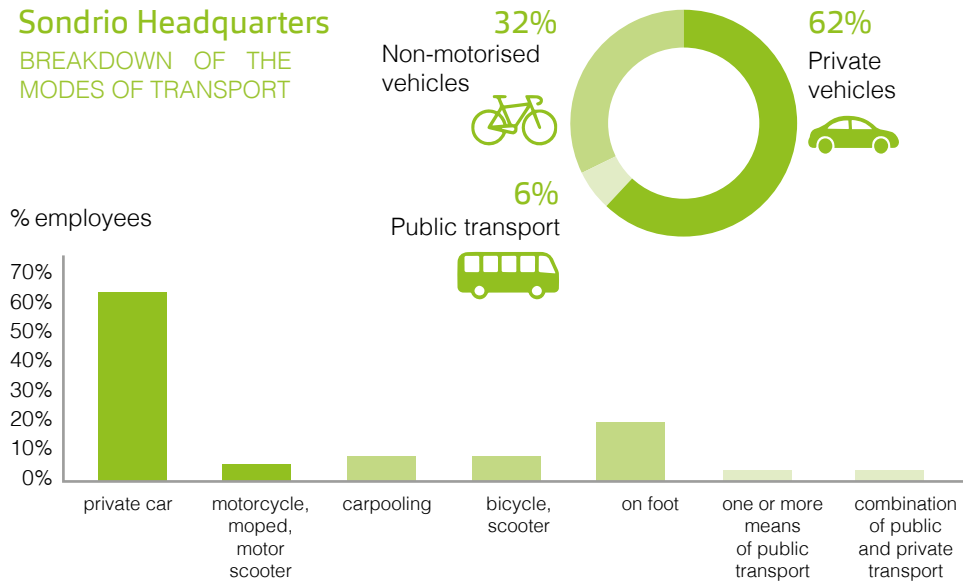


**Summary of HWTP contents:**

**Modes of transport currently used by employees**

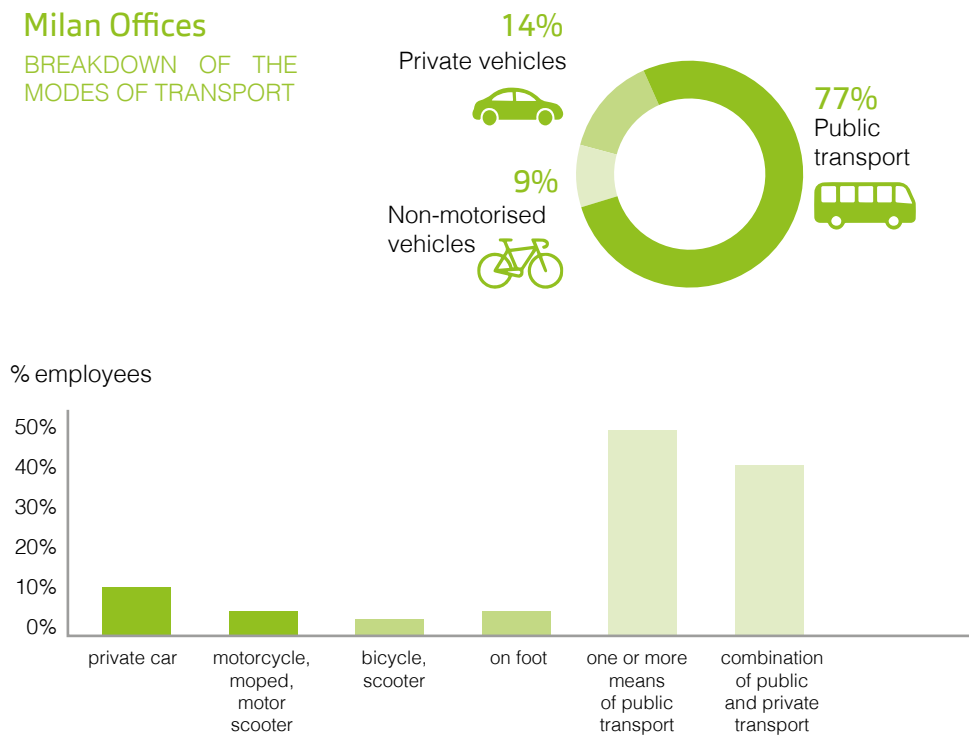
**Sondrio Headquarters**

BREAKDOWN OF THE MODES OF TRANSPORT



**Milan Offices**

BREAKDOWN OF THE MODES OF TRANSPORT



**Mobility needs that emerged:**■ **Sondrio**

About 23% of employees believe that the main reason for choosing the means of transport depends on the freedom of movement. Subsequently, the choice is motivated by the travel time (about 18%) and by the lack of valid alternatives (about 13%).

■ **Milan**

About 20% of employees believe that the main reason for choosing the means of transport depends on the travel time. Subsequently, the choice is motivated by the low cost (about 16%) and by the fact that it is considered the least stressful alternative (about 15%).

The HWTPs also define the benefits that can be achieved through the implementation of the measures they envisage, assessing the advantages for the employees involved, for the company adopting them and for the community from an environmental, social and economic standpoint.

**Measures adopted and benefits**

		CO <sub>2</sub>	PM <sub>10</sub>	NO <sub>x</sub>	CO	VOC
		t/year	t/year	t/year	t/year	t/year
CARPOOLING	Introduction of a corporate carpooling computer system to support employees in managing and streamlining their carpooling companions.	-143.59	-0.032	-0.330	-1.517	-0.171
CYCLING	<ul style="list-style-type: none"> <li>• Availability of bicycle stalls.</li> <li>• Agreements with the Municipality in order to take advantage of bike sharing services at discounted prices for employees.</li> <li>• Agreements in favour of employees (subsidised financing) for the purchase of electric or traditional bicycles.</li> </ul>	-73.18	-0.016	-0.176	-0.778	-0.088
REMOTE WORKING	<p>"Remote working" agreements aimed at employees</p> <p>Evaluation of remote working methods to be adopted in line with the Bank's organisational needs, with particular attention to employees living outside Milan and Sondrio.</p>				<ul style="list-style-type: none"> <li>• Reduction of traffic and crowding of workplaces.</li> <li>• Reduction of company costs.</li> <li>• Better work-life balance.</li> <li>• Reduction of polluting emissions.</li> </ul>	
AWARENESS-RAISING CAMPAIGNS	Communication/awareness-raising actions on sustainable mobility topics (e-books, #videotests).				<ul style="list-style-type: none"> <li>• Increased level of awareness and information on mobility alternatives.</li> <li>• Improvement of behaviour from an environmental and social point of view, with a reduction in polluting emissions and the social costs associated with accidents.</li> <li>• Strengthening of the corporate image.</li> </ul>	

The estimate of the environmental benefits was obtained by adopting the calculation procedures outlined in the Guidelines for the preparation and implementation of the Home-Work Travel Plans (Italian Interministerial Decree no. 179 of 12 May 2021, Article 3, paragraph 5), based on the emission factors published by ISPRA. The emission reductions were calculated in relation to the decrease in kilometres travelled by private car.



### Focus on remote working

Traffic is a major source of air pollution. The table illustrates the total values of the emissions produced during working days in remote working mode, highlighting the potential savings in terms of GHG emissions, compared to office work, for an entire year. As can be seen from the table, the adoption of remote working is an effective measure to reduce emission factors and contribute to the reduction of air pollution generated by travel.

	EMIS. of CO (kg/ year)	EMIS. of NO <sub>x</sub> (kg/ year)	EMIS. of VOC (kg/year)	EMIS. of CH <sub>4</sub> (kg/year)	EMIS. of PM <sub>10</sub> (kg/year)	EMIS. of CO <sub>2</sub> (kg/year)
2022	8,909.3	2,177.0	3,473.1	171.3	198.4	1,151,391.8
2022						
WITHOUT REMOTE WORKING	11,895.3	2,906.6	4,637.1	228.7	264.8	1,537,289.1
SAVINGS	2,986	729.6	1,164.0	57.4	66.5	385,897.4

CO= Carbon Monoxide  
NO<sub>x</sub>= Nitrogen Oxide  
VOC= Volatile Organic Compounds

CH<sub>4</sub>= Methane  
PM<sub>10</sub>= Particulate Matter  
CO<sub>2</sub>= Carbon Dioxide



### Taxonomy: eligibility disclosure pursuant to Article 8 of Regulation (EU) 2020/852

Regulation (EU) 2020/852 defines the criteria for determining whether an economic activity can be considered environmentally sustainable, in other words aligned with the Taxonomy, starting with the identification of six environmental objectives:

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

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

On 10 December 2021, Delegated Regulation (EU) 2021/2178 was published setting out how to meet Taxonomy obligations, clarifying the distinctions between eligibility and alignment disclosures: these provisions were – partially – clarified by the guidelines and communications of the European Commission of December 2021<sup>1</sup>, October 2022<sup>2</sup> and December 2022<sup>3</sup>.

In particular, the following categories of activities are outlined:

**Taxonomy-eligible economic activities:** economic activities that are described in the delegated acts adopted to establish the technical screening criteria, irrespective of whether they meet any or all of the technical screening criteria laid down in those delegated acts;

**Taxonomy-aligned economic activities:** eligible economic activities that meet the conditions of eco-sustainability set by the Climate Delegated Act and specified by the technical screening criteria, substantially contributing to environmental objectives.

**Non-eligible economic activities:** economic activities that are not described in the Delegated Regulations.

<sup>1</sup> FAQs: How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy Regulation Article 8 Disclosures Delegated Act?

<sup>2</sup> Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets.

<sup>3</sup> Draft Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy eligible and Taxonomy-aligned economic activities and assets (second Commission Notice).



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

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

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

1. Eligibility disclosure in compliance with the Taxonomy, for the minority of exposures, on “actual” data, already available in the financial statements and published during 2022 by the Bank’s counterparties subject to the disclosure obligations referred to in Articles 19a and 29a of Directive 2013/34/EU, in other words which publish an NFS.
2. Voluntary eligibility disclosure in line with what is defined in the Guidelines published by the Platform for Sustainable Finance produced on the basis of estimates with reference to exposures to those companies excluded from the obligation to publish an NFS.

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

The data presented below has the same scope as the NFS and therefore corresponds to the data in the harmonised supervisory reporting (FINREP) as at 31 December 2022.

The information shared below represents the most complete possible interpretation of what is currently made available by the European authorities and intends to satisfy, in the best possible way, the requirements of the Delegated Regulations and the guidelines and communications of the European Commission.

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





The disclosure will be updated from time to time, both in the light of developments in the regulatory framework and as counterparty data becomes available: for the 2022 financial year, the eligibility analysis has been extended to the Bank's counterparties subject to the obligation of publication of the NFS, using the indicators on the Taxonomy presented during 2022, allowing the Bank to calculate the exposures to the specific economic activities eligible for the EU Taxonomy.

### Eligibility disclosure in compliance with the Taxonomy (so-called Regulatory)

In accordance with the applicable guidelines and notices, EU Taxonomy-eligible exposures have been calculated on the basis of turnover and capital expenditure. Both indicators consist of:

- loans and advances to households secured by residential property;
- unsecured loans and advances to households aimed at:
  - renovation of existing buildings,
  - installation, maintenance and repair of renewable energy technologies,
  - purchase and ownership of buildings;
- consumer credit for the purchase of passenger cars;
- other specialised loans to public authorities aimed at the purchase and ownership of buildings;
- EU Taxonomy-eligible exposures to financial undertakings subject to the obligation to publish the NFS, weighted based on the proportion of economic activities and/or EU Taxonomy-eligible exposures of banks and insurance companies to which the following can be added alternatively:
  - EU Taxonomy-eligible exposures to non-financial undertakings subject to the obligation to publish the NFS, weighted based on the proportion of turnover attributable to EU Taxonomy-eligible economic activities,
  - EU Taxonomy-eligible exposures to non-financial undertakings subject to the obligation to publish the NFS, weighted based on the proportion of capital expenditure attributable to EU Taxonomy-eligible economic activities.

The eligibility data published by customers does not include the economic activities included in the Delegated Regulation (EU) 2022/1214 (so-called Complementary Climate Delegated Act), which regulates eco-sustainable activities in the gas and nuclear sector.



This approach is borrowed from the contents of Annex V to the Delegated Regulation (EU) 2021/2178 provided for the Green Asset Ratio (GAR).

	Financial statements figure (€m)	% of Total Asset	% of Total Covered Asset
<b>Total Assets</b>	<b>57,839</b>		
of which Trading portfolio – excluding derivatives	116	0.2%	
of which Public exposures to central banks, central governments and supranational issuers	11,082	19.2%	
of which Derivatives	63	0.1%	
<b>Total Covered Assets: Denominator for eligibility calculations – Total Assets, excluding public exposures and trading portfolio</b>	<b>46,641</b>	<b>80.6%</b>	
of which Interbank loans	559	1.0%	1.2%
of which Exposures to companies not subject to the obligation to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU (NFRD)	16,817	29.1%	36.1%
of which Exposures to companies subject to the obligation to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU (NFRD)	<b>3,523</b>	6.1%	7.6%
<b>Total Taxonomy-eligible exposures on a capital expenditure (CAPEX) basis – in compliance</b>	<b>8,601</b>	<b>14.9%</b>	<b>18.4%</b>
<b>Total Taxonomy-eligible exposures on a turnover basis – in compliance</b>	<b>8,474</b>	<b>14.7%</b>	<b>18.2%</b>
<b>Total Taxonomy-NON-eligible exposures on a capital expenditure (CAPEX) basis – in compliance</b>	<b>38,039</b>	<b>65.8%</b>	<b>81.6%</b>
<b>Total Taxonomy-NON-eligible exposures on a turnover basis – in compliance</b>	<b>38,167</b>	<b>66.0%</b>	<b>81.8%</b>

As stated in Article 7 of Regulation (EU) 2021/2178, the value of Total Covered Assets corresponds to the gross book value of total assets minus exposures to central governments, central banks and supranational issuers, and the trading portfolio.

The percentage values shown are calculated by comparing the gross book value of the eligible and non-eligible exposures respectively, to the gross book value of the assets recognised in the financial statements, as required by Article 10 of Regulation (EU) 2021/2178.

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

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

For the calculation of exposures to companies subject to the obligation to publish non-financial information pursuant to Directive 2013/34/EU (NFRD), the size proxy was developed based on the criteria for non-financial reporting (Domicile country belonging to the 27 EU member states, more than 500 employees and at least Euro 40 million in revenues).

With respect to the 2021 NFS, BPS has decided not to provide detailed voluntary data relating to eligible exposures to private individuals and public authorities.

The eligibility data published by customers does not include the economic activities included in the Delegated Regulation (EU) 2022/1214 (so-called Complementary Climate Delegated Act), which regulates eco-sustainable activities in the gas and nuclear sector.



### Voluntary eligibility disclosure

Disclosure built on the basis of the information shared by the Platform for Sustainable Finance which contains the Guidelines for the eligibility disclosure relating exclusively to companies not subject to the obligation to publish non-financial statements; in particular, the Bank has chosen to publish eligibility indicators on a voluntary basis estimated according to the reference market and the NACE/sector codes, in line with the classification provided by the Platform and on the basis of the NACE which identifies the activity primarily carried out by the counterparty (so-called Platform Option 3).

As at 31 December 2022	FINREP data (€m)	% of Total Covered Assets
Taxonomy-eligible exposures to undertakings that are not obliged to publish an NFS (small businesses and non-NFRD)	8,404	22%
<b>Total eligible exposures</b>	<b>8,404</b>	<b>22%</b>
<b>Total non-eligible exposures</b>	<b>37,864</b>	<b>78%</b>

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





Photo by: **Stefano Colzani**, Como Branch



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

	UoM	2022	2021	2020
Heating	GJ	48,708	64,476	65,163
Natural gas	GJ	32,346	46,964	48,381
Diesel	GJ	16,273	17,404	16,687
LPG (liquefied petroleum gas)	GJ	89	109	95
Electricity consumed (withdrawn + self-produced)	GJ	68,830	66,999	67,327
Electricity purchased	GJ	66,430	64,972	66,474
of which from renewable sources (purchased)	GJ	63,533	63,810	65,102
Electricity from renewable sources, produced and consumed	GJ	2,400	2,028	852
District heating	GJ	6,428	12,845	5,302
Non-renewable district heating purchased	GJ	2,897	5,804	2,942
Renewable district heating purchased	GJ	2,271	4,500	2,360
Non-renewable air cooling purchased	GJ	117	1,374	0
Renewable air cooling purchased	GJ	1,143	1,168	0
<b>Total energy consumption</b>	<b>GJ</b>	<b>123,967</b>	<b>144,321</b>	<b>137,791</b>
Renewable energy	GJ	69,347	71,505	68,314
% renewable of the total		56%	50%	50%
Non-renewable fuel consumption – Diesel	GJ	2,960	2,556	1,909
Non-renewable fuel consumption – Petrol	GJ	677	537	666
<b>Total non-renewable fuels (including car fleet)</b>	<b>GJ</b>	<b>52,345</b>	<b>67,569</b>	<b>67,738</b>

Source of conversion factors: "Guidelines on the application of the GRI (Global Reporting Initiative) Standards on environmental issues in banks" published by ABI Lab.

The 2022 data differs from 2021 as it was not possible to perform a reliable calculation on units with central heating: the considerable increase in the cost of fuel prevented a true count of the percentage of heating costs on total building costs.





## Materials used and waste produced

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

### Materials used by weight or volume

	UoM	2022	2021	2020
Total weight of materials used	kg	445,415	469,487	481,288
Total FSC-certified paper	kg	60,962	149,863	148,188
Total certified recycled paper	kg	0	-	-
Total paper used (non-certified)	kg	370,724	305,338	318,956
Toners and cartridges	kg	13,729	14,286	14,145
Paper consumption per employee	kg	124.90	135.19	141.47
Toner consumption per employee	kg	3.97	4.24	4.28

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

Compared to previous years, the data show a slight decrease (-6%) mainly attributable to the dematerialisation measures implemented by the Bank, including:

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

GRI  
301-1



GRI  
306-1

### Waste generation and significant waste-related impacts

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

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

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

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

Overall, the amount of waste produced in 2022 was approximately 320,000 kilograms, with an increase of approximately 20,000 kilograms compared to the previous year; on the basis of the average quantity of waste produced in the years 2015-2022, a reduction of around 16% was however noted. As regards hazardous waste, that generated in 2022 amounted to approximately 630 kilograms.

Management of waste produced by Pirovano Stelvio SpA is instead entrusted to the municipality of Bormio, through the company SECAM SpA. In particular, the Municipality of Bormio initially covers the payment of the service provided by the disposal company and subsequently divides the costs among all the structures operating at the Stelvio Pass, including Pirovano Stelvio SpA. The distribution is carried out in proportion to the volumes of the various structures and is defined during the month of June of the year following the reference one. In this regard, the value for 2022 is an estimate, based on data from 2021. The waste generated by Pirovano Stelvio is typical for activities in the hotel sector; specifically, about 18,000 kilograms of waste were produced, of which almost 6,000 kilograms of recyclable waste (paper, plastic, glass) and 175 kilograms of hazardous waste (used cooking oil).



### Management of significant waste-related impacts

For some years now, the Group has undertaken several initiatives aimed at reducing the use of paper and toners, including:

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

In 2022, both of the above-mentioned initiatives recorded an increase in use by customers of 8.5% and 15%, respectively.

With regard to Factorit SpA, the progressive dematerialisation of documents continued in 2022, as did the disposal of paper waste generated in past years and reaching the legal deadline required for its storage in archives.

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

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



GRI  
306-2

100% paper  
waste sent for  
recovery

GRI  
306-3**Waste generated**

	UoM	2022	2021	2020
<b>Total waste produced</b>	<b>kg</b>	<b>320,876</b>	<b>300,976</b>	<b>286,358</b>
Of which hazardous	kg	630	2,946	260
of which neon lights	kg	165	780	
of which spent batteries	kg	15	1,966	
other (Subsidiaries)	kg	450	200	
Of which non-hazardous	kg	320,246	298,030	286,098
of which spent printer toners and cartridges	kg	11,960	10,188	
of which paper and cardboard	kg	281,866	232,695	
of which corrugated cardboard	kg	930	850	
of which plastic packaging	kg	210	100	
of which wood packaging	kg	2,860	155	
of which mixed-material packaging	kg	2,045	1,750	
of which electrical/electronic equipment	kg	1,390	1,120	
of which bulky waste	kg	340	1,250	
of which iron and steel	kg	0	0	
of which non-hazardous equipment components	kg	0	0	
of which waste from Subsidiaries	kg	18,645	49,922	

\* The 2022 data, in line with with the previous reporting year, reflects a greater degree of detail regarding the type of waste; unlike previous years, the breakdown by type of waste for 2022 also concerns Subsidiaries.





## The BPS Handbook for responsible and sustainable behaviour

In 2022, Banca Popolare di Sondrio defined a “Handbook” of eco-advice for responsible and sustainable behaviour, shared with Group employees through training in the field of sustainability and through a specific internal notice. The “Handbook” is intended as an invitation to adopt simple measures to reduce environmental impact and, at the same time, obtain economic savings starting from one’s working environment.



### What can employees do

#### PAPER



- Print and photocopy only if really necessary
- Use email to send documentation
- Print on both sides
- Always use recycled paper, which today has the same aesthetic and functional characteristics as non-recycled paper
- Encourage customers to use SCRIGNO and to communicate online

#### LIGHTING



- Always prefer sunlight to artificial light
- Turn on the lights only in offices that are used

#### WASTE



- Carry out separate collection correctly and mandatorily
- Use metal water bottles to reduce the consumption of single-use plastic bottles

#### COMPUTERS AND OTHER ELECTRONIC EQUIPMENT



- Turn off all electronic devices at the end of the day
- Set monitors to turn off after three minutes of inactivity

#### HEATERS AND AIR CONDITIONERS



- Set the temperature to suitable levels, avoiding extremes
- Turn off the heat or air conditioning in seldom used rooms

#### TRANSPORT



- Carpool with colleagues who share a similar journey route
- Favour the use of alternative means of transport to cars (public transport, bicycle, scooter, etc.)





# What the Bank is committed to doing by 2025

## PAPER



- Digitisation of printouts
- Smart printing
- Recycled paper
- Replacement with duplex printers
- Digital signature of mortgage contractual documentation

## COMPUTERS AND OTHER ELECTRONIC EQUIPMENTS



- Implement a circular economy path, through the smart printing project, purchasing only toners and cartridges that can be refilled, with an increasingly larger capacity, to reduce costs
- Provide for automatic shutdown of PCs in the evening

## LIGHTING



- Replace high consumption lights during renovations and, where possible, also in other cases
- Equip all signs with solar light detection systems (twilight sensors) to rationalise the number of hours they are switched on

## HEATERS AND AIR CONDITIONERS



- Preset, where possible and where not yet done, heating and cooling to suitable temperatures
- Efficiency improvement of cooling systems by replacing obsolete external units with higher performance one, in the event of a system failure

## WASTE



- Start plastic reduction initiatives by providing reusable water bottles
- Equip all offices and branches with bins for separate waste collection

## TRANSPORT



- Renew the car fleet with less polluting vehicles
- Develop a Mobility management operational plan

## Targets linked to the aforementioned initiatives, to be achieved by 2025

**-46% t CO<sub>2</sub>e (Scope 1)**

RELATED TO COMPANY VEHICLE EMISSIONS

**100%**

CERTIFIED RENEWABLE ELECTRICITY



REDUCTION OF COSTS AND CONSUMPTION THROUGH **ENERGY EFFICIENCY** MEASURES





**-14% t CO<sub>2</sub>e (Scope 3)**

RELATING TO THE PURCHASE OF RECYCLED PAPER



## Risks associated with the topic

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Identification method	Control method
 Environmental and climate-related risk (E)	Transition (Technology)	Operational (Organisational)	Operational risks (organisational risks) associated with inefficiencies or inadequacies of the infrastructure and technological resources used at company level, in terms of energy dispersion and/or carbon emissions	Risk identified through expert-based methods by: Organisation and Regulations Service, Internal Audit Service, Information Systems Service	Reduction of the ecological footprint by adopting company-wide practices and initiatives in line with the principles set out in the Group's Environmental Policy (continuous improvement of energy performance, use of renewable energy with low climate-changing gas emissions, prudent management of paper consumption, careful and correct collection and disposal of produced waste, use of goods, services and technologies with a lower environmental impact, raising staff awareness with regard to reducing excessive water and energy resource use).
 Environmental and climate-related risk (E)	Transition (Legal and Policy)	Non-compliance with regulations	Non-compliance risks attributable to non-conformities/improper management – including by external suppliers – of infrastructure, technological resources and general support services, with impacts in the form of penalties for failure to comply with environmental laws and regulations	Risk identified through expert-based methods by the Logistics and Operational Support Service	Participation of staff involved in ABI discussions on equipment efficiency and sustainability.  Provision of business continuity and disaster recovery plans, both internally and by external providers, with a regulatory obligation of periodic review of their adequacy, also taking into account environmental threats attributable to the geographic location of the sites where the technological infrastructure is located and/or work is carried out.
 Environmental and climate-related risk (E)	Transition (Reputation)	Reputation	Reputational risks associated with company-wide use of infrastructure and technological resources perceived as inefficient or obsolete, in terms of energy dispersion and/or carbon emissions	Risk identified through expert-based methods by the Risk Control Service	Adoption of a dedicated "Home-work travel plan" (HWTP) for the sites in Sondrio (headquarters) and Milan (BPS and Factorit subsidiary offices), updated annually by the corporate Mobility Manager, in order to encourage the reduction of the use of individual private vehicles. Inclusion within the credit granting and monitoring processes of assessments of credit counterparties' exposure to ESG risk factors, through proprietary scoring methodologies (gradual consolidation underway).
 Environmental and climate-related risk (E)	Transition (Reputation)	Reputation	Reputational risks associated with the adoption of organisational models for employees' workplaces that are insufficiently oriented towards favouring sustainable forms of mobility as an alternative to the individual use of private motor vehicles	Risk identified through expert-based methods by the Risk Control Service	

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Identification method	Control method
 Environmental and climate-related risk (E)	Physical (Acute)	Operational (Organisational)	Operational risks (organisational risks) associated with the occurrence of extreme weather events affecting business continuity	Risk identified through expert-based methods by the Business Continuity Function	Reduction of the ecological footprint by adopting company-wide practices and initiatives in line with the principles set out in the Group's Environmental Policy (continuous improvement of energy performance, use of renewable energy with low climate-changing gas emissions, prudent management of paper consumption, careful and correct collection and disposal of produced waste, use of goods, services and technologies with a lower environmental impact, raising staff awareness with regard to reducing excessive water and energy resource use).
 Environmental and climate-related risk (E)	Physical (Chronic)	Credit and counterparty	Credit risks associated with the granting of loans to parties operating in geographical areas/ production sectors exposed to the risk of climate change due to the chronic nature of recurring atmospheric events	Risk identified through expert-based methods by the Credit Service	Participation of staff involved in ABI discussions on equipment efficiency and sustainability.
 Environmental and climate-related risk (E)	Physical (Acute)	Credit and counterparty	Credit risks associated with the granting of loans to parties operating in geographical areas/ production sectors (i.e. against guarantees on real estate) exposed to the risk of climate change due to the worsening of extreme atmospheric events	Risk identified through expert-based methods by the Credit Service, Factorit, BPS (SUISSE) SA	Provision of business continuity and disaster recovery plans, both internally and by external providers, with a regulatory obligation of periodic review of their adequacy, also taking into account environmental threats attributable to the geographic location of the sites where the technological infrastructure is located and/or work is carried out.
 Environmental and climate-related risk (E)	Physical (Acute)	Market/Liquidity	Financial risks (market, liquidity and funding) arising from the consequences of extreme environmental events that could affect significant portions of customers or major issuers of financial instruments held by the bank for investment purposes (e.g. reduction in liquidity reserves relating to large withdrawals of funds deposited with the Bank or unforeseen use of credit lines to finance reconstruction/ restructuring activities, failure to repay/ bankruptcy of customers damaged by the event, or loss of market value of financial assets in the portfolio)	Risk identified through expert-based methods by the Risk Control Service	Adoption of a dedicated "Home-work travel plan" (HWTP) for the sites in Sondrio (headquarters) and Milan (BPS and Factorit subsidiary offices), updated annually by the corporate Mobility Manager, in order to encourage the reduction of the use of individual private vehicles. Inclusion within the credit granting and monitoring processes of assessments of credit counterparties' exposure to ESG risk factors, through proprietary scoring methodologies (gradual consolidation underway).



## Sustainable finance and responsible credit



The Parent Company has started a process aimed at integrating ESG risks into strategic mechanisms, risk management systems and key processes that characterise its business model, including credit granting and monitoring processes.

### ESG Credit Policy

The Bank operates in line with the 2030 Agenda, the United Nations document aimed at ensuring the protection of human rights, and in particular it supports SDGs: 1 “End poverty in all its forms everywhere”, 7 “Ensure access to affordable, reliable, sustainable and modern energy for all”, 8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, 9 “Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation”, 11 “Make cities and human settlements inclusive, safe, resilient and sustainable”, 12 “Ensure sustainable consumption and production patterns” and 13 “Take urgent action to combat climate change and its impacts”.



## ESG credit

With the 2022-2025 Business Plan, the Banca Popolare di Sondrio Group has defined specific actions in the sustainability sphere and has introduced, in line with the European “sustainable finance” regulations and market trends, objectives aimed at integrating ESG factors in all of the Bank’s main credit processes and procedures.

In view of this commitment, the Bank has developed the corporate ESG Credit Policy, a document which identifies the approach and general principles for the formulation of a credit process attentive to ESG factors, in accordance with the EBA’s Guidelines on loan origination and monitoring. The document was approved by the Board of Directors on 22 December 2022.

In particular, the Policy:

- identifies the objectives pursued by the Group and the scope of application;
- defines the main technical terms and lists the reference legislation and principles;
- establishes the general guidelines for the integration of ESG factors in the credit process, providing details on the sector and counterparty ESG assessment methods;
- identifies sensitive sectors and activities;
- provides information on the development of ESG credit products;
- defines roles and responsibilities;
- indicates the supervision, monitoring, sharing and dissemination methods.

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



UN Global Compact (2000)



UN Sustainable Development Goals (2015)



Paris Agreement on Climate Change (2015)



European Central Bank’s Good practices for climate-related and environmental risk management (2022)



Task Force on Climate-related Financial Disclosures’ Recommendations (2017)



UNEP FI Principles for Responsible Banking (2019)



EIB eligibility, excluded activities and excluded sectors list (2022)





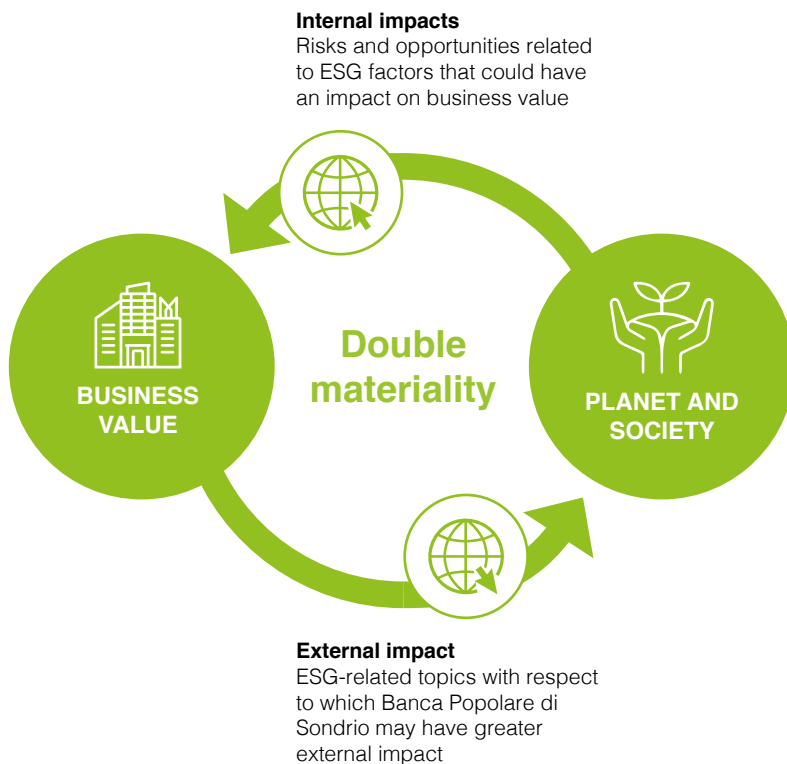
## The integration of ESG factors in the credit process

As with all key processes that characterise its business model, Banca Popolare di Sondrio has defined an ESG risk management framework aimed at including, in its credit granting practices, assessments of the exposure of credit counterparties to ESG risk factors, through the adoption of proprietary scoring methodologies.

The ESG risk assessment methodologies and the related tools comply with the so-called “double materiality” principle, according to which the Bank may be simultaneously subject to the negative influence of ESG factors (“outside-in” perspective) and have – itself or through the economic and financial activities of its counterparties or investment activities – a negative impact on ESG factors (“inside-out” perspective).

Based on this dual perspective, the Parent Company has defined an ESG risk assessment system through:

- a sectorial ESG score, assessment conducted through the development of a specific classification tool that makes it possible to identify and quantify the potential exposure of counterparties to ESG risk based on whether they belong to a specific economic sector;
- a counterparty ESG score, calculated based on a proprietary model using data and information from external info-providers and questionnaires sent directly to the counterparty.



In line with the Group's values and the commitments undertaken to integrate ESG factors into its business and operations, BPS has identified a list of sensitive sectors from an ESG perspective, including:



Coal mining



Manufacturing and trade of arms



Gambling



Oil & Gas



Electricity production from non-renewable sources



Mining (other than coal)



Tobacco

The operations relating to the following are added to the aforementioned sectors:

i) counterparties located in countries with preferential taxation and ii) counterparties located in countries subject to embargo/assets restriction.

In order to mitigate the ESG risks relating to counterparties and/or transactions linked to these sectors or countries, the Group's credit granting phase includes the application of general criteria that provide for intensified controls and an escalation-based decision-making process and, where possible, customer support in a transition to a more sustainable business.



## Sustainable products and services

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

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

BNT Banca, the subsidiary specialised in the offer of salary-backed or pension-backed loans and delegation of payment aimed at customers far from the traditional financing circuits, plays a major role in this respect.

Special attention is given to analysing the qualitative profile of the loan applicant and the product sector concerned, working in full compliance with corporate and EU regulatory requirements and the principles defined in the Code of Ethics.

### The “next” line: Sustainable Credit Products

In the 2022-2025 Business Plan presented on June 29 2022, Banca Popolare di Sondrio outlined specific lines of action with regard to the Group's sustainability strategy, including the launch of ESG products. The Bank aims to support customers that, in turn, are engaged in the ecological transition, enabling sustainability to become a key value for households and businesses.

The expanded range of ESG-focused credit products offered by Banca Popolare di Sondrio was created to respond to the needs of consumers who, today, are increasingly more attentive to the environmental and social impact of the products and services they purchase, as well as to help companies invest in innovative business models, increasing their level of competitiveness on the market in compliance with European environmental protection regulations.

During this first phase, the expansion of the financing product offer is focused on credit lines that support investments protecting the environment. Specifically, the Bank has developed “next – ESG Credit Products”, a loan package designed to assist individuals, professionals and businesses looking to invest to reduce their “carbon footprint” through, for example, the installation of systems for the production of energy from renewable sources, the purchase of ecological means of transport or by enhancing the efficiency of their homes or workplaces.

With reference to private individuals, depending on the size of the loan, these are personal loans, unsecured loans or mortgages. As far as businesses are concerned, the next offer includes medium- and long-term mortgage and/or unsecured loans that can also be disbursed according to the progress of the specific works. The complete range of ESG products is available on the Bank's commercial website at [www.popso.it/next](http://www.popso.it/next) (Italian version only).

The Group is active in the development and offer of ESG-focused products to support customers





**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**

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## Products and services for weaker or disadvantaged groups\*

### Children, Youth and Students

Banca Popolare di Sondrio pays attention to young customers, as demonstrated by the data illustrated in the “Next Step” Business Plan, according to which 29% of the Bank’s customers are under 30.

To facilitate the financial inclusion of young and very young people, the Bank offers savings solutions dedicated to minors, such as “Conto 44 Gatti” and “Primi frutti” savings accounts. In particular, “Conto 44 Gatti” is a savings account reserved for children between the ages of 0 and 12 which allows them to obtain discounts in numerous Italian theme parks, as well as receiving a bimonthly magazine, full of content aimed at children. “Primi Frutti”, on the other hand, is a savings account for young people under 18, which allows small sums of money to be set aside from a young age.

“Conto 44 Gatti”	2022	2021	2020
Existing relationships	6,994	7,330	7,362

“Primi frutti”	2022	2021	2020
Existing relationships	5,742	6,063	6,100

Over the years, the product catalogue has been enriched to meet the growing needs of an increasingly more dynamic range of customers.

In February 2022, the new “MULTI plus minori” account, was launched. Reserved for children aged 10 to 17 It charges no-fees (monthly fee of €5.00 with age discounts of €5.00) and when the account holder turns 18, is transformed into a normal package account (“MULTI plus” account). From the launch date of the product to 31 December 2022, 840 accounts have been opened. For young people, the Bank also offers “+ma”, a prepaid card with an IBAN that allows payments and withdrawals to be made abroad and in Italy, with some typical current account transactions. The card can be issued from the age of 14 and offers a zero fee up to 25 years of age.

“MULTI plus” account	2022	2021	2020
Existing relationships < 27 years old	23,279	20,275	14,428
New relationships < 27 years old	5,511	5,558	4,144

\* The following data only relates to the Parent Company, since the Subsidiaries’ offer differs by type of business.

GRI  
FS7

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





“+ma” card	2022	2021	2020
Existing relationships (14-25 years old)	18,586	18,814	20,850
New relationships (14-25 years old)	4,239	4,168	3,500

The attention to young people is also demonstrated in the privileged relationships that the Bank maintains with pension funds. The outcomes of the initiative allowing young individuals enrolled in INARCASSA and Cassa Forense to apply for an online loan are illustrated below.

Pension funds	UoM	2022	2021	2020
Online loans to young people participating in INARCASSA	Number of loans issued	21	13	29
	Equivalent value in €	200,000	120,000	330,000
Online loans to young people participating in Cassa Forense	Number of loans issued	77	146	171
	Equivalent value in €	900,000	1,760,000	2,140,000



In recent years, the Bank has paid particular attention to university students, especially to those attending Universities for which it carries out the Treasury and Cash management service, offering them the following dedicated products and services:

- **“Ateneo+”**: reloadable prepaid card with IBAN. The card, which does not include issuing or annual fees, is the result of the collaboration between Banca Popolare di Sondrio and the universities that have joined the initiative. Combined with the university card for students and staff, it represents the university version of the “+ma” card.
- **“SoPOP” account**: online package account, reserved for university students, with a €1 monthly fee up to the age of 29, a combined debit card (no fee) and a free Internet Banking service.
- **“SOPOP” loan**: no-cost interest-free loan linked to the online “SoPOP” account, for students studying for undergraduate and/or master’s degrees.
- **Student loans**: low-interest loans for university students. These include: loans for English courses; Loans to students attending the University of Pavia; loans to students attending the University of Parma to participate in the Master’s Degree in Engineering Management (MEM); loans to IULM master’s degree students; loans to students enrolled in the first year of the IULM degree course; Loans to students eligible for graduation awards; loans to students attending the University of Brescia, 3-year degrees and other degree or specialisation courses; loans to students attending the Alta Valtellina Mountain Community’s courses.
- **Credit cards**: thanks to the partnership between Banca Popolare di Sondrio and various universities, branded credit cards intended for students are offered, along two different lines. The first is the so-called commercial line, for use as a traditional credit card, while the second is intended for the payment of university fees, which also allows for instalments.

“Ateneo +” card	2022	2021	2020
Annual emissions	87,602	89,040	75,776
Total cards issued	617,269	529,667	440,627

“SoPOP” account	2022	2021	2020
New relationships	207	157	174

“SoPOP” loans	2022	2021	2020
No. loans issued	14	5	6
Amount disbursed	61,000	25,000	24,000



Loans to students	2022	2021	2020
No. loans issued	182	211	207
Amount disbursed	601,859	744,443	771,179

Credit cards	2022	2021	2020
Cards issued	76	-	-
Second line limit granted	506,000	-	-

### Senior citizens

Banca Popolare di Sondrio also pays particular attention to the elderly: very often, due to age limits, this type of customer usually does not have access to the credit market for large amounts and, in the event of financial need, is forced to evaluate the sale of the property or bare ownership. Hence the desire to offer a financial instrument that makes it possible to supplement income, to improve the standard of living and to satisfy liquidity needs through the value of real estate assets. Based on this awareness, the Bank is one of the few on the market to offer Reverse Mortgages, i.e. medium-long term mortgage loans reserved for over 65s.

Reverse mortgages	2022	2021	2020
No. loans issued	7	8	9
Equivalent value (€m)	1.05	0.89	0.59

As required by Italian legislation, the Bank offers a Basic Account for retirees, the characteristics of which have been defined by an agreement signed between the Italian Ministry of Economy and Finance, the Bank of Italy, the Italian Banking Association (ABI), Poste Italiane SpA and the payment service providers' associations. The account in question provides, against an all-inclusive annual fee, a number of no-cost annual transactions specifically indicated by the aforementioned agreement. For retirees with an annual gross amount of less than €18,000, the fee is waived.

Basic account for retirees	2022	2021	2020
Existing relationships	145	113	117



### Non-EU citizens

With the aim of facilitating integration and responding to the concrete needs of individuals from non-European Union countries who are preparing to settle in Italy, in 2004 the Bank launched the so-called “WORKinITALY” dedicated current account.

“WORKinITALY” account	2022	2021	2020
Existing relationships	163	176	191

“+ma” card	2022	2021	2020
Active cards issued to non-EU citizens	41,141	37,169	35,345

Comparison of all relationships	UoM	2022	2021	2020
Active “+ma” cards	€	86,942	80,042	73,018
Active “Ateneo+” cards*	€	83,964	154,783	158,924
Current accounts (Individual and Joint Accounts)	€	424,720	407,415	387,210
Savings accounts (Individual and Joint Accounts)	€	28,306	31,028	33,804
<b>Total relationships</b>	<b>€</b>	<b>623,932</b>	<b>673,268</b>	<b>652,956</b>

Relationship with weaker or disadvantaged groups	UoM	2022	2021	2020
Active “+ma” cards <25 years old	€	18,586	18,814	20,850
Active “Ateneo+” cards*	€	83,964	154,783	158,924
Current accounts (Individual and Joint Accounts)	€	25,396	21,740	15,795
Savings accounts (Individual and Joint Accounts)	€	12,736	13,393	13,462
<b>Total relationships</b>	<b>€</b>	<b>140,682</b>	<b>208,730</b>	<b>209,031</b>

% comparison	€	22.55%	31.00%	32.01%
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This figure represents the percentage of relationships with weaker or disadvantaged groups out of Parent Company's total relationships.

\* The figure is significantly lower as it includes new parameters based on which expired (but not cancelled) cards are no longer taken into consideration.



### **Banca della Nuova Terra: salary- and pension-backed loans**

Salary- and pension-backed loans are a form of access to credit initially reserved for government and public-sector employees (Italian Presidential Decree 180/1950), which was subsequently extended to retirees by Italian Law 80/2005 and to private-sector employees. It is a fixed-rate loan that is directly repaid by the employer or pension agency through a monthly

instalment included in the pay/pension slip. The instalment payment cannot exceed one-fifth of the net monthly salary or pension amount.

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

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

Factorit SpA operates with the aim of building customer loyalty, offering a range of services in synergy with the traditional banking offer. Maximum attention is dedicated to the requests received from customers: this involves constant technological innovation managed internally (web factoring, digitisation of both internal and

customer documentation), as well as streamlined, rapid and flexible operations in order to create new products in various economic sectors that meet customer needs in terms of funding, guarantees and management of trade receivables.





## Green Bonds: sustainable credit

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

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

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



Moreover, the following activities are planned:

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



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

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

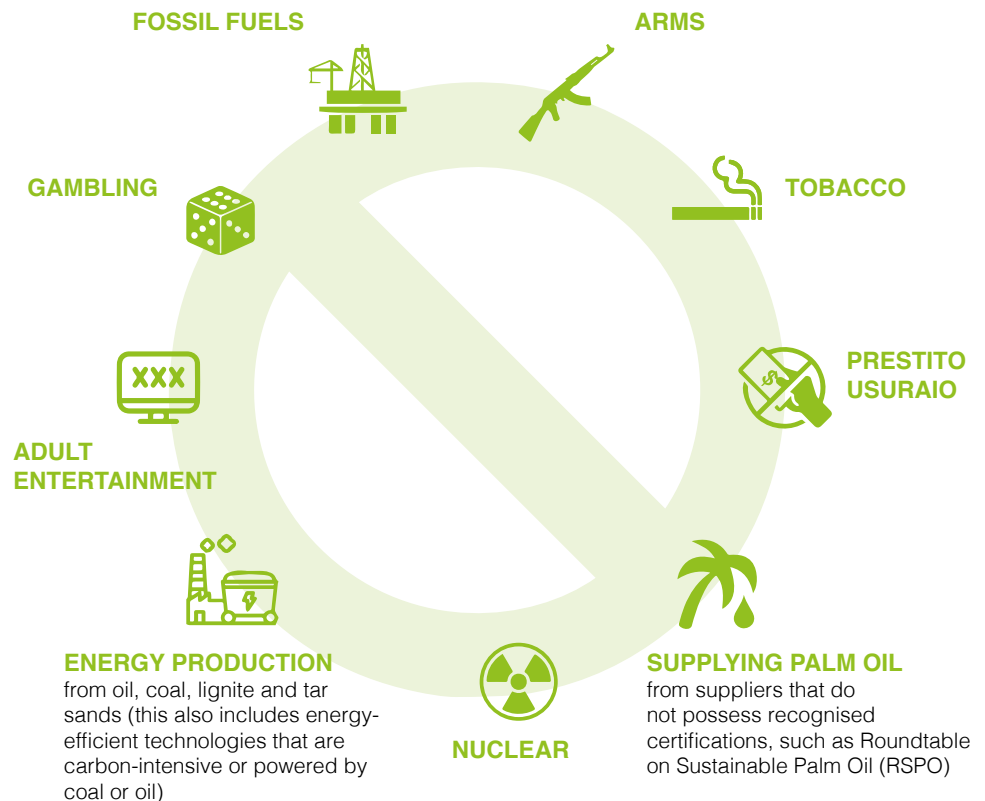


Proceeds are exclusively used to finance or refinance activities that meet the following eligibility criteria:

- **Green Building:** loans or assets related to the purchase, construction and renovation of residential and/or commercial energy-efficient building.
- **Renewable Energy:** loans for the acquisition, development and management of infrastructure for the production of energy from renewable sources.
- **Clean Transportation:** loans related to low-carbon transport assets and the purchase, construction and management of infrastructure dedicated to low-carbon transport.
- **Energy Efficiency:** loans for assets that contribute to a reduction in energy consumption (e.g. energy-saving lighting).
- **Environmentally sustainable management of living natural resources and land use:** loans for activities that contribute to the sustainable management of natural resources and land use (e.g. investments in protected areas such as regional nature parks).
- **Pollution prevention and control:** loans for activities that contribute to the prevention, collection, disposal and recycling of waste.
- **Sustainable Water and Wastewater Management:** loans for activities that improve the quality, efficiency, distribution and conservation of water.



## Sectors excluded from Green Bonds



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

In particular, the Sustainability Committee:

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





## Green Bond Report

One year after the issue of the first Senior Preferred Green Bond, Banca Popolare di Sondrio has published the Green Bond Report, a document through which it provides its stakeholders with complete and timely information on the allocation of the financial resources raised and on the positive environmental impacts deriving from the financed activities.

The Report underlines the characteristics of the virtuous companies included in the so-called "Green Portfolio": over 2,000 loans disbursed by the Group to Corporates, SMEs and Individuals in Italy and to a lesser extent in Switzerland.

More than half of the proceeds raised with the bond issue, amounting to approximately €350 million, were used to finance the purchase of high energy class properties and for the renovation of less efficient ones. Approximately €100 million were disbursed to counterparties operating in the renewable energy production sector. The rest of the proceeds went to companies operating in the water management, waste management, organic agriculture, sustainable mobility and energy efficiency sectors.

The Bank has completed an accurate data collection activity relating to all counterparties and financed activities and, despite the complexity of the portfolio, as far as the information relating to the environmental impact is concerned, it was able to calculate the greenhouse gases avoided relating to 90% of the portfolio, equal to approximately 34,000 tons of CO<sub>2</sub>e.

The allocations and environmental impacts included in the Report were subject to an external verification by the Independent Auditor EY SpA.

The Bank's Green Bond Report can be consulted in the section of the website dedicated to financial transactions (EMTN programme section), as well as on the Sustainability page, where further information and documents relating to ESG strategies are also available ([istituzionale.popso.it/en/sustainability/green-bond](http://istituzionale.popso.it/en/sustainability/green-bond)).

## Acquisition of tax credits (Italian "Relaunch" Decree-Law 34/2020)

With the conversion into law on 17 July 2020 of the Italian Decree-Law 34/2020 (the so-called "Relaunch" Decree), new urgent measures have been implemented to support economic and employment policies. Article 121 of this Decree, entitled "Option for transfer or for discount, instead of tax deductions", has extended the possibility of opting, as an alternative to the direct use of tax deductions, for the application of a discount on invoices and for the transfer of certain tax credits to all subjects, including banks and financial intermediaries, with the option of subsequent transfer.

As of 15 October 2020 the innovative scope of the Decree has allowed those incurring expenses relating to building redevelopment and plant engineering interventions on buildings for residential use or similar, to transform their building deductions into a "transferable" tax credit, through a communication to exercise the credit transfer/invoice discount option to the Revenue Agency.

In addition to the possibility of transferring these credits, the new feature introduced by the provision concerns the increase in the tax deduction rate, raised to 110% of the expenditure incurred, in relation to energy renovation of buildings, reduction of seismic risk, installation of photovoltaic systems or infrastructure for charging electric vehicles at buildings.

Over 34,000  
tons of CO<sub>2</sub>  
avoided thanks  
to the activities  
included in the  
Green Bond  
portfolio





Through the purchase of these tax credits, Banca Popolare di Sondrio allows its customers to monetise the latter, as an alternative to using them to offset their tax debts over several years. For businesses and professionals, in particular, this tool allows to eliminate tax credits from financial statement items and improve liquidity. The Bank has also made itself available to support – through so-called “bridge” loans – works that qualify for the tax bonuses, to help guarantee the necessary liquidity for carrying out such works.

In 2022, in order to perfect the mechanisms and prevent fraud, the legislator made a series of changes and adjustments to the regulation of the transfer of tax credits introduced by the so-called Relaunch Decree. Among these, the introduction of the prohibition of partial transfers (with reference to the single instalment), the limitation on the maximum number of transfers that can be carried out and the consequent assignment of a unique identification number to each tax credit.

As part of these activities, Banca Popolare di Sondrio has assisted around 16,000 customers (both individuals and businesses) in the transfer of tax credits deriving from the “super/eco-bonus” procedure, thus promoting the improvement and energy efficiency of properties in the geographical areas in which the Bank operates.

The total receivables relating to redevelopment and building renovation works purchased as at 31 December 2022 amounted to over €1.8 billion.

GRI  
FS8

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

The scope of loans with environmental objectives refers to activities developed by the Parent Company and by BPS (SUISSE) SA and, in the financial statements, it is represented within the overall item relating to customer instalment loans (measured at amortised cost). The data shown as at 31 December 2022 includes the values of the loans underlying the Senior Preferred Bond issued in July 2021, as well as those eligible according to the criteria defined within the Green Bond Framework and potentially usable for the future issue of Green Bonds.

	UoM	2022	2021	2020
Totale finanziamenti verso clientela (saldo lordo)	€ mln	21,536	19,319	22,091
Finanziamenti con finalità ambientali (saldo lordo)	€ mln	949	506	234
Percentuale del valore totale dei finanziamenti per finalità ambientale sul valore totale dei finanziamenti erogati	%	4,41%	2,62%	1,06%
Finanziamenti per SuperBonus 110%	€ mln	455	210	
Percentuale del valore totale dei finanziamenti per SuperBonus 110% sul valore totale dei finanziamenti erogati	%	6,55%	1,10%	



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

For an accurate representation of the indicator, a number of SAE (Bank of Italy's Economic Activity Subgroup) and NOGA (General Classification of Economic Activities, Swiss Version of NACE, the Statistical classification of economic activities in the European Community) codes, as well as specific counterparties, were identified and listed below:

#### SAE

- Providers of care, recreational and cultural services
- Producers of healthcare services
- Other producers of healthcare services
- Social security and welfare institutions
- Ecclesiastical and religious institutions and bodies
- Institutions and bodies formed for support, charitable, educational, cultural, union, political, sporting, recreational and similar purposes

#### NOGA/NACE

- School/college/university education
- Other education
- Other education and education support
- Health care
- Residential and non-residential health care
- Cultural activities
- Religious activities and other associations

The information concerning this indicator is shown in the following two tables: the first refers to the total volumes for BPS and BPS (SUISSE) SA in relation to instalment loans to customers, while the second refers to the contribution of the Factorit SpA subsidiary with respect to its total loans towards customers.

In the current year, the method for calculating the total loans with social objectives has been improved, using an additional Italian Ateco code; to ensure a correct representation of the data, the data for 2021 and 2020 has also been updated.

	UoM	2022	2021	2020
Total loans to customers	€m	21,536	19,319	17,831
Loans with social objectives	€m	645	547	477
Percentage of total loans with social objectives to total loans granted	%	3.00%	2.83%	2.68%

The above figures refer to the Parent Company and BPS (SUISSE) SA.

	UoM	2022	2021	2020
Total loans to customers	€m	3,535	2,936	2,564
Loans with social objectives	€m	77	36	26
Percentage of total loans with social objectives to total loans granted	%	2.17%	1.23%	1.00%

The above data relates solely to Factorit SpA.

GRI  
FS7



GRI  
FS15**Policies for the fair design and sale of financial products and services**

As stated in the Code of Ethics, each operator strives to safeguard the rights and interests of customers by, in particular, working to reduce any information asymmetries regarding the products and services offered to customers or requested by them. The Bank considers the customers' independent choice to be one of its values. Each operator also strives to comply with the internal rules and objectives established by the Bank, in the knowledge that – in all cases – no exceptions are tolerated, not even when trying to achieve the planned budgets.

The Group has traditionally adopted commercial policies aimed at establishing correct, transparent and therefore long-lasting relationships with customers, who are generally above all interested in the careful management of their savings. Consistent with this approach, the provision of the Bank's investment services and, in particular, the offer of financial products and services is based on simple solutions, free from forms of structuring, characterised by risk levels that are in principle limited and tailored to the risk profiles and real needs of the customers.

In particular, the Bank traditionally issues the following financial instruments:

- senior bonds and preferred and non-preferred green bonds (at a fixed rate, variable rate and mixed rate);
- securitisations and covered bonds;
- tier II subordinated bonds;
- shares and rights.

While a change in the range of products issued, distributed or recommended by the Bank is not currently foreseen, the possibility of extending the offer to other types of financial instruments is not excluded, subject to authorisation by the Board of Directors.

When meeting customers, the Bank makes recommendations intended to guide and optimise the composition of their portfolios over the medium-long term, in a manner consistent with the customer's knowledge, experience and investment objectives communicated to the Bank via the Financial Questionnaire.

As of 1 November 2022, with the aim of collecting information on the importance that customers place on sustainability within their investment objectives, two new questions have been added to the questionnaire. The first is aimed at identifying the customer's interest in ESG financial products and the second at measuring the space that the same would like to reserve for these products in their investment portfolio. Employees are required to confirm, in the manner established by law, the identity of the persons who contact them. Customers may be requested to collaborate in this regard, both in their own interests and to prevent improper use of the banking and financial system, in compliance with current legislation. Customers are given appropriate assistance in order to improve their use and understanding of the products and services provided or commercialised by the Bank, as well as suitable information about the economic conditions applicable to the products and services offered. Transactions are carried out using specific procedures that protect the confidentiality of the data and information requested or received.



The importance that BPS attaches to a correct relationship with customers also plays a key role in the chosen distribution strategies. In fact, the Bank has aimed to expand the offer of the portfolio advisory service as much as possible and has decided to also carry out the adequacy assessment for transactions requested by customers on their own initiative, with the sole exception of orders relating to shares (except those issued by the Bank) and orders placed via online trading. Thanks to this approach, in line with ESMA's indications, the Bank can use all the information provided by customers to carry out an in-depth assessment of the compatibility of the customer profile with the target market assigned to any financial product.

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

Specifically, the Committee:

- evaluates any proposals for the placement of new products, including complex ones, presented by the Finance Service and the Commercial Service;
- identifies the reference market for each financial product and, where appropriate, it identifies those groups of customers whose needs, characteristics and objectives are not compatible with it (negative target market);
- identifies the reference market for each collection of products that can be recommended when providing portfolio advice or investment services based on execution of customers' requests;
- assesses the proposal of possible changes to the collections of financial products that are already available;
- approves changes to the assigned target markets;
- monitors, every six months, the effectiveness of the procedures adopted by the Bank to comply with the regulatory requirements governing the financial products offered to customers.



### Managing conflicts of interest

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

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

The annual report prepared by the Compliance Function pursuant to Article 22 of Delegated Regulation (EU) 2017/565 declares that the Bank has suitable procedures in place to ensure effective and correct management of conflicts of interest in the field of investment services. These procedures and measures are outlined in the MiFID information document published on the corporate website and available to branches via the corporate Intranet. Customers are provided full and detailed information in this regard.

#### **BPS (SUISSE) SA – YOUR BANK, YOUR VALUES**

The range of products and services offered is broad and ranges from operations linked to financing, to the management and administration of assets and savings (asset management, advisory services, financial planning, pension and insurance products), as well as transnational operations (payments, debit/credit cards and FX).

A key characteristic, greatly appreciated by customers, is the stability of the relations established: the same contact person, as a member of a small team, works with individual customers to address all their needs, coordinating activities if specialist contributions are required in specific fields.





## Sustainable investments

An investment is considered to be “sustainable” if it relates to an economic activity that aims to achieve an environmental or social objective, provided that it does not cause significant damage to any of the remaining objectives and that the companies benefiting from it respect good governance practices.

Attention to sustainability ensures that the principles of responsibility characterise the Bank’s operations and, therefore, the criteria adopted in the selection of investments is also consistent with the objective of creating value both for stakeholders and for society as a whole. With this in mind, the Bank adopts an approach that incorporates the assessments of the risks deriving from the integration of sustainability factors\* within its investment processes. In fact, among others, risk management policies also govern ESG risks, with particular attention to climate and environmental risks, as detailed in the ESG Risks section and in the TCFD Report. Financial management is defined by integrating financial considerations with analyses aimed at including ESG factors in the selection of investments, in order to improve long-term returns, mitigating risks and identifying investment opportunities, in line with the application of the Sustainability strategy.

To help tackle the consequences of climate change, the European Union places the responsibility on the shoulders of the financial sector to give a strong impetus to the transition, mobilising capital towards sustainable investments. In this sense, Regulation (EU) 2019/2088 of 27 November 2019 (so-called SFDR, Sustainable Finance Disclosure Regulation) requires financial market participants and financial advisors to transparently disclose the sustainability of the investments they manage. The Bank, well aware of this responsibility, aims to contribute to the transition towards a more sustainable economy, favouring the allocation of its customers’ liquidity towards ESG investments.

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

In general, inappropriate conduct implemented by companies can generate potential inefficiencies deriving from an increase in costs, operational and reputational risks which not only have a negative impact on the stability of the company and on the economic context in which it operates in the short and medium-long term, but also on the end investor.

In this regard, as demonstrated by numerous analyses conducted on the subject, companies that implement responsible behaviour are generally characterised by a higher level of risk control in the long term and by a better allocation of resources, with consequent economic and financial returns both for the direct benefit of financial stability, and the economic growth of the system, which indirectly benefits investors.

\* In accordance with the SFDR, “sustainability factors” include environmental, social and personnel issues, respect for human rights and issues relating to the fight against active and passive corruption.

The 2022-2025 Business Plan provides for the definition of responsible investment guidelines and the expansion of asset management guidelines



The integration of ESG risks leads to a positive effect in terms of better management of the global portfolio risk and, consequently, to a positive financial return

This concept, seen from an investment portfolio perspective focused on implementing a diversification strategy that integrates sustainability factors – and therefore risk – could translate into a positive effect in terms of better management of the global portfolio risk and, consequently, in a positive financial return.

In order to give a further impetus to the mobilisation of capital towards ESG investments, the regulation requires financial market participants and financial advisors to make ongoing disclosures, both through publication on their websites or through the integration of pre-contractual documents, with the primary aim of reducing the information gap in relation to end investors with regard to policies on the integration of ESG risks and the consideration of negative effects on sustainability factors, as well as the promotion of environmental or social characteristics and sustainable investments in general. The definition of “financial market participants” includes credit institutions providing portfolio management services, while financial advisors include credit institutions providing investment advice. The Bank is therefore required to fulfil these regulatory obligations both as a participant in the financial markets, for which it provides the portfolio management service, as well as a financial advisor, as a credit institution that provides investment advice.

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



### The search for information on sustainability

In order to pursue the aims illustrated above and in compliance with the aforementioned legislation, the Bank carried out a thorough investigation in order to select the ESG data provider that could guarantee appropriate information coverage, in particular on ESG risks, regarding the financial instruments included in asset management or offered to customers through the advisory service. At the same time, the Bank carries out independent analyses based on the information provided by financial applications normally used for its services and examines the information received directly from the producers of the financial products.

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

### Sustainability training for the Finance area

The Bank encourages training on the subject, providing all employees with training courses on sustainability and on the approach adopted by the Bank, as well as promoting the participation of portfolio management and financial advisory service employees in courses aimed at providing the necessary skills to assess the integration of environmental, social and corporate governance information in financial analyses and investment decisions. In this regard, it should be noted that the members of the Asset Management Office have obtained the EFFAS Certified ESG Analyst® Certification.

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

As a financial market participant and following the changes in the relevant context arising from an increasing focus on sustainability factors, the Bank has integrated both sustainability risks and the consideration of principal adverse impacts on sustainability factors into its investment decision processes, more closely tailoring its products and services to customers' changing needs.

In the portfolio management service, the integration of ESG factors has been implemented in the investment process, especially in the definition of seven specific management lines that promote sustainable growth, attentive to society and the environment:

- asset management in the “Obbligazionaria ESG Internazionale”, “Bilanciata ESG Internazionale 15%”, “Bilanciata ESG Internazionale 30%” and “Bilanciata ESG Internazionale 50%” funds, which invest in UCIs that evaluate sustainability factors in their investment choices; specifically, at least 40% of the portfolio of these lines is invested in assets whose management policies and strategies consider environmental, social and governance aspects;
- asset management in the “Azionaria ESG Internazionale” and “Azionaria ESG Emergente” funds, which invest in UCIs that evaluate sustainability factors in their investment choices; specifically, at least 65% of the portfolio of these lines is invested in assets whose management policies and strategies consider environmental, social and governance aspects;

Seven  
specific asset  
management  
lines that favour  
sustainable  
growth



- asset management in the “Dinamica Bilanciata 30% Valori Responsabili” funds, whose investment policy is characterised by the search for and selection of issuers (countries and companies) that stand out for their respect for human rights and environmental protection or whose activities are consistent with the principles of the Catholic religion; the line mainly invests in UCIs of Etica Sgr and Christian Brothers Investment Services (CBIS).

For these management lines, the ESG assessment was strengthened with regards to the process of selecting the instruments and products that can be included in the portfolios. This, through the adoption of methods based on positive selection, where companies with the best environmental, social and governance practices are preferred, as well as on negative selection, where companies that operate primarily in sectors that do not comply with international regulatory principles and/or companies belonging to controversial sectors are excluded from the investable universe, also limiting the selection of tools for which no information is available regarding the promotion or pursuit of sustainability objectives. Likewise, a monitoring activity was also implemented with the aim of verifying the persistence over time of the characteristics of sustainability.

In general, within the framework of the portfolio management service, special attention is paid to investing in sectors that contribute to SDGs. Decisions in this regard are implemented by relying on data obtained from specialised companies, non-governmental bodies, governmental entities, providers, corporations, media, etc. and on publicly available information. In particular, a specific sustainability risk analysis activity is carried out, supported by taking into consideration the main negative effects of investment decisions on environmental, social and governance factors, also in order to manage any risks to which the Bank could be exposed as a result of such decisions. In this regard, it should be noted that, pending the definition of market practices that allow for the identification and uniform measurement of negative effects, the Bank makes use of the information available on the platform of the reference provider.



In order to promote sustainable investments, it should be noted that for investment-related decisions the Bank also identifies companies, government and/or corporate issuers belonging to explicitly ESG benchmarks or aligned with international climate regulations (for example the Paris Agreement), or classifiable in the “Green”, “Social” and “Sustainability” categories, regardless of the collection of data on the multiple ESG factors.

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

With regard to the consideration of the adverse effects on the asset management lines in funds that promote, among others, environmental and social characteristics, the Bank monitors the exposure to the main negative effects of the companies in which investments are made. This is accomplished through the measurement of climate-related and environmental indicators, such as greenhouse gas emissions, water consumption, activities that negatively affect sensitive areas in terms of biodiversity, the ratio of hazardous waste to radioactive waste, as well as issues relating to social issues such as violation of the principles of the UN Global Compact and the OECD Guidelines, the gender pay gap, gender diversity in corporate governance bodies and non-compliance with international conventions on the production or sale of arms.

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

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

The Bank considers the issue of sustainability a priority also when it comes to the investment advisory service. For this reason, it has integrated the consideration of ESG factors into the various phases of the process focused on providing services to customers, from the analysis of the sustainability profile of financial products (product governance) to the consultancy model and verification of adequacy.

Sustainability factors and the risks associated with them are integrated into the definition logic of the service model, whose product list guarantees the presence of mutual funds and SICAVs, also underlying insurance investment products, with environmental or social characteristics or aiming at sustainable investments, as well as the consideration of negative effects on sustainability factors. In order to measure the sustainability risk of the instruments included in the advisory list, the Bank makes use not only of the information transmitted via the specific data exchange methods (EMT and EET) by the producers of financial products, but also of the ESG rating data provided by the information provider. This consists of the value that summarises the individual company’s exposure to the main sustainability risks on a 7-level scale, considering the specific nature of the context in which it operates and the extent to which the company has developed and adopted adequate strategies to tackle specific risks or opportunities.

Similarly, the Bank, making use of the data provided by the information provider and by the issuers of financial products, takes into account the main negative effects on the sustainability factors of the financial products offered in the advisory list for which, to date, such information is available.





Moreover, it should be remembered that the Bank's UCIs advisory list includes different Asset Management Companies explicitly compliant with ESG criteria. More specifically, the Bank places, among others:

- the products of Etica Sgr, the only company on the Italian market to set up and propose exclusively sustainable and responsible mutual funds, thanks to a strict selection of financial instruments issued by companies that are virtuous from an ESG standpoint;
- Arca Sgr's mutual funds, characterised by portfolios that favour issuers compatible with the sustainability criteria set out in the United Nations Principles for Responsible Investment (UN PRI). To this end, Arca has developed a proprietary ESG rating system which makes it possible to classify the various issuers of shares and bonds according to the degree of adherence to ESG principles and to distinguish, within the range of their funds, those that promote environmental and/or social characteristics, or those that have a sustainable goal from those that do not place particular emphasis on sustainability-related issues;
- the SICAVs of BPS (SUISSE) SA, a member of "Swiss Sustainable Finance" (association that aims to strengthen Switzerland's position in the global market for sustainable finance), which integrate sustainability considerations into the investment process;
- CBIS mutual funds, characterised by the pursuit of Catholic-based ethical goals aimed at promoting the social aspect of each individual's dignity and worth.

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

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

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

The desired result is to obtain more solid and less risky portfolios in a long-term perspective, with a thematic focus on environmental sustainability.

The Swiss Bank is committed to comply with the following principles:

- optimisation of financial performance, also taking into account the point of view of all-around sustainability, in other words considering the stakeholders

within the social and environmental context in which BPS (SUISSE) SA operates;

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



### Customer advisory process

Taking into account the increased awareness of customers regarding “sustainable” investments, with the aim of best fulfilling the role of investment advisor, BPS (SUISSE) SA has integrated the following steps within its advisory process:

- determining customers’ expectations with respect to ESG investments and documenting them as part of the advisory process;
- providing an adequate overview of ESG considerations through the consultants’ experience;
- outlining the broad range of ESG investment solutions as part of the advisory process;
- matching the characteristics of ESG investment solutions to customers’ expectations and building appropriate investment solutions.

### Internal training

In order to provide a quality service to its customers also as far as sustainable investments are concerned, training is provided for the Bank’s employees who deal with customers in the investment area. The Investment Advisory and Asset Management offices are responsible for preparing the material and holding the lessons for employees involved in the training programme.

### Investment Committee and ESG Committee

BPS (SUISSE) SA has implemented an Investment Committee which, on a monthly basis, discusses, determines and approves the investment choices of a strategic nature regarding the products managed and the advisory services offered to customers. In accordance with the logic of integrating ESG factors into the investment process, the Committee takes into consideration elements related to sustainability in its decision-making processes. Moreover, to strengthen its internal organisation in the field of sustainable investments, the Bank has created an ESG Committee which meets quarterly and is chaired by the Head of Front Division.

The Committee in question has the following responsibilities:

- following ESG regulations and trends in the asset management and wealth management sectors;
- formulating proposals for working methodologies, rules and sustainability parameters to be integrated into the various stages of the investment process;
- discussing thematic investment ideas and investment cases for consideration by the Investment Committee;
- reporting to the Executive Board on the status of the implementation of sustainability policies in investments;
- drawing up a document once a year, called the “ESG Investment Newsletter”, which aims to inform people inside and outside the bank about its positioning with respect to sustainable investment.



### Financial Questionnaire – Assessment of sustainability preferences

New rules issued by the European Union require intermediaries that provide advisory or portfolio management services, as well as issuers of financial instruments, to provide accurate information on the specific sustainability characteristics of the financial products offered, such as shares, bonds or asset management products which invest a portion of their assets under management in sustainable financial products.

At the same time, the new European legislation requires intermediaries to obtain information on the importance that customers attach to sustainability within their investment objectives. Starting from 1 November 2022, two new questions were therefore included in the Financial Questionnaire: the first aimed at determining the customer's interest in ESG-related financial products and the second aimed at measuring the space that the same would like to reserve for these products in their investment portfolio.

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

GRI  
FS11

	UoM	2022	2021	2020
Total assets managed	in thousands of €	5,774,727	6,113,341	5,430,956
Total assets managed that are subject to environmental or social screening	in thousands of €	1,655,943	1,529,719	975,244
Percentage of assets subject to environmental or social screening	in thousands of €	29%	25%	18%

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

	UoM	2022	2021	2020
Total assets managed	in thousands of €	611,516	682,982	539,490
Total assets managed that are subject to environmental or social screening	in thousands of €	228,279	100,154	109,471
Percentage of assets subject to environmental or social screening	in thousands of €	37%	15%	20%

The figures above only refer to BPS (SUISSE) SA and in particular to a line of asset management mandates launched in 2019 and to Popso ESG investment funds.



BPS (SUISSE) SA offers its customers an asset management mandate in sustainable funds (Multi ESG) for those who wish to combine return objectives with ethical, social and environmental values. A multi-manager strategy aimed at selecting the best UCITS funds and ETFs in the sustainable investments area (in the broad sense, therefore, ESG or similar concepts, such as SRI, Impact and all the variants currently available). The product is available in CHF and EUR in conservative, balanced and equity versions. In line with its ESG investment policy (an extract of which is also published on the corporate website), BPS (SUISSE) SA also adopts a series of sustainability rules on its Flex (Euro) and Swiss Domestic (Swiss francs) products. These rules are aimed at improving the risk-return relationship of the managed portfolios and directing investments towards a lower propensity for environmental risks.

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

	2022	2021	2020
Total monetary value of "GPF Dinamica Bilanciata 30% Valori Responsabili" – FS7 and FS8	39,815,314	43,070,180	38,632,734
Total monetary value of "Etica Sgr" funds with environmental impact (e.g. "Etica Impatto Clima" fund) – FS8	95,920,354	167,235,636	45,071,145
Total monetary value of the "Etica" and "Christian Brothers Investment Services" funds with social/environmental impact (e.g. "Etica Bilanciato" fund) – FS7 and FS8	336,710,074	130,011,406	90,109,106
"Azionaria ESG Internazionale"	18,991,099	14,000,468	-
"GPF Azionaria ESG Emergente"	8,595,020	3,671,361	-
"GPF Obblig. ESG Internazionale"	25,784,592	-	-
"GPF Bilanciata ESG Internaz. 15%"	53,299,237	-	-
"GPF Bilanciata ESG Internaz. 30%"	51,280,458	-	-
"GPF Bilanciata ESG Internaz. 50%"	27,275,358	-	-
<b>Total monetary value of savings products sold to customers</b>	<b>657,671,506</b>	<b>357,989,051</b>	<b>173,812,985</b>

GRI  
FS7, FS8

For more information on asset management lines, see the previous section entitled "The process of integrating sustainability risks and consideration of principal adverse impacts on sustainability factors in the portfolio management service".





### The consolidated collaboration with Etica Sgr

Collaboration with Etica Sgr, consisting primarily of the placement of funds belonging to Etica “Valori Responsabili” and “Futuri Responsabili” Lines. Etica’s uniqueness lies in the fact that it is the only Italian asset manager to establish, promote and manage mutual funds which, without exception, are socially responsible by combining financial analysis with assessments using ESG criteria. Following these principles, Etica Sgr has developed a security selection process aimed initially at excluding governments and companies involved in controversial activities. It then identifies the most virtuous experiences based on analysis of the ESG and governance aspects of the issuers. Only issuers with a suitable qualitative profile and quantitative score can be considered investable by Etica Sgr. This responsible investment strategy is implemented through dialogue between Etica Sgr and the management of the businesses in which active shareholders and funds invest and exercise their voting rights.

The Ethics Committee provides advice and makes recommendations so that Etica Sgr can grow in an ethical and socially-responsible manner. In 2022, the offer was enriched by the new “Etica Obiettivo Sociale” fund, whose investment policies are aimed at securities issued by entities characterised by a high social responsibility profile, with a particular focus, for corporate issuers, on issues related to work, society and good governance, as well as the offer of products and services with a positive social and/or environmental impact.

The Etica Sgr offer consists of seven ethical mutual funds:

- “Etica Obbligazionario Breve Termine”
- “Etica Obbligazionario Misto”
- “Etica Rendita Bilanciata”
- “Etica Bilanciato”
- “Etica Azionario”
- “Etica Impatto Clima”
- “Etica Obiettivo Sociale”

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

	2022	2021	2020
Assets on deposit (€m)	663	681	558
Number of BPS customers subscribing to Etica Sgr’s funds	21,182	18,813	15,149





### Placement of sustainable products: Arca Fondi SGR

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

Arca SGR's mutual funds are characterised by maximum diversification in terms of the type of investment, management style, geographical area and sector of intervention.

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

During 2022, the Bank's offer was enhanced with new instruments available to customers that are compatible with the sustainability criteria set out in the UN Principles for Responsible Investment. In the Arca SGR range, the "Arca Azioni Europa ESG Leaders" and "Arca Azioni America ESG" funds have changed their management style, increasingly more aimed at companies that are committed to reducing carbon dioxide emissions, becoming respectively "Arca Azioni Europa Climate Impact" and "Arca Azioni America Climate Impact". The "Arca Blue Leaders" offer was also launched; this new fund specifically focuses on investments in companies that make sustainable and efficient use of water resources and the marine ecosystem.

In November 2022 Arca Fondi SGR and Banca Popolare di Sondrio continued the ambitious and concrete project which envisages, for each new subscriber of the "Arca Oxygen Plus" fund, the planting of a tree in an abandoned area located in the Municipality of Segrate (MB, Italy), among the most urbanised areas in Europe, where over 750 trees have been planted.



### ESG integration in the bond portfolio

- ESG bonds worth €842 million in the proprietary portfolio
- Future objective (indicatively by 31 December 2023): 10% of the proprietary portfolio invested in the ESG segment

The Bank's focus on sustainability issues is also reflected in the gradual integration of ESG factors in the construction of its proprietary portfolio, enhancing investments in the ESG sector. In particular, starting in 2021, the Bank analysed the performance of ESG products during the 2020 sell-off which saw them behave more defensively than non-green products. Following extensive and thorough discussion, in April 2021 the Asset and Liability Management Committee decided to proceed, subject to possible market issuances by leading issuers, with bond investments in Green Bonds, Social Bonds and Sustainability Bonds up to a maximum share of 10% of the owned bond portfolio. These investments are mainly allocated to a specific sub-fund of the HTC portfolio, without prejudice to what has been defined in terms of overall market risks, in particular interest rate risks.

As at 31 December 2022, €842 million was already invested in ESG bonds, broken down as follows:

- €380 million in Green Bonds;
- €370 million in Social Bonds;
- €92 million in Sustainability Bonds.






## Risks associated with the topic

\* see the TCFD Report for materiality assessments.




ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Identification method	Control method
 Governance risk (G)	Legal and Policy	Operational (Legal)	Risks of compensation claims (legal risks) arising from disputed inadequate profitability/remuneration of products/services offered to customers	Risk identified through expert-based methods by the Compliance and DPO Function and the Risk Control Service	Marketing of financial products/instruments that integrate financial performance profiles with environmental, ethical and social considerations in line with the relevant sustainability principles, guidelines and issues identified in the Group's Sustainability Policy.  Wide range of green products/services offered to customers (e.g. Etica Sgr funds, current accounts and loans with social objectives, purchase/advance of tax credits from the so-called Ecobonus/Sismabonus/Superbonus regimes), further enriched in 2022 with the launch of the "next" sustainable credit products.
 Governance risk (G)	Reputation	Reputation	Reputational risks associated with inadequate profitability/remuneration of products/services offered to customers	Risk identified through expert-based methods by the Risk Control Service	Integration of green/ESG assessments in the Bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios.  Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinions and External Reviews, with reporting as per best market practices and international guidelines.
 Governance risk (G)	Credit	Credit and counterparty	Credit-related risks associated with the limited/inadequate integration of ESG factors in credit management processes	Risk identified through expert-based methods by: Credit Service, Internal Audit Service, Risk Control Service, BNT	Granting of credit in line with the guidelines defined in the ESG Credit Policy (also in terms of "sensitive" sectors). Inclusion within the credit granting and monitoring processes of assessments of credit counterparties' exposure to ESG risk factors, through proprietary scoring methodologies (gradual consolidation underway).
 Environmental and climate-related risk (E)	Transition (Technology)*	Credit and counterparty	Credit-related risks associated with the granting of loans to parties operating in production sectors substantially/technologically affected by the transition to a low-carbon economy	Risk identified through expert-based methods by the Risk Control Service	Business conducted according to ethical principles of transparency and professionalism in order to ensure: (i) the adequate understanding of the products/services offered, taking into account the customer's level of financial literacy, characteristics and risk profile; (ii) the provision of suitable products/services based on the customer's characteristics and risk profile, as well as the preferences expressed by the latter, including in terms of sustainability.  Structured corporate product governance, based on the prior identification of the target market of the products/services on offer and identification of the degree of complexity and level of potential risk for the relevant consumers.
 Environmental and climate-related risk (E)	Transition (Legal and Policy)*	Credit and counterparty	Credit-related risks associated with the granting of loans to parties operating in production sectors subject to regulations governing the transition to a low-carbon economy	Risk identified through expert-based methods by the Credit Service	Use of the "salary- and pension-backed" and "delegation of payment" products offered by the subsidiary Banca della Nuova Terra as forms of access to credit regulated by legislation for the purpose of including categories of persons who are not otherwise eligible for financing.







\* see the TCFD Report for materiality assessments.

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Identification method	Control method
 <p>Environmental and climate-related risk (E)</p>	Transition (Market)*	Credit and counterparty	Credit-related risks associated with the granting of loans to parties operating in production sectors perceived as inadequate by the market to support the transition to a low-carbon economy	Risk identified through expert-based methods by the Risk Control Service	<p>Marketing of financial products/instruments that integrate financial performance profiles with environmental, ethical and social considerations in line with the relevant sustainability principles, guidelines and issues identified in the Group's Sustainability Policy.</p> <p>Wide range of green products/services offered to customers (e.g. Etica Sgr funds, current accounts and loans with social objectives, purchase/advance of tax credits from the so-called Ecobonus/Sismabonus/Superbonus regimes), further enriched in 2022 with the launch of the "next" sustainable credit products.</p>
 <p>Environmental and climate-related risk (E)</p>	Transition (Reputation)	Reputation	Reputational risks associated with the granting of loans to entities operating in countries/ production sectors not perceived as adequate by public opinion and customers to support the transition to a low-carbon economy	Risk identified through expert-based methods by the Internal Audit Service	<p>Integration of green/ESG assessments in the Bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios.</p> <p>Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinions and External Reviews, with reporting as per best market practices and international guidelines.</p> <p>Granting of credit in line with the guidelines defined in the ESG Credit Policy (also in terms of "sensitive" sectors). Inclusion within the credit granting and monitoring processes of assessments of credit counterparties' exposure to ESG risk factors, through proprietary scoring methodologies (gradual consolidation underway).</p>
 <p>Environmental and climate-related risk (E)</p>	Reputation	Reputation	<p>Reputational risks associated with:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers (including in terms of delivery of the documentation/basic manuals aimed at supporting their understanding)</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	Risk identified through expert-based methods by: Internal Audit Service, Administration and General Accounting Service	<p>Business conducted according to ethical principles of transparency and professionalism in order to ensure: (i) the adequate understanding of the products/services offered, taking into account the customer's level of financial literacy, characteristics and risk profile; (ii) the provision of suitable products/services based on the customer's characteristics and risk profile, as well as the preferences expressed by the latter, including in terms of sustainability.</p> <p>Structured corporate product governance, based on the prior identification of the target market of the products/services on offer and identification of the degree of complexity and level of potential risk for the relevant consumers.</p> <p>Use of the "salary- and pension-backed" and "delegation of payment" products offered by the subsidiary Banca della Nuova Terra as forms of access to credit regulated by legislation for the purpose of including categories of persons who are not otherwise eligible for financing.</p>




ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Identification method	Control method
 <b>Environmental and climate-related risk (E)</b>	Transition (Market)	Strategy and Business	Strategic and business risks deriving from the inability to attract new investors/customers/counterparties due to poor or unrecognised (greenwashing) offer of financial products/instruments capable of combining economic performance with environmental sustainability goals	Risk identified through expert-based methods by: Planning, Investor Relations and Management Control Service, Finance Service, Credit Service, Factorit, BPS (SUISSE) SA	<p>Marketing of financial products/instruments that integrate financial performance profiles with environmental, ethical and social considerations in line with the relevant sustainability principles, guidelines and issues identified in the Group's Sustainability Policy.</p> <p>Wide range of green products/services offered to customers (e.g. Etica Sgr funds, current accounts and loans with social objectives, purchase/advance of tax credits from the so-called Ecobonus/Sismabonus/Superbonus regimes), further enriched in 2022 with the launch of the "next" sustainable credit products.</p> <p>Integration of green/ESG assessments in the Bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios.</p>
 <b>Environmental and climate-related risk (E)</b>	Transition (Reputation)	Reputation	Reputational risks associated with a perceived weak or unrecognised (greenwashing) offer of products/financial instruments capable of combining economic performance with environmental sustainability goals	Risk identified through expert-based methods by: Commercial Service, Finance Service, BPS (SUISSE) SA	<p>Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinions and External Reviews, with reporting as per best market practices and international guidelines.</p> <p>Granting of credit in line with the guidelines defined in the ESG Credit Policy (also in terms of "sensitive" sectors). Inclusion within the credit granting and monitoring processes of assessments of credit counterparties' exposure to ESG risk factors, through proprietary scoring methodologies (gradual consolidation underway).</p> <p>Business conducted according to ethical principles of transparency and professionalism in order to ensure: (i) the adequate understanding of the products/services offered, taking into account the customer's level of financial literacy, characteristics and risk profile; (ii) the provision of suitable products/services based on the customer's characteristics and risk profile, as well as the preferences expressed by the latter, including in terms of sustainability.</p>
 <b>Social risk (S)</b>	Strategy and Business	Market/Liquidity	Financial risks (market, liquidity and funding) deriving from the inability to retain investors/counterparties due to poor or unrecognised offer of financial products/instruments capable of combining economic returns with ethical and social objectives	Risk identified through expert-based methods by the Risk Control Service	<p>Structured corporate product governance, based on the prior identification of the target market of the products/services on offer and identification of the degree of complexity and level of potential risk for the relevant consumers.</p> <p>Use of the "salary- and pension-backed" and "delegation of payment" products offered by the subsidiary Banca della Nuova Terra as forms of access to credit regulated by legislation for the purpose of including categories of persons who are not otherwise eligible for financing.</p>



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Identification method	Control method
 Social risk (S)	Strategy and Business	Strategy and Business	Strategic and business risks deriving from the inability to attract new investors/ customers/ counterparties due to poor or unrecognised offer of financial products/ instruments capable of combining economic returns with ethical and social objectives	Risk identified through expert-based methods by the Risk Control Service	<p>Marketing of financial products/instruments that integrate financial performance profiles with environmental, ethical and social considerations in line with the relevant sustainability principles, guidelines and issues identified in the Group's Sustainability Policy.</p> <p>Wide range of green products/services offered to customers (e.g. Etica Sgr funds, current accounts and loans with social objectives, purchase/advance of tax credits from the so-called Ecobonus/Sismabonus/Superbonus regimes), further enriched in 2022 with the launch of the "next" sustainable credit products.</p> <p>Integration of green/ESG assessments in the Bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios.</p>
 Social risk (S)	Reputation	Reputation	Reputational risks associated with poor or unrecognised offer of financial products/ instruments that combine economic returns with ethical and social goals	Risk identified through expert-based methods by the Finance Service	<p>Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinions and External Reviews, with reporting as per best market practices and international guidelines.</p> <p>Granting of credit in line with the guidelines defined in the ESG Credit Policy (also in terms of "sensitive" sectors). Inclusion within the credit granting and monitoring processes of assessments of credit counterparties' exposure to ESG risk factors, through proprietary scoring methodologies (gradual consolidation underway).</p>
 Social risk (S)	Credit	Credit and counterparty	Credit-related risks associated with the granting of loans to weaker or disadvantaged categories of the population because of their doubtful creditworthiness or excessive indebtedness	Risk identified through expert-based methods by the Risk Control Service	<p>Business conducted according to ethical principles of transparency and professionalism in order to ensure: (i) the adequate understanding of the products/ services offered, taking into account the customer's level of financial literacy, characteristics and risk profile; (ii) the provision of suitable products/services based on the customer's characteristics and risk profile, as well as the preferences expressed by the latter, including in terms of sustainability.</p>
 Social risk (S)	Credit	Credit and counterparty	Credit-related risks associated with the granting of loans to parties operating in controversial countries/sectors in terms of their respect for laws and human rights	Risk identified through expert-based methods by the Risk Control Service	<p>Structured corporate product governance, based on the prior identification of the target market of the products/services on offer and identification of the degree of complexity and level of potential risk for the relevant consumers.</p> <p>Use of the "salary- and pension-backed" and "delegation of payment" products offered by the subsidiary Banca della Nuova Terra as forms of access to credit regulated by legislation for the purpose of including categories of persons who are not otherwise eligible for financing.</p>



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Identification method	Control method
 <b>Social risk (S)</b>	Reputation	Reputation	Reputational risks associated with the granting of loans to parties operating in controversial countries/sectors in terms of their respect for laws and human rights	Risk identified through expert-based methods by the Risk Control Service	<p>Marketing of financial products/instruments that integrate financial performance profiles with environmental, ethical and social considerations in line with the relevant sustainability principles, guidelines and issues identified in the Group's Sustainability Policy.</p> <p>Wide range of green products/services offered to customers (e.g. Etica Sgr funds, current accounts and loans with social objectives, purchase/advance of tax credits from the so-called Ecobonus/Sismabonus/Superbonus regimes), further enriched in 2022 with the launch of the "next" sustainable credit products.</p> <p>Integration of green/ESG assessments in the Bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios.</p> <p>Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinions and External Reviews, with reporting as per best market practices and international guidelines.</p>
			Reputational risks due to poor/inadequate promotion of training initiatives on economic and financial topics for customers	Risk identified through expert-based methods by the Risk Control Service	<p>Granting of credit in line with the guidelines defined in the ESG Credit Policy (also in terms of "sensitive" sectors). Inclusion within the credit granting and monitoring processes of assessments of credit counterparties' exposure to ESG risk factors, through proprietary scoring methodologies (gradual consolidation underway).</p> <p>Business conducted according to ethical principles of transparency and professionalism in order to ensure: (i) the adequate understanding of the products/services offered, taking into account the customer's level of financial literacy, characteristics and risk profile; (ii) the provision of suitable products/services based on the customer's characteristics and risk profile, as well as the preferences expressed by the latter, including in terms of sustainability.</p> <p>Structured corporate product governance, based on the prior identification of the target market of the products/services on offer and identification of the degree of complexity and level of potential risk for the relevant consumers.</p> <p>Use of the "salary- and pension-backed" and "delegation of payment" products offered by the subsidiary Banca della Nuova Terra as forms of access to credit regulated by legislation for the purpose of including categories of persons who are not otherwise eligible for financing.</p>


ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Identification method	Control method
 <p>Governance risk (G)</p>	Legal and Policy	Non-compliance with regulations	<p>Risk of various types of sanctions, significant financial losses or reputational damage deriving from:</p> <ul style="list-style-type: none"> <li>- omissions, inadequacies, infringement of disclosure/transparency obligations regarding the products/services offered to customers</li> <li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li> </ul>	<p>Risk identified through expert-based methods by the Compliance and DPO Function and the Risk Control Service</p>	<p>Marketing of financial products/instruments that integrate financial performance profiles with environmental, ethical and social considerations in line with the relevant sustainability principles, guidelines and issues identified in the Group's Sustainability Policy.</p> <p>Wide range of green products/services offered to customers (e.g. Etica Sgr funds, current accounts and loans with social objectives, purchase/advance of tax credits from the so-called Ecobonus/Sismabonus/Superbonus regimes), further enriched in 2022 with the launch of the "next" sustainable credit products.</p> <p>Integration of green/ESG assessments in the Bank's bond investment selection policies, defining minimum targets in the composition of proprietary portfolios.</p> <p>Control instruments relating to sustainable or green emissions: certification through internal audits, Second Party Opinions and External Reviews, with reporting as per best market practices and international guidelines.</p> <p>Granting of credit in line with the guidelines defined in the ESG Credit Policy (also in terms of "sensitive" sectors). Inclusion within the credit granting and monitoring processes of assessments of credit counterparties' exposure to ESG risk factors, through proprietary scoring methodologies (gradual consolidation underway).</p>
			<p>Adoption of improper professional practices with regard to the promotion/distribution of products/services</p>		<p>Risk identified through expert-based methods by the Compliance and DPO Function and the Risk Control Service</p>





Photo by: **Paolo Sertorelli**, Planning and Investor Relations Office





## 03.

SOCIAL: THE COMMITMENT TO A SOCIAL AND INCLUSIVE ECONOMY





## Social: the commitment to a social and inclusive economy

The path towards sustainability is a complex, multifaceted one: the 2030 Agenda is the compass that points towards a transversal and long-term perspective so that we can navigate this complexity and build a more inclusive and sustainable world. While today the fight against climate change is of primary importance, it is essential to keep in mind that the 2030 Agenda is an indivisible tool: for this to be successful it therefore becomes critical to fully recognise the profound interconnection between the different goals.

The Agenda emphasizes “the responsibilities of all States to respect, protect and promote human rights and fundamental freedoms for all, without distinction of any kind as to race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth, disability or other status”. The Russian invasion of Ukraine has reminded the Western world of the importance of cooperating internationally to constantly monitor and protect human rights, supporting the self-determination of peoples and nations and universally recognised democratic principles.

The founding values of the Bank include solidarity, subsidiarity, attention to individuals and communities and proximity to families and small and medium-sized enterprises. Values that are also reflected in the 2022-2025 “Next step” Business Plan, which talks about a “Bank that does Banking”, focused on its own distinctive areas, intent on growing and determined to keep its ambition for social sustainability high.

Enhancing diversity and inclusion is a priority commitment for the Group in order to sustain a working environment that respects all forms of each individual’s uniqueness and participation, inspired by principles of freedom, fairness and dignity in professional relations, and free of any collective or individual discriminatory behaviour. A commitment that was further renewed in 2022, with the definition of the Guidelines on Diversity and Inclusion and, at the beginning of 2023, with the adhesion to Valore D and the signing of the ABI’s Women in Banking Charter: indeed, the goal to be pursued is to create an inclusive work environment that promotes plurality, respect and free expression and that allows individual talent to be recognised and valued, offering everyone the same opportunities for professional growth and pay dynamics.

In this very same context the Bank adopted the Regulation on diversity in the composition of the Board of Directors and the Board of Statutory Auditors, which identifies the measures implemented to ensure that the composition of the corporate bodies reflects an adequate degree of diversification in terms of – among others – skills, experiences, age, gender and international projection, promoting the emergence of different perspectives and points of view on the various areas of expertise.



The Bank is committed to making its technology accessible to all, with particular attention to the needs of individuals with disabilities. Our goal is to make interaction with the Bank a gratifying and pleasant experience for our customers, constantly working to improve accessibility, both physical and to web services.

As a local bank, BPS contributes to enhancing and making stakeholders aware of the characteristics and traditions of the places where it was founded and of those in which it has extended its operations, as part of a renewed "cultural circulation". An undertaking that takes the form of specific initiatives such as the publication of the "Notiziario" periodical, the opening to the public of the Luigi Credaro Library, "The Art Gallery" which virtually collects the Bank's artistic heritage, and the many cultural and informational events organised.

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**"The ability to listen to the needs of our stakeholders allows us to best express our vocation to collect resources in the area, reinvesting them locally to promote economic and social development."**

Letter to Shareholders and Friends, July 2022







## Support to the community and ties with the local area

“The bank has distinguished itself in its support to the real economy of the geographical areas it covers, with new loan disbursements to households and businesses amounting to over €5.5 billion, an increase on the over €4.8 billion disbursed in the previous reporting period, which also included nearly €1 billion in 'Covid disbursements' with a State guarantee.”

Press release, 7 February 2023

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

Working with prudence, professionalism and commitment to support local areas, with the people and for the people: these are the Bank's practices and this has enabled it and will continue to enable it to deliver profits, even when the economic conditions are particularly challenging.

The Bank operates in line with the 2030 Agenda and, in particular, with SDG 11 “Make cities and human settlements inclusive, safe, resilient and sustainable”.



The current ESG Strategy, an integral part of the broader 2022-2025 Business Plan, envisages, among other aspects, the strengthening of the Group's activities with a positive impact on the local area and the reference community, such as, on the one hand, the adoption of a well-defined programme of sponsorships and donations and, on the other, the use of new mechanisms for selecting suppliers that also take into account their performance in the ESG sphere. In addition, in the Business Plan the Group aims to consolidate its position in the corporate sector, with particular attention to SMEs, as well as to intensify its presence in high-value areas, with potential not fully realised, and capitalise on the new opportunities offered by the market and, in particular, the National Recovery and Resilience Plan (NRRP), also in areas connected with the banking business.

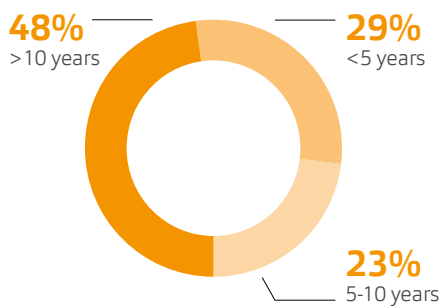
QUALIFIED GEOGRAPHICAL PRESENCE

**Extremely loyal clientele**

**Loyalty and ability to attract new customers**

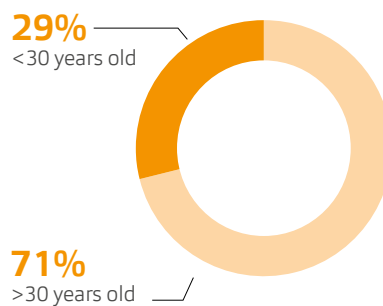
**Longevity of relationship with BPS**

% customers<sup>1</sup>, 2022



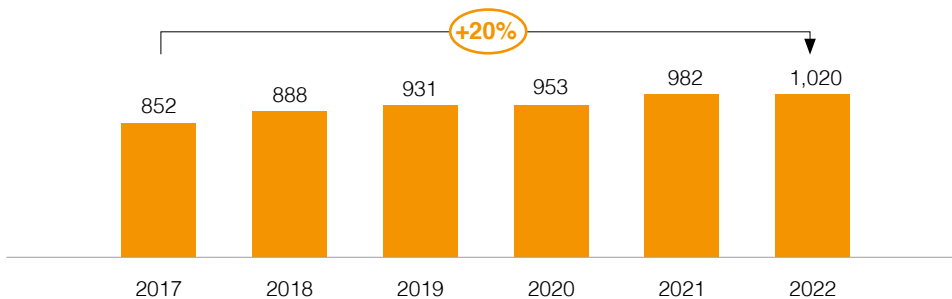
**Customers' age**

% customers<sup>1</sup>, 2022



**Growing customer base**

Number of customers<sup>1</sup>, thousands, 2017-2022



**Customer satisfaction level<sup>2</sup>**

**99%**  
Customers satisfied with the services offered

**75%**  
Customers considering BPS's services better than the competition

<sup>1</sup> Active relationships

<sup>2</sup> Surveys conducted by the International Service.





### BPS online presence

To coincide with the historic 150th anniversary of its foundation, the Bank's new corporate website was created (accessible at <https://istituzionale.popso.it/en>): a new, broad and direct way of communicating with stakeholders that reflects the Group's values and identity. The website offers an intuitive and pleasant browsing experience and is also easily accessible from smartphones and tablets.

From the home page, the user can access five thematic sections with a wealth of information: Profile, Governance, Investor relations, Sustainability, Press releases and events. The website also offers an email alerting service to all interested parties, which, after registration, allows them to be notified in good time when the Bank's press releases are published.

This new proposal, aimed at institutional and financial communication, complements Banca Popolare di Sondrio's online presence, started in 1995 with [www.popso.it](http://www.popso.it) (Italian version

only), now mainly used for commercial promotion.

Over the years, BPS has developed a number of publicly available online initiatives. Among the most significant are "The Art Gallery" ([www.popsoarte.it](http://www.popsoarte.it)), which enhances and promotes the Bank's artistic heritage, and the [nonsolobanca.popso.it](http://nonsolobanca.popso.it) website, which brings together leisure proposals (trekking itineraries, cycling tourism), cultural and editorial activities (including the "Notiziario", a four-monthly publication on culture, economics and current affairs, which can also be read on tablets) – at present, both websites are available only in Italian. Finally, the [www.popsoimmobili.it](http://www.popsoimmobili.it) website (Italian version only) was set up to facilitate the marketing of both Bank-owned and third-party real estate. The internet presence is completed by the many and increasingly popular digital banking services that allow customers to operate independently and at any time.



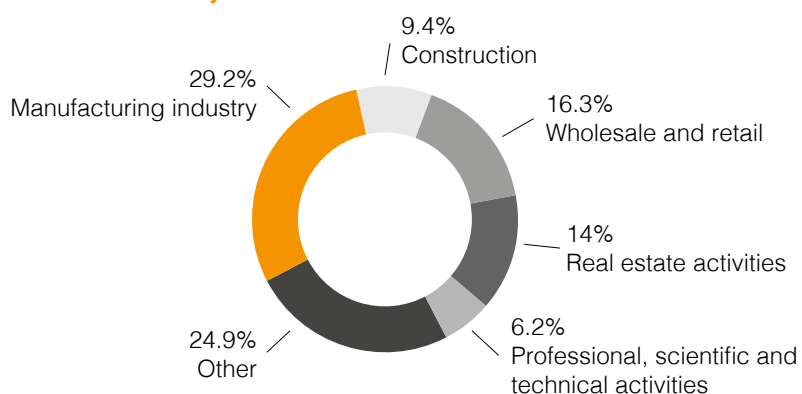
### Access points in low-populated areas

	2022	2021	2020
Total Group access points (treasury offices, branches, etc.)	509	506	484
Number of municipalities with <5000 inhabitants served	131	130	130
Number of access points in municipalities with <5000 inhabitants	136	135	135
<b>Percentage</b>	<b>26.72%</b>	<b>26.68%</b>	<b>27.89%</b>
Number of access points in municipalities with <5000 inhabitants closed during the year	0	0	0
Number of access points in municipalities with <5000 inhabitants opened during the year	0	0	0

### Portfolio percentage by geography, size and sector

	2022	2021	2020
<b>Geographical distribution of the portfolio</b>			
Northern Italy	70.43%	68.79%	68.53%
Central Italy	17.37%	19.26%	20.68%
Switzerland	12.20%	11.92%	10.79%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Distribution of the portfolio by size and type of customers</b>			
Micro-enterprises	12.53%	13.77%	13.20%
SMEs	20.96%	21.92%	21.56%
Large enterprises	8.57%	6.87%	8.36%
Individuals	36.40%	37.35%	35.65%
Agencies and institutions	21.54%	20.09%	21.23%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

### Portfolio distribution by sector



GRI  
FS13

27% of BPS access points are located in municipalities with fewer than 5,000 inhabitants

GRI  
FS6



The Bank has distinguished itself in its support to the real economy of the geographical areas it covers, with new loan disbursements to households and businesses amounting to over €5.5 billion, up compared to 2021

## Customer support initiatives

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

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

The Parent Company promptly implemented, starting in March 2020, a series of measures to benefit customers and the local area, both in compliance with Italian government measures introduced mainly by the so-called “Cura Italia” Decree and “Liquidità” (Liquidity) Decree, and in adherence to initiatives promoted by ABI at a banking system level, and finally on a voluntary basis to benefit certain categories of individuals and types of contractual relations, which, in most cases, did not qualify for the first two forms of assistance mentioned above.

In 2022, the only initiative that remained active (and refinanced for 2023) was that envisaged by the “Solidarity fund for mortgages for the purchase of first homes” (so-called “Gasparrini Fund”). The measure in question, aimed in particular at households, consumers and self-employed individuals/freelancers, provides for the suspension of mortgage payments upon the occurrence of certain events related to the Covid-19 emergency (e.g. loss of job, redundancy scheme, decrease in the turnover of self-employed individuals/freelancers). In this regard, 10 moratoriums were activated in 2022 for a total “suspended” amount of €1.35 million.

### **Agorà**

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

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

### **Fodder purchase loan**

The drought in the summer of 2022 caused a collapse in hay production and therefore put farmers in great difficulty. The price of hay reached exorbitant costs, consequently bringing some farming businesses to their knees. In order to support farms that currently do not have the necessary liquidity to make purchases, the Bank made available a special “Fodder purchase loan” financial instrument in the form of an unsecured loan.



### **Agricultural sector – supply chain contracts**

The Italian Ministry of Agricultural, Food and Forestry Policies (now the Ministry of Agriculture, Food Sovereignty and Forestry) has published and launched the so-called “fifth tender” for supply chain and district contracts in the agri-food sector using one of the measures of the complementary fund to the National Recovery and Resilience Plan (NRRP) which has allocated €1.2 billion to such initiative.

To help stimulate the production, processing, marketing and distribution of agricultural, agri-food and agro-energy products, the “fifth tender” provides for the granting of subsidies in the form of capital grants and subsidised loans to be disbursed in equal shares (co-financing) between the lending banks and Cassa Depositi e Prestiti in favour of agricultural and agri-food companies that will set up supply chain or district contracts at a multi-regional level.

The Bank, already engaged in the previous tenders launched by the Ministry in the capacity of lending bank, by virtue of a specific mandate conferred by Cassa Depositi e Prestiti, has provided for the preliminary investigation, the acquisition of the guarantees, the contract execution, the disbursement and the management of the entire co-financing activity.

### **Loans dedicated to Lombard companies**

- **Support for the development of the internationalisation of Lombard SMEs and the attraction of foreign investments of the ERDF Lombardy 2021-2027 Regional Programme**

The measure aims to support the development of the internationalisation of SMEs in order to strengthen the competitiveness of Lombard companies on foreign markets and to enhance the excellence and supply chains of the Region of Lombardy.

- **Research & Innovation - Support for investments in research, development and innovation (ERDF Lombardy 2021-2027 Regional Programme)**

The measure aims to support investments in industrial research, experimental development and product and/or process innovation (including digital) by Lombard SMEs, in order to promote technological and digital innovation of companies capable of strengthening the competitiveness of the entrepreneurial fabric of the Region of Lombardy.

- **“Nuova Impresa” (New Enterprises) call 2022**

The tender aims to support the start-up of new businesses and self-entrepreneurship, including in the form of self-employment with an individual VAT number, as an opportunity for those who have left the labour market, through the disbursement of contributions on the costs connected to the launch of new businesses.



### Funding for the 2022 harvest

In January 2023, Factorit signed an agreement with Melavi, a cooperative agricultural company located in the province of Sondrio, aimed at allowing the member farmers to collect the credits on the 2022 harvest by the end of January. Thanks to this agreement, innovative for the reference sector, the 230 small companies that are members of Melavi have been able to collect the credits due for the apples sold as early as January, without having to wait, as it usually happens on the market, for the start of the following season. The Melavi agricultural company was thus able to concentrate on the promotion and sale of apples and derivative products. This transaction provided substantial financial support, in line with the sustainability strategy, solid and consistent with the Bank's values, which guides the Banca Popolare di Sondrio Group.





### Trade Facilitation Programme

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

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

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

- documentary credits and standby letters of credit;
- documentary credits with deferred payment and “red-clause” Letter of credits;
- international guarantees;
- interbank financing.

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

In 2022, BPS concluded 248 transactions with these banks, consisting mostly of loans and confirmations of letters of credit with post-financing in favour of the issuing bank, for a total of €108,457,385.86, to which \$113,104,050.94 must be added.

The countries involved in these transactions were: Armenia, Georgia, Pakistan, Romania, Serbia, Tajikistan, Tunisia, Turkey and Uzbekistan.

Finally, on 10 May 2022 in Marrakech, during the annual meeting of the EBRD, the Bank received the “Green Deal of the Year” award for having supported an important operation in Armenia the previous year which led to the creation of a water bottling line, but also for its growing commitment to facilitating the transition towards the green economy in developing countries.

### **Support for the international development of companies**

In 2022 BPS offered numerous free initiatives, ranging between the various aspects of foreign trade, multiple sectors and numerous countries, seeking to follow the most interesting trends and the needs of customer and prospect companies, but also of the Bank's branches with targeted internal training initiatives.

Internationalisation initiatives aim to disseminate clear and up-to-date information on the opportunities offered by foreign markets, but also to help Italian companies to open up new business channels, in the light of the fact that international markets evolve rapidly and economic operators must consistently keep up-to-date in order to be successful.

In total, 36 initiatives were carried out during the year involving 3,375 participants, reaching the historical record of recent years, thanks to the increase in dedicated personnel and the adoption of online processes, which has provided for greater organisational speed. In this regard, the "Russian-Ukrainian conflict, sanctions and current scenario" webinar deserves special mention, followed by over 250 participants, interested in protecting their business in the countries affected by the crisis.

The presence of BPS at the "Go International" trade fair organised by the Italian Foreign Trade Association (AICE), held in Milan in October 2022, made it possible to present the "Next" loan line offered by the Bank and the 2021 NFS to over 2,000 visitors.

### **European tenders and funding**

The Coopération Bancaire pour l'Europe (CBE-GEIE), an entity based in Brussels in which the Bank holds a 52% stake, has provided its members and their customers with information, consultancy and assistance services for the participation in European tenders and funding.

In particular, in 2022 the CBE-GEIE EU project managers conceived and implemented numerous projects in partnership with other European bodies, on social, educational and environmental topics, aimed at producing widespread results and benefits throughout the EU.



### Customer satisfaction survey

In 2022, BPS launched a customer satisfaction survey focused on the Bank's branches and treasury offices.

The survey represented an important tool for systematically measuring the effectiveness and efficiency of the services offered, as well as a stimulus for further increasing and optimising the performance of foreign operations, particularly as regards the continuous improvement of qualitative standards of IT procedures and the professional standards of employees.

The analysis and the processing of the collected data made it possible to transform the indications received into clear and concrete information and confirmed a highly positive overall opinion both on the services rendered and on the Bank's operations, with a percentage of over 95% reached in terms of satisfaction ("good" and "excellent" ratings). With regard to "insufficient" and "sufficient" opinions, accounting for just under 5%, specific evaluations were launched with a view to improve services and operations.



## Sponsorships and charities

In 2022 BPS continued to make contributions in several directions to respond to various needs, taking into account the most complex situations from a social and geopolitical point of view.

The Group's donations aim to generate added value, amplifying the benefit obtained by their recipients via small virtuous spirals that self-perpetuate.

The approach to these requests is to listen to multiple requests rather than focusing on high-profile initiatives, a procedure that is inconsistent with the value of the Group, which does not work on the budget, but listens to the demands from the network, while monitoring the ceiling so as to collect as many deserving applications as possible. Multiple requests were therefore accepted from nursing homes, social support, humanitarian and voluntary bodies, recreation centres and religious institutions; from schools of all levels; from cultural, artistic and musical associations; and so on. Charitable actions also include encouragement of fundraising for hospitals and third sector organisations, which, among other things, carry out research in the medical, scientific and other fields.

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

In particular, in 2022 Banca Popolare di Sondrio and the Pro Valtellina Onlus Foundation implemented a joint initiative to support reception and hospitality projects in the province of Sondrio, in various forms, for the benefit of refugees from Ukraine.

## Solidarity account

Since 1996, Banca Popolare di Sondrio has offered customers the possibility of opening accounts that have certain ethical purposes.

In particular, through "Conto Corrente Solidarietà", the Bank undertakes, every year, to donate an amount equal to 0.25% of the average annual deposits with the aim of increasing donations to important charitable institutions.

## Association

	UoM	2022	2021	2020
AIRC	€	36,400	31,000	30,000
UNICEF	€	21,700	20,700	17,500
AVIS	€	3,800	3,200	3,000
AISLA	€	5,200	3,200	2,000
ADMO	€	3,200	2,400	3,000
<b>Total</b>	<b>€</b>	<b>70,300</b>	<b>60,500</b>	<b>55,500</b>



## Donations\*

	UoM	2022	2021	2020
Welfare organisations	€	42,650	46,750	163,319
Humanitarian and voluntary organisations	€	42,707	24,803	24,306
Cultural and artistic associations	€	32,920	4,153	4,185
Recreational organisations	€	12,297	10,046	6,972
Music associations	€	8,701	9,049	6,170
Schools	€	5,800	3,985	2,600
Public bodies	€	202	3,165	5,833
Religious bodies	€	8,702	12,720	26,172
Trade associations	€	7,865	2,727	7,081
Various other associations	€	111,816	41,304	39,250
<b>Total</b>	<b>€</b>	<b>273,660</b>	<b>158,702</b>	<b>285,888</b>

\* The figure for donations also includes the amounts donated through the solidarity account

## Sponsorships

	UoM	2022	2021	2020
Cultural and recreational associations	€	38,960	37,346	33,951
Trade associations	€	2,870	2,200	4,000
Schools and religious associations	€	6,587	13,481	9,253
Sports and various other associations	€	136,431	114,633	132,330
<b>Total</b>	<b>€</b>	<b>184,848</b>	<b>167,660</b>	<b>179,534</b>





In 2022, a total of 176 requests for advertising contributions were received (62 more requests than in 2021), with an increase in the total amount disbursed of approximately 22% compared to the previous year.

The initiatives supported by Banca Popolare di Sondrio include the Coldiretti Sondrio project named “Sustainable development and food education” dedicated to the kindergarten and primary schools in Sondrio and its province. The programme in question aims to promote knowledge related to sustainability in food, for the development of the circular economy, of the green economy and of precision and digital agriculture.

In addition to the aforementioned initiative, the Bank also supports the Sondrio Festival, an international exhibition of documentaries on parks which the Bank sponsors annually precisely because of its social and environmental value. In 2022, as a partner of the event, Banca Popolare di Sondrio donated to the Sondrio Festival public the publication entitled *Habitat, una terra per l'uomo* (Habitat, a planet for mankind), signed by 15 of the most authoritative Italian scholars of environmental sciences: a scientific monograph on climate change inaugurating *Edizioni del Notiziario della Banca Popolare di Sondrio* (Editions of the Banca Popolare di Sondrio’s “Notiziario”) on the eve of its 50 years of publication.

**Banca Popolare di Sondrio and the “Camilla Cederna” primary school at the “7th Edition of the Festival of Creative Culture – The bank in Italy for young people and the local area”**

In May 2022, Banca Popolare di Sondrio took part in the “7th Edition of the Festival of Creative Culture – The bank in Italy for young people and the local area”, organised by the Italian Banking Association in collaboration with FEduF, the Foundation for Financial Education and Savings.

On this occasion, an event entitled “Fairy tales, money and sustainability workshop” was organised, relying on fairy tales and a language suitable for children in an attempt to help them understand how to be more responsible citizens and manage money in a more aware manner.

As one of the teachers affirmed following the initiative:

*“It was really nice to discover that Banca Popolare di Sondrio is also investing time and resources in the future of our children, as well as to find competent and expert people who have been able to stimulate and encourage our students to consider complex, yet fundamental topics for building the foundations of a society that can be as civil and inclusive as possible, including through the economic choices that each of us can make on a daily basis”.*



## Non Solo Banca: not just a Bank

**“Banks are not made simply to pay salaries to their employees or to close their financial statements with a profit, but must achieve this just purpose by serving the public in the best possible manner.”**

Luigi Einaudi, “Report of Bank of Italy Governor for 1943”

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

Sensitive to the diffusion of culture, Banca Popolare di Sondrio, with the collaboration of the Vitale Zane & Co. company and inspired by Professor Marco Vitale, organised the “Development and the Banking System” Conference held in December. The initiative fits within the Bank’s tradition of organising study days on important topics. The conference saw the participation of prestigious scholars in banking, financial and economic culture, who shared their thoughts on the state of the art of the Italian banking system and on the adequacy of the same to support themes related to the development of the production system, within the context of the new national and international economic scenarios. The objective of the conference was to contribute to reflections with a view to a new phase of thought which, starting from the fundamentals, aims to evaluate the present and to target the future of the Italian banking system, in the more general context of the economic system, and in the European scenario, too.

For several years now, on the initiative of the ABI – the project coordinator –, on the first Saturday in October bank buildings across the country welcome all those who wish to learn about Italy’s cultural and civil history.

Our Bank joined the initiative from the very first editions, opening the doors of the unique building in Stelvio that houses the Carlo Donegani Museum, focusing on the White War and the sporting events linked to the history of the Stelvio Pass, as well as on the environmental and naturalistic features of the Stelvio National Park. The head office located in Sondrio and the Luigi Credaro Library also participated. Thanks to this initiative, the public was able to admire the interiors and the collection of paintings, most of which can also be viewed in “The Art Gallery” on the [www.popsoarte.it](http://www.popsoarte.it) website, the name adopted by Banca Popolare di Sondrio for an online communication project through which its artistic heritage formed over the last fifty years through acquisitions and cultural initiatives is made available to the public.

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

With regard to cultural aspects, mention must also be made of the “Notizario”, the Bank’s four-monthly publication which is particularly notable for the famous authors of its articles, the diversity of the topics it covers and the popularity with its readers.

The “Notizario” publication contains a section entitled *Il Pianeta che cambia* (The Changing Planet) devoted to environmental issues.





Nineteen years ago, in 2004, popsoarte made its debut on the web; Banca Popolare di Sondrio created this art site with the specific intention of sharing with the general public its art collection, formed over more than seventy years of acquisitions and cultural patronage.

In 2004, popsoarte was one of the first Italian art banking sites dedicated to the knowledge and dissemination of a bank's artistic heritage.

Soon, other prestigious banking institutes would follow suit while in 2005, Banca Popolare di Sondrio's art site earned the prestigious e-Content Award Italy in the e-culture category for the quality of its digital contents and the innovative communication creativity.

In fact, right from the start, popsoarte has stood out for the ease of access to its content, including by people with disabilities who, thanks to a customised software, can access a special section of the descriptions of the works which allow them to "view" the image of the specific work through a detailed verbal description of all its parts. 19 years have passed and the site content, which initially presented 60 works by 22 artists spanning from the Middle Ages to the 20th century, has gradually been enriched and today includes nearly 390 works.



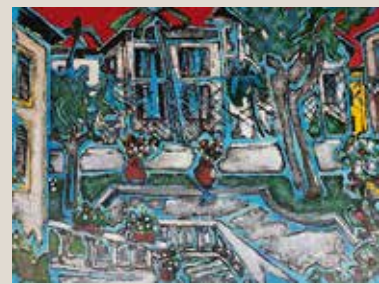
**Mattina in Valmadrera  
(Morning in Valmadrera)**  
Silvio Poma



**Chiavenna**  
Livio Benetti



**Cavalli  
(Horses)**  
Vittoria Personeni Quadrio



**Il cortile di giugno  
(June courtyard)**  
Fernando Valenti



## PIROVANO



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

In addition to supporting summer skiing, Pirovano, as a hospitality industry player, promotes all aspects of mountain-related education, and seeks, via various activities, to raise awareness about the inherent beauty of the Stelvio National Park. In this regard, a Virtual Reality Point about the Park has been opened at the Stelvio Pass branch, the “highest” in Europe.

Following the total shutdown caused by the Covid-19 pandemic, the subsidiary Pirovano Stelvio SpA resumed operations to ensure hospitality for summer ski enthusiasts and for those looking to relax body and mind by enjoying the natural beauty of the mountains.



## Risks associated with the topic

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Social risk (S)</b>	Credit	Credit and counterparty	Credit-related risks associated with the financial support provided to local businesses facing with economic difficulties/ crises	<p>Structured process for the granting and monitoring of credit based on timely analysis of the creditworthiness and solvency of the loan applicant and constant verification of requirements over time.</p> <p>Definition of debt restructuring plans and activation of suspensions/ extensions of loan periods (e.g. moratoria) in support of local businesses (and to safeguard employment levels).</p>
 <b>Social risk (S)</b>	Reputation	Reputation	Reputational risks associated with the adoption of lending policies not properly designed to provide economic support to local communities and promote the local area	Adoption of economic support policies for local businesses, as well as promotion of environmental and social activities (cultural, sporting, religious, charitable) at a local level.





## Supply chain management



Relations with suppliers are governed by the Code of Ethics, which includes commitments to guarantee transparent and fair relations, as well as by the Regulation on outsourcing, which contains the general terms concerning suppliers' eligibility requirements to guarantee compliance with regulations on environment protection and workers' rights. Therefore, preference is generally given to suppliers who adopt high standards and good environmental practices.



One of the key objectives of the 2022-2025 Business Plan is to provide for new mechanisms for selecting suppliers, which also consider their ESG performance

The 2022-2025 Business Plan envisages, by the end of 2023, the introduction of a methodology for assessing the sustainability performance of suppliers, starting with the most significant ones.

As a complex organisation comprising numerous operational units at central and branch level – spread across a wide area – the Bank has a constant need for supplies of diversified goods and services from third parties in order to carry out its activities effectively. These supplies therefore contribute to operational efficiency, commercial competitiveness, regulatory compliance in multiple areas and the safety of persons, working environments and installations. Accordingly, it is necessary to precisely define and govern the procurement process, in terms of the related authorisations and administrative activities, with the goal of achieving both optimal supply levels, benefiting the requesting company structures and therefore their operations, and the best economic value for the Bank in terms of the quality/price ratio of the supplies.

The Bank has implemented an OMM, which is updated to reflect any changes in operating conditions. The objective of this model is to mitigate and, where possible, prevent commitment of the environmental and other offences identified in the legislation, pursuant to the provisions of Italian Legislative Decree 121/2011, as amended and supplemented. Bank suppliers are informed about the organisational model adopted in a clause contained in their contract forms; they are also requested to comply with the instructions contained in the corporate Code of Ethics.

The supply chain is managed by selecting each supplier based on the ability to perform the required services over time: each is identified by specific mandatory administrative data, as well as optional data considered useful for qualification purposes. Suppliers that contribute individual or total annual supplies in excess of €100,000 are qualified by the Supply Office for transparency purposes. Their structure, references and historical record are then assessed and a reasoned summary judgement is made. These quantitative and qualitative assessments are reviewed whenever problems arise.

With regard to the Group's different member companies, various considerations were made as to which suppliers could be considered local, taking into account the location and distribution of each company's activities. For Banca Popolare di Sondrio, the Region of Lombardy is identified as the local boundary, for Factorit it consists of Milan and its province, for Pirovano Stelvio SpA it covers the provinces of Sondrio and Trento/Bolzano, while the concept of local service provider does not apply to Banca della Nuova Terra due to its widespread banking service operations across Italy.

The Group operates in line with the 2030 Agenda and in particular with SDG 12 "Ensuring sustainable consumption and production patterns".




GRI  
204-1





#### Proportion on spending on local suppliers

	2022	2021	2020
Procurement spending	296,900,253	276,936,436	266,006,936
of which on local suppliers	201,111,669	185,785,832	178,702,309
% of total	67.74%	67.09%	67.18%



## Risks associated with the topic

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Environmental and climate-related risk (E)</b>	Transition (Reputation)	Reputation	Reputational risks due to reliance on suppliers of goods/services perceived as inadequate by public opinion and customers to support the transition to a low-carbon economy	Process of prior assessment and periodic monitoring of risks associated with the outsourcing of corporate services and activities through in-depth analyses – especially in the case of essential or important functions – with the involvement of various specialist and control structures.
 <b>Social risk (S)</b>	Legal and Policy	Non-compliance with regulations	Risks of sanctions (non-compliance risks) associated with joint and several liability for failure of suppliers of goods/services to comply with legal obligations concerning employment relationships and inadequate application of occupational health and safety standards	Analysis of the reliability of the main suppliers, in terms of soundness of the shareholding structure and capital and income position, as well as of professional skills and availability of (human and technological) resources in order to identify potentially negative elements – also attributable to acute physical risk factors – affecting the (expected or agreed) levels of performance and operational continuity of the outsourced function/service.
 <b>Social risk (S)</b>	Legal and Policy	Operational (Legal)	Risks of compensation claims (legal risks) associated with joint and several liability for failure of suppliers of goods/services to comply with legal obligations concerning employment relationships and inadequate application of occupational health and safety standards	Definition of contractual agreements regulating suppliers' operations based on the principles set out in the Codes of Ethics and, more generally, in line with the organisation, management and control models adopted by the parties pursuant to Italian Legislative Decree 231/2001.

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Social risk (S)</b>	Reputation	Reputation	Reputational risks associated with the use of suppliers of goods/services that do not comply with legal obligations concerning employment relationships and inadequate application of occupational health and safety standards	Process of prior assessment and periodic monitoring of risks associated with the outsourcing of corporate services and activities through in-depth analyses – especially in the case of essential or important functions – with the involvement of various specialist and control structures.
 <b>Social risk (S)</b>	Reputation	Reputation	Reputational risks associated with insufficient use of local suppliers in the areas where the company operates	Analysis of the reliability of the main suppliers, in terms of soundness of the shareholding structure and capital and income position, as well as of professional skills and availability of (human and technological) resources in order to identify potentially negative elements – also attributable to acute physical risk factors – affecting the (expected or agreed) levels of performance and operational continuity of the outsourced function/service.
 <b>Governance risk (G)</b>	Strategy and Business	Operational (Organisational)	Operational risks (organisational risks) associated with the use of suppliers of goods/services that are inadequate in terms of technical, commercial and financial reliability or do not comply with environmental, social or governance sustainability principles	Definition of contractual agreements regulating suppliers' operations based on the principles set out in the Codes of Ethics and, more generally, in line with the organisation, management and control models adopted by the parties pursuant to Italian Legislative Decree 231/2001.
 <b>Governance risk (G)</b>	Legal and Policy	Operational (Legal)	Risks of compensation claims (legal risks) due to disputes with suppliers of goods/services for non-performance/shortcomings in the provision of services with respect to contractually defined terms and conditions	



## Enhancement of human resources



The development and success of a company relies on the quality of the relationship with its staff: in customer relations and in the offer of products and services, this constitutes a distinctive factor that is recognised and appreciated by the market.

Over time, the Bank has remained true to the principle of internal growth, based on the implementation of an internal process for the development of personnel skills in order to enhance the first work experience of young high-school graduates and recent university graduates.

The collaboration with professionals from the outside, without upsetting internal balances, is limited to individual cases and mainly concerns skills required by central offices that cannot be easily sourced internally.





An evaluation system was introduced aimed at supporting the development and professional improvement of each individual

Staff administration is underpinned by a robust and consolidated system of personnel management and training, which harmonises personal development paths with corporate objectives for building skills to achieve the necessary levels of professionalism. Onboarding of newly hired employees is an essential strategic process for the organic growth plan. This takes place mainly at branches and in compliance with defined learning objectives, in line with the Bank's development plan. The needs of professionalism are primarily satisfied, on the one hand, by the onboarding of newly hired employees, and on the other by means of staff rotation in different professional roles of increasing complexity – rotation that is supported by extensive training.

Consequently, an evaluation system has been introduced to support the professional development and improvement of each individual, promoting their ability to interpret corporate organisational and behavioural models in the performance of their duties and roles. The system refers to two different types of assessments: performance appraisal and skills assessment.

#### Integration of skills assessment with ESG topics

In 2022, as part of the annual skills assessment process, the Bank conducted a review of the skill profiles of its personnel, through the integration of ESG skills, including a specific item on ESG risks. The latter concerned the roles belonging to the professional areas directly involved in the management of these aspects.

The employee performance appraisal measures the gap between expectations and the results achieved over the year, consistently with the provisions of the national collective bargaining agreement in force in Italy and trade union agreements.

The skills assessment aims to map the professional skills that exist within the Bank, to plan targeted actions for staff management and development, and to implement training plans. This assessment concerns the acquired level of mastery of the processes in question and possession of the knowledge and abilities needed for the role held. To further enhance the effectiveness of the tool – at the same time encouraging the processes of empowering people, self-diagnosis and promoting self-development skills – the assessment carried out by the heads of the operating units is accompanied by a self-assessment carried out by each employee. This, also in order to directly acquire from the source their level of autonomy in the work that they perform and the technical knowledge that they have developed.

The performance appraisal and skills assessment process concludes with an individual feedback interview with the employee's direct supervisor, during which they analyse the evidence that emerged from the findings and discuss the employee's expectations of professional growth, motivations, interests and aspirations.

The Bank operates in line with the 2030 Agenda and in particular it supports SDG 3 "Ensure healthy lives and promote well-being for all at all ages", and SDG 4 "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all".



## Corporate welfare

The main forms of corporate welfare, which all BPS employees can access (including part-time and temporary workers), are as follows:

- Corporate productivity bonus: the national collective bargaining agreement in force in Italy (which leaves it to the company contract to define the criteria for awarding bonuses) for managerial staff and personnel of the professional areas envisages the adoption of a corporate productivity bonus (governed by specific second-level company agreements) linked to the company's results in terms of a real increase in productivity or profitability that can be objectively verified on the basis of the financial statements.
- Long-service bonus: employees who work at Banca Popolare di Sondrio for an effective period of 30 years are paid a bonus gross amount of €2,300.
- Graduation bonus: non-graduate workers who, after two years of employment, complete an undergraduate degree included among those recognised for contractual seniority under the labour agreement, are awarded a one-off gross bonus of €1,800.
- Scholarships: scholarships are awarded to children or household members who may be considered tax dependents of employees, the amount of which is based on the educational level achieved.
- Meal contribution: the company gives meal vouchers to non-residents (€7.00) and residents (€4.50), as agreed to in the national collective bargaining agreement in force in Italy.
- Contribution for out-of-town accommodation: if an employee has to spend the night out of town due to work, the Company makes a gross monthly contribution for their evening meal of €132.
- Commuting contribution: employees who live more than 120 km away from work (i.e. who have a 120 km round-trip) receive a gross monthly contribution of €132 for their travelling expenses.
- Disabled contribution: a gross annual contribution of €2,300 is paid to employees for each child with a serious physical or mental handicap that affects their learning ability, assessed pursuant to Law 104/92.
- Supplementary pension plan: with specific regard to employees hired since 1993, the Bank offers a supplementary pension plan – for which, among other things, it offers a contribution – which provides the option of allocating the post-employment benefit to a pension fund managed by Arca Fondi SGR. Among other things, since 2020 Arca has planned to integrate ESG criteria in the investment process in order to assess sustainability risks alongside financial risks. Moreover, with regard to three of the four plans offered to employees, Arca pursues a strict approach whereby 90% of the assets held must have the highest ESG rating.

In addition to the above-mentioned initiatives, every employee and their family members are guaranteed healthcare through an Internal Welfare Scheme, inspired by the principle of mutuality. The purpose of the Scheme, whose term is set to be up to 31 December 2050 (unless extended), is to help pay for hospital and health care in general – to supplement the Italian National Health Service – as well as for other reasons, according to the procedures established by the Regulation.

GRI  
401-2



The activities related to the Scheme are carried out through the following means:

- a. the contributions to be paid by the members of the Scheme;
- b. the equivalent amounts to be contributed by the Bank;
- c. the contribution to be paid by the Bank in relation to the cost of medical check-ups;
- d. income generated by the Scheme's assets;
- e. any offerings or contributions from bodies and individuals;
- f. any cash surpluses, after the ordinary prescription period, in accordance with the national collective bargaining agreement.

Another important element that contributes to the welfare of employees and their families is the presence of a Recreation Club – CRAL.

The "Recreation Club of the Banca Popolare di Sondrio Group" is an apolitical, non-trade union and non-profit association, which aims to promote and organise for its members and their families cultural, recreational, sporting and any other activities that involve economic or welfare benefits for its members. Our Recreation Club has a board of eleven members, elected every three years from the Group's employees and retirees in the form of voluntary work outside of working hours.

Participation in Club events is normally subject to payment of a membership fee, as follows:

- the fee for non-members, which is equal to the cost of the event with the usual discount applied to Group fees. The Recreation Club does not apply any extra charges;
- the fee for members and their families is determined by applying a reduction to the full fee (for non-members) that is covered by the contribution paid by the Club.



## BPS (SUISSE) SA: placing people first

The Staff Policy of the Swiss subsidiary not only defines the rules governing fair relations within the Bank, but also creates a dynamic, performance and team-oriented corporate culture and an environment that respects people and diversity.

The principles of conduct and behaviour, guiding values, entrepreneurial spirit, ambitions and goals express the intent to maintain and disseminate a business culture in which the individual is at the centre.

BPS (SUISSE) SA recognises, maintains and develops the skills of its employees, paying particular attention to the needs and family problems of each individual in the event that they are unable to work due to illness, injury, disability or death. Great importance is attached to communication in the employment relationship: information is provided transparently, clearly and comprehensively, both internally and externally; the intention is to ensure that everyone understands and accepts the company's choices and decisions, to meet information needs and to develop a sense of belonging. The exchange of information within the Bank is extremely important and is based on the principle of cooperation and complementarity.

In 2022, a retention project was implemented for employees under the age of 30 with the aim of creating a team spirit, disseminating corporate culture, promoting the Bank's identity and training, also to strengthen the spirit of belonging and most importantly, to get to know the employees better. In this regard, face-to-face meetings were organised with the Chairman of the Executive Board as well as with the Head of Human Resources, followed by short periods of time working for the central services to learn and experience first-hand the various activities carried out by BPS (SUISSE) SA.

In the area of corporate welfare, the focus of BPS (SUISSE) SA, especially during the pandemic period, has been on the work-life balance of employees; to this end, an awareness-raising initiative has been launched for sector managers, including through participation in courses and exchange sessions on the subject of listening, proximity and remote leadership.

The main actions undertaken by BPS (SUISSE) SA with regard to corporate welfare are as follows:

- encouraging employees' physical activity (agreements with gyms and participation in sporting events);
- attention to healthy and organic food;
- care of employees in the case of health problems;
- opening an account for the birth of a son/daughter;
- occupational accident coverage;
- granting of the leave time needed to accompany and care for children and parents in the event of injury and illness (in 2021 the leave period was increased);
- company loyalty award;
- meal contribution;
- contribution to transport costs;
- benefits aimed at improving mobility;
  - alternative transport solutions, in collaboration with the City of Lugano (public transport, carpooling, shuttle and electric bicycles);
  - mobility for business purposes: online purchase of tickets and travelcards on the SBB Business Customers portal;
  - "home-workplace" mobility: Arcobaleno company annual travelcard; 10% discount (5% from Arcobaleno and 5% from the Bank);
  - Arcobaleno trial monthly travelcard: Bank contribution equal to 50% of the relevant amount.



## Information on employees\*

		2022			2021			2020		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Total employees by gender</b>	<b>Number of employees</b>	<b>849</b>	<b>2,607</b>	<b>3,456</b>	<b>796</b>	<b>2,571</b>	<b>3,367</b>	<b>766</b>	<b>2,536</b>	<b>3,302</b>
Total employees by job category	Executives	0	34	34	0	34	34	0	37	37
	Middle Managers	104	730	834	76	686	762	72	690	762
	Office staff	745	1,843	2,588	720	1,851	2,571	694	1,809	2,503
Total employees by age	≤ 29 years old	216	356	572	195	328	523	178	304	482
	30-50 years old	461	1,470	1,931	455	1,514	1,969	448	1,572	2,020
	≥ 51 years old	172	781	953	146	729	875	138	662	800
Breakdown by type of employment contract	Total number of permanent contracts	836	2,570	3,406	780	2,547	3,327	758	2,516	3,274
	Total number of temporary contracts	13	37	50	16	24	40	8	20	28
	With non-guaranteed hours (e.g. on call, occasional)	0	0	0	-	-	-	-	-	-
Breakdown by type of employment	Full-time employment as defined by national laws	716	2,589	3,305	679	2,552	3,231	648	2,517	3,165
	Part-time employment as defined by national laws	133	18	151	117	19	136	118	19	137
Breakdown by employment areas	Distribution	432	1,776	2,208	396	1,767	2,163	375	1,767	2,142
	Business units	97	204	301	101	206	307	100	221	321
	Staff	219	320	539	197	282	479	167	216	383
	Operational services	101	307	408	102	316	418	124	332	456
Employees broken down by geographical area of operations	Northern Italy	659	2,157	2,816	614	2,118	2,732	582	2,092	2,674
	Central Italy	176	433	609	36	252	288	34	254	288
	Southern Italy	5	6	11	-	-	-	-	-	-
	Abroad	9	11	20	146	201	347	150	190	340
Breakdown by education qualification	University degree	444	1,000	1,444	388	926	1,314	368	897	1,265
	High-school diploma	402	1,547	1,949	400	1,603	2,003	388	1,595	1,983
	Compulsory education	12	51	63	8	42	50	10	44	54
Consultants	Consultants	24	70	94	0	0	0	0	0	0

Data is reported on a head count basis at the end of the reporting period.

\*The number of non-employee staff is 0.





## Employees by geographical area

	2022			2021			2020		
	Italy	Switzerland	Total	Italy	Switzerland	Total	Italy	Switzerland	Total
<b>Total employees</b>	<b>3,097</b>	<b>359</b>	<b>3,456</b>	<b>3,020</b>	<b>347</b>	<b>3,367</b>	<b>2,962</b>	<b>340</b>	<b>3,302</b>
of which women	695	154	849	650	146	796	616	150	766
of which men	2,402	205	2,607	2,370	201	2,571	2,346	190	2,536
Permanent contracts	3,047	359	3,406	2,980	347	3,327	2,934	340	3,274
of which women	682	154	836	634	146	780	608	150	758
of which men	2,365	205	2,570	2,346	201	2,547	2,326	190	2,516
Temporary contracts	50	0	50	40	0	40	28	0	28
of which women	13	0	13	16	0	16	8	0	8
of which men	37	0	37	24	0	24	20	0	20
With non-guaranteed hours (e.g. on call, occasional)	0	0	0	0	0	0	0	0	0
of which women	0	0	0	0	0	0	0	0	0
of which men	0	0	0	0	0	0	0	0	0
<b>Total full time + part time employees</b>	<b>3,097</b>	<b>359</b>	<b>3,456</b>	<b>3,020</b>	<b>347</b>	<b>3,367</b>	<b>2,962</b>	<b>340</b>	<b>3,302</b>
of which women	695	154	849	650	146	796	616	150	766
of which men	2,402	205	2,607	2,370	201	2,571	2,346	190	2,536
Full-time	3,016	289	3,305	2,941	290	3,231	2,888	277	3,165
of which women	622	94	716	580	99	679	550	98	648
of which men	2,394	195	2,589	2,361	191	2,552	2,338	179	2,517
Part-time	81	70	151	79	57	136	74	63	137
of which women	73	60	133	70	47	117	66	52	118
of which men	8	10	18	9	10	19	8	11	19



GRI  
401-1**Total number of employees and turnover rate by age group, gender and region**

	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Leaving staff</b>	<b>55</b>	<b>140</b>	<b>195</b>	<b>36</b>	<b>99</b>	<b>135</b>	<b>35</b>	<b>89</b>	<b>124</b>
of which Switzerland	9	19	28	12	9	21	11	11	22
of which Italy	46	121	167	24	90	114	24	78	102
≤ 29 years old	29	55	84	16	34	50	19	26	45
30-50 years old	20	50	70	13	30	43	9	22	31
≥ 51 years old	6	35	41	7	35	42	7	41	48
Reason for leaving	-	-	-	-	-	-	-	-	-
Voluntary leavers (excluding retirement)	10	88	98	21	50	71	16	29	45
Retirement	30	29	59	5	25	30	4	36	40
Dismissal	0	2	2	1	3	4	2	9	11
Other (i.e. end of a temporary contract)	15	21	36	9	21	30	12	16	28
Staff turnover rate: ratio of leaving employees to total employees	6.48%	5.37%	5.64%	4.52%	3.85%	4.01%	4.57%	3.51%	3.76%
<b>New employee hires</b>	<b>100</b>	<b>159</b>	<b>259</b>	<b>71</b>	<b>129</b>	<b>200</b>	<b>62</b>	<b>86</b>	<b>148</b>
of which Switzerland	17	23	40	13	15	28	10	16	26
of which Italy	83	136	219	58	114	172	52	70	122
≤ 29 years old	69	122	191	55	98	153	50	61	111
30-50 years old	27	30	57	14	21	35	10	18	28
≥ 51 years old	4	7	11	2	10	12	2	7	9
Staff turnover rate: ratio of new employees hires to total employees	11.78%	6.10%	7.49%	8.92%	5.02%	5.94%	8.09%	3.39%	4.48%



## Health and safety

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The Bank strives to disseminate a culture of occupational health and safety, developing awareness about possible risks and promoting responsible conduct by all staff, while also providing suitable working conditions that safeguard the psychophysical well-being of workers and respect their human rights and morals.

In particular, the Bank interacts with its employees and collaborators in full compliance with the provisions of Article 2087 of the Italian Civil Code and the Consolidated Law on occupational health and safety (Italian Legislative Decree 81 dated 9 April 2008), as well as with the other applicable laws and regulations, including local laws abroad, and the requirements of any other regulations that may apply, on a case-by-case basis, given the type and location (in Italy or abroad) of the activities carried out.



GRI  
403-1

### Occupational health and safety management system

Although the Bank does not have a certified management system, it follows the provisions of Article 30 of Italian Legislative Decree 81/2008: this consists of operating instructions and procedures relating to the various workplace safety areas, the line control of which is the responsibility of each Bank Management Entity, while Level 3 control is carried out by the Bank's Internal Audit Office. In particular, some of the areas subject to monitoring are those related to compliance with technical-structural standards (e.g. equipment, systems, physical agents, etc.), risk assessment and prevention and protection measures, organisational activities (e.g. emergencies, first aid), health surveillance and information and training for workers.

In accordance with the provisions of the law, which defines the safety organisation chart and related responsibilities, the manager, the head of the prevention and protection service (RSPP), the prevention and protection service officers (ASPP), the supervisors, the fire-fighting and first aid officers, and the company doctor were appointed. The workers' safety representatives (RLS) are elected by the workers by means of a vote and are trained through specific courses.

As regards the BPS (SUISSE) SA subsidiary, the control protocol and the MSSL Federal Directive (concerning the use of company doctors and other safety specialists) guide the company's management methods and the methodology adopted. In fact, they are equipped with safety guidelines and on how to organise it, for the protection of health. The guidelines regulate, among other things, ventilation and air quality, ergonomics, control of stress factors, duration of work, special protections, such as those for new mothers, environmental protection, lighting and noise checks.

GRI  
403-2

### Hazard identification, risk assessment, and incident investigation

The Risk Assessment Document (DVR) specifies the criteria adopted for the assessment of health and safety risks at work through the provision of periodic and ad hoc inspection and assessment activities to check the status of safety measures/identify any risks; the documentation is also subject to review in the event of extraordinary maintenance work being carried out, as well as in the event of regulatory changes relating to occupational health and safety.

GRI  
403-3

### Occupational health services

The Bank appointed a company doctor who collaborates with the Bank and the prevention and protection office on the assessment of risks, not only for planning and medical monitoring purposes, but also for the preparation and implementation of measures that protect the health and psychophysical well-being of workers, for the delivery of training and information to workers and for the organisation of first-aid services. The health of all employees at BPS (SUISSE) SA who work at video-terminals for more than 20 hours each week is monitored.





### Worker participation, consultation and communication on occupational health and safety

A meeting is scheduled periodically (pursuant to Article 35 of Italian Legislative Decree 81/2008) in which the workers' safety representatives participate, with the option for workers to also make timely reports by email or telephone. The Prevention Service sends a summary of criminal events at branches to the workers' safety representatives, as well as the company Risk Assessment Documents. The Bank provides copious information to staff on workplace safety matters via internal circulars, service orders and e-mails, including the notification of emergency plans and fire prevention registers to branch employees, together with the schedules for evacuation drills. All communications are accessible in a specific section of the corporate Intranet, together with the general and specific Risk Assessment Documents for each office/branch, the emergency plans, the most important regulations and the trade union communications sent by email to staff. Workers can request technical support via an internal procedure and access records of maintenance work carried out by external suppliers.

With regard to the Factorit SpA subsidiary in particular, a notice board on safety issues was implemented in 2022 on the corporate Intranet, where employees can read up on the subject and leave their comments.

### Worker training on occupational health and safety

The health and safety courses require the participant to complete a satisfaction questionnaire at the end of the training activity.

Training activities in 2022 mainly consisted of:

- a basic training module for new hires on workplace safety, physical safety and bank robbery;
- 4-hour theoretical training for new fire emergency management personnel;
- 4-hour practical training for new fire emergency management personnel;
- 8-hour refresher training for workers' safety representatives (RLS);
- courses related to physical security (BPS (SUISSE) SA);
- courses related to psychosocial risks (BPS (SUISSE) SA).

All BPS (SUISSE) SA employees are also required to attend, among others, a general training course on this topic.

Training at Factorit is managed through dedicated software and is entirely entrusted to external companies specialised in health and safety, with trainers who possess the qualifications required by the standards. Depending on the different courses selected, training can be classroom-based or use innovative learning methodologies, including synchronous distance learning and multimedia languages that allow the use of IT tools as channels for disseminating training content. Depending on the company role, training may also include specific practical training.

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#### Promotion of worker health

All employees and their family members are guaranteed healthcare support via an Internal Welfare Scheme, which also arranges for check-ups at affiliated facilities.

The purpose of the Scheme is to help pay for hospital and health care in general – to supplement the National Health Service – as well as for other reasons, according to the procedures established by the Regulation. For BNT SpA and Factorit SpA, employee healthcare is covered by health insurance arranged by the company, while employees of BPS (SUISSE) SA are covered against occupational accidents.

Corporate welfare is described in more detail in the relevant separate section of this document.

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#### Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

To avoid and mitigate the significant negative impacts on occupational health and safety associated with its operational activities, offers of products or services through commercial relationships, and the related dangers and risks, the Bank prepared the Combined Interference Risk Assessment Report (DUVRI) and specific safety protocols for external service providers, consultants and contractors.

In the context of their specific duties, all recipients of the Code of Ethics participate in the process of preventing risks and safeguarding their own health and safety, as well as that of their colleagues and third parties, including by making comments and proposals.



In particular, all persons who work in or with the Bank must:

- comply with the guidance and instructions provided by the Bank;
- properly use the machines and equipment required to carry out work;
- use their personal protection devices appropriately;
- report to the competent functions, without delay, any faults and/or breakdowns in the protection equipment and devices that come to their attention;
- not remove or modify, without authorisation, any safety, warning or control devices;
- not carry out hazardous manoeuvres or operations on their own initiative if these do not fall within the scope of their work;
- attend scheduled medical health check-ups. Lastly, the Bank undertakes, in the event of assignment of services to third parties under contract, or in any case within ordinary commercial relationships, to require its partners to respect adequate safety standards for workers.

Risk detection and monitoring activities are summarised in the Company's risk assessment document according to a standardised procedure. Some of the aspects monitored include compliance with technical/structural standards (for example installations, equipment, physical and biological agents, Covid-19, etc.), ergonomics in the workplace, prevention and protection measures, organisational activities (for example response to fire, first aid, management of hydrogeological and seismic risk) and healthcare monitoring, provision of information and training for employees. With regard to psychosocial problems, especially work-related stress, each year the Staff Service collects and processes information on this topic and the specific risks are reviewed periodically. The Bank strives to guarantee working conditions that respect the dignity of the person, ensuring that all forms of discrimination contrary to the law, including harassment and unfair treatment of any kind, are not allowed or tolerated. To this end, it requires that acts of psychological violence or attitudes or behaviour that discriminate or harm people, their beliefs or preferences in internal or external work relationships are not allowed. For this reason, no form of retaliation is tolerated against employees who complain of discrimination or harassment, nor against other workers who report such situations.

Lastly, the Bank undertakes, in the event of assignment of works or services to third parties under contract, or in any case within ordinary commercial relationships, to require its partners to respect adequate safety standards for workers of external companies.

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403-9A**The main types of work-related injury**

	2022	2021	2020
Work-related injuries	30	22	24
Recordable work-related injuries	6	6	3
percentage of total	20%	27%	13%
High-consequence work-related injuries (excluding fatalities)	0	0	0
percentage of total	0	0	0
Fatalities as a result of work-related injury	0	0	0
Injuries as a result of commuting incidents*	24	16	21
percentage of total	80%	73%	88%
Workdays lost due to work-related injuries	418	361	374.93
Days of absence in the reporting period	25,285	17,441	21,377
Hours worked	5,035,948	5,402,813	4,614,543
Workable days	842,590	828,911	820,336
Rate of work-related injuries (frequency) **	6	4	5
Rate of high-consequence work-related injuries	0	0	0
Rate of fatalities as a result of work-related injury	0	0	0
Severity rate ***	0	0	0
Absenteeism rate***	3	2	3

\* The rate of work-related injuries is calculated by multiplying the number of injuries by one million and then dividing by the number of hours worked.

\*\* The severity rate is calculated by multiplying by 1,000 the total number of days lost because of injuries and then dividing by the number of hours worked.

\*\*\* The absenteeism rate is the ratio between days of absence and workable days multiplied by 100.

The data in the table only refer to employees; as far as collaborators is concerned, in 2022, there were no fatalities as a result of work-related injury, nor any serious, recordable work-related injury.



## Training

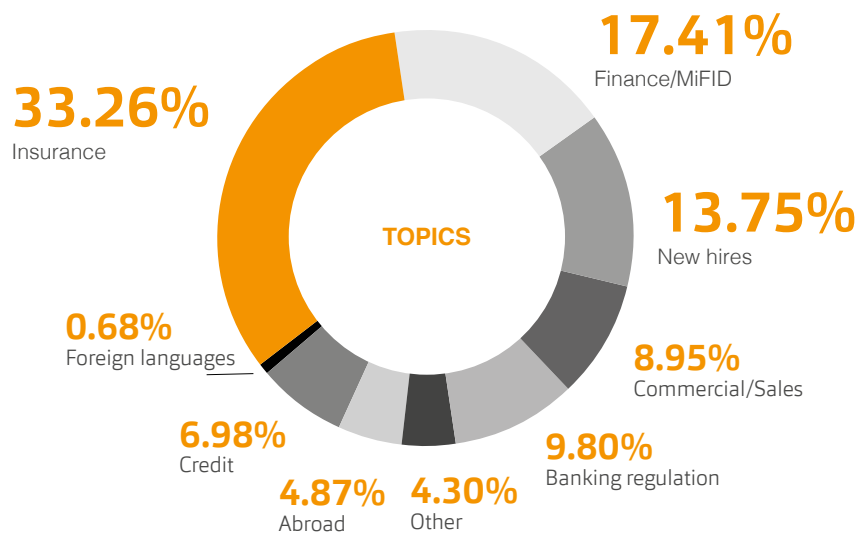


Professional development and financial education are supported by a comprehensive system that includes projects targeting specific segments of the corporate population and the development of all major banking business topics. Training programmes take into account the cross-cutting aspects of the various professions existing within the Bank, with the aim of strengthening certain skills such as interpersonal, negotiation and team management abilities.

In support of the model of growth along internal lines, great attention is paid to onboarding training: a structured training programme is dedicated to newly hired employees which, integrating various methods (classroom, multimedia, targeted mentoring), covers, in addition to the specific regulatory and process issues of front and back office branch roles, notions concerning the Bank's organisation, employment regulations, corporate security and the main business areas (commercial offer, introduction to loans, securities markets and foreign operations). Some modules are also dedicated to behaviour and the development of personal skills.



The training offer dedicated to all employees is extensive, covering the various activities of the banking sector. In this regard, the Staff Service supports the central offices in the scheduling of training on various subjects including, but not limited to, IVASS, MiFID2, compliance, loan granting and review, anti-money laundering, sustainability and ESG factors, usury, whistleblowing, market abuse, consumer code, occupational health and safety, administrative responsibility of banks and cybersecurity. The topic of managerial training is also included, thanks to a structured programme covering subjects such as the culture of delegation, talent development, feedback management and team building.



In addition to the traditional classroom courses, there are various training proposals available through e-learning tools.

The training plan is drawn up in accordance with the principles of diversity and inclusion to ensure equal treatment in access to company training and, consequently, to enable fair professional development of employees.

The training programmes also deal with the issues of quality certification processes in accordance with the ISO 9001 and ISO 27001 standards. These processes are an integral part of the corporate strategy, in a constant search for customer satisfaction and ever-increasing efficiency, with the aim of bringing benefits to the organisation and work processes, together with the involvement of the staff in training and information processes.





### The BPS (SUISSE) SA training offer

BPS (SUISSE) SA supports and encourages continuing professional education, as well as the maintenance of employability in the jobs market, regardless of length of service, level and hierarchical position, age, nationality and gender. The Bank organises, supports and assists participation in internal and external training courses dedicated to professional and personal development, both financially (by agreement with the HR Office) and by making the necessary time available.

The employees of BPS (SUISSE) SA and, in particular, the customer advisors, must have adequate knowledge of the rules of conduct and the customer specific, technical and specialised knowledge required to perform their activity and profession, in accordance with the Federal Financial Services Act (FSA) and its ordinance of 1 January 2020. Training for the Bank's staff therefore includes all those initiatives aimed at providing, maintaining up-to-date and developing the skills, knowledge, expertise and behaviours necessary for the optimal performance of their duties in their current and/or future roles. Customer advisors grow and develop by participating in training designed to obtain Federal SAQ certification and, above all, to maintain that certification by attending at least 8 hours of training every year; ad hoc specialist technical courses are organised for all other staff. BPS (SUISSE) SA offers staff the possibility of taking long-term courses in order to obtain certificates and diplomas recognised at national and international level; additionally, it organises coaching aimed at leadership development.

### ESG training

During 2022, the first ESG training module was provided to permanent employees of the Group, with the aim of helping disseminate a corporate culture on sustainability topics, as well as sharing and enhancing the path undertaken by the Bank.

The training module covered the following topics:

- The concept of sustainability
- Measurement and management of corporate sustainability
- Sustainability in BPS: Governance and sustainability reporting
- Finance and the real economy
- ESG finance and banks
- ESG finance and asset management
- Sustainability in BPS: ESG factors in business and operations.



## Implementation of internships through collaboration with universities

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In 2022, internships at the Group's branches also resumed.

Banca Popolare di Sondrio has long been the point of reference for commercial and technical schools in Lombardy and collaborates with the main universities in the area for orientation activities, internships and placement of students, undergraduates and graduates. Collaboration with universities has the aim of encouraging orientation in the world of work and career choices, offering young people a chance to acquire the first contact tools in their search for a job that responds to their personal aptitudes, while at the same time allowing the Bank to search for resources with skills that match its recruitment needs as closely as possible. This consists of orientation meetings and company presentations, participation in career days and the organisation of internships. Some of the students who complete their internship at the Group's branches are subsequently employed by the Bank.

Over the past 10 years, internships have been organised for more than 2,000 students.

### Average hours of training per year per employee

	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Total number of hours of training provided to employees</b>	<b>26,770.55</b>	<b>101,423.65</b>	<b>128,194.20</b>	<b>25,538.17</b>	<b>111,602.87</b>	<b>137,141.04</b>	<b>23,816.99</b>	<b>96,887.19</b>	<b>120,704.18</b>
Executives	0.00	908.30	908.30	0.00	1,248.75	1,248.75	0.00	763.80	763.80
Middle Managers	3,323.70	28,041.95	31,365.65	2,283.00	30,064.25	32,347.25	1,917.05	23,681.87	25,598.92
Office staff	23,446.85	72,473.40	95,920.25	23,255.17	80,289.87	103,545.04	21,899.94	72,441.52	94,341.46
Average hours of training per employee	31.53	38.90	37.09	32.08	43.41	40.73	31.09	38.20	36.55
Executives	0.00	26.71	26.71	0.00	36.73	36.73	0.00	20.64	20.64
Middle Managers	31.96	38.41	37.61	30.04	43.83	42.45	26.63	34.32	33.59
Office staff	31.47	39.32	37.06	32.30	43.38	40.27	31.56	40.05	37.69

The values are calculated by comparing the total number of hours of training provided with the number of employees.



## Dialogue with social partners

Relations with trade union organisations, as defined in the Code of Ethics, are characterised by the utmost transparency, fairness, integrity, impartiality and independence, respecting the roles and prerogatives of each individual, in a climate of mutual respect and willingness to dialogue and participation, while guaranteeing the widest possible freedom and representation.

The Group is committed to conducting discussions with trade union organisations with a view to maintaining strong relations, inspired by respect and loyalty, aimed at the common interest of protecting employees. Dialogue is developed without any discrimination or difference of treatment so as to foster a climate of mutual trust and solid exchange, with a view to seeking a proper system of trade union relations that is as cooperative as possible.

The Code of Ethics prohibits any conduct that has produced or is objectively likely to jeopardize trade union freedom.

Participation, in a personal capacity, by employees and directors in political organisations takes place outside working hours and without any connection with the role held. The Group also avoids any direct or indirect pressure on political figures and does not allow direct or indirect contributions, in cash, in kind, or in any other form to political parties, movements, committees and political and trade union organisations, or to their representatives.



There were no hours of strikes related to labour disputes in the past year.

In 2022, relations with the union representatives were maintained on the basis of mutual respect; during the year, the meetings envisaged by company bargaining procedures between representatives of the Bank and the trade union organisations were held. Meetings are also organised on request to discuss the most interesting current topics.

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### Minimum notice periods regarding operational changes

The notice period to trade unions for organisational changes is 50 days for Group reorganisations and for company reorganisations in accordance with the national collective bargaining agreement.

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### Collective bargaining agreements

With regard to Banca Popolare di Sondrio and Factorit, all employees are currently covered by collective agreements, in line with previous years, while BPS (SUISSE) SA does not provide for the execution of agreements under Italian law, but operates in compliance with the Swiss law regulations applicable to the sector.

The Staff Regulations form an integral part of all employment contracts with BPS (SUISSE) SA and are valid for all employees and collaborators employed in Switzerland.

The employee's rights and obligations are governed by the following rules and with the following hierarchy:







- Individual employment contract
- Regulations
- Agreement on Conditions of Employment for Bank Employees
- Code of Obligations (CO) and the Federal Labour Law
- Federal Law on Banks and Savings Banks.

The Agreement on Conditions of Employment for Bank Employees applies to all employment agreements entered into for a period of more than three months. The working relationships of the members of management are not subject to the aforementioned Convention, except as provided for in the Agreement on waiving the tracking of working hours, which they are asked to sign.






	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of employees covered by collective bargaining agreement	695	2,402	3,097	650	2,370	3,020	616	2,346	2,962
Number of employees NOT covered by collective bargaining agreement	154	205	359	146	201	347	150	190	340
Percentage of employees covered by collective bargaining agreement	81.86%	92.14%	89.61%	81.66%	92.18%	89.69%	80.42%	92.51%	89.70%



## Risks associated with the topic

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Social risk (S)	Legal and Policy	Operational (Legal)	Risks of compensation claims (legal risks) due to non-compliance/inadequate compliance with agreements entered into with trade unions (e.g. on working hours, wages, holidays, strikes)	Full respect for the rights to exercise trade union freedoms and activities. Maintaining smooth and cooperative relations with trade unions.
 Social risk (S)	Reputation	Reputation	Reputational risks due to non-compliance/inadequate compliance with agreements entered into with trade unions (e.g. on working hours, wages, holidays, strikes)	Full compliance with employment regulations.
 Social risk (S)	Legal and Policy	Non-compliance with regulations	Risks of sanctions (non-compliance risks) associated with: - violation of contractual/regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels) - unfair conduct intended to create discomfort at work or compromise the psychophysical health of workers (e.g. demotion, deskilling, mobbing, "straining")	Adoption of suitable incentive mechanisms/policies. Training and professional development programmes, including focuses on the issue of sustainability to broaden corporate culture.
 Social risk (S)	Legal and Policy	Operational (Legal)	Risks of compensation claims (legal risks) associated with: - violation of contractual/regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels) - unfair conduct intended to create discomfort at work or compromise the psychophysical health of workers (e.g. demotion, deskilling, mobbing, "straining")	Adoption of corporate welfare measures designed to promote employee well-being.
 Social risk (S)	Reputation	Reputation	Reputational risks associated with: - violation of contractual/regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels) - unfair conduct intended to create discomfort at work or compromise the psychophysical health of workers (e.g. demotion, deskilling, mobbing, "straining")	Access to flexible forms of working (part-time, remote working, delocalisation). Installation/maintenance of adequate physical devices compliant with current regulations on occupational health and safety (Italian Legislative Decree 81/2008).
 Social risk (S)	Reputation	Reputation	Reputational risks associated with: - violation of contractual/regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels) - unfair conduct intended to create discomfort at work or compromise the psychophysical health of workers (e.g. demotion, deskilling, mobbing, "straining")	Subscription of dedicated insurance policies covering occupational injuries (and other).



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Social risk (S)	Strategy and Business	Operational (organisational)	Operational risks (organisational risks) associated with: - shortage of properly trained and experienced staff - staff dissatisfaction with adverse effects on productivity levels - inability to attract new "talent" or retain already hired staff - insufficient/inadequate promotion of training initiatives for personnel	Full respect for the rights to exercise trade union freedoms and activities. Maintaining smooth and cooperative relations with trade unions. Full compliance with employment regulations.  Adoption of suitable incentive mechanisms/policies.
 Social risk (S)	Reputation	Reputation	Reputational risks associated with inadequate/poor corporate welfare system for internal staff	Training and professional development programmes, including focuses on the issue of sustainability to broaden corporate culture.
 Social risk (S)	Legal and Policy	Non-compliance with regulations	Risks of compensation claims (non-compliance) due to non-compliance/inadequate compliance with occupational health and safety regulations	Adoption of corporate welfare measures designed to promote employee well-being.
 Social risk (S)	Legal and Policy	Operational (Legal)	Risks of compensation claims (legal risks) due to non-compliance/inadequate compliance with occupational health and safety regulations	Access to flexible forms of working (part-time, remote working, delocalisation).  Installation/maintenance of adequate physical devices compliant with current regulations on occupational health and safety (Italian Legislative Decree 81/2008).
 Social risk (S)	Reputation	Reputation	Reputational risks due to non-compliance/inadequate compliance with occupational health and safety regulations	Subscription of dedicated insurance policies covering occupational injuries (and other).



## Human rights, diversity and inclusion



For the Group, respect for human rights is a fundamental and essential requirement; therefore, it safeguards and promotes their protection and the continuous dissemination of these rights in the performance of its activities.

Enhancing diversity and inclusion is a priority commitment in order to sustain a working environment that respects all forms of individual uniqueness and participation, inspired by principles of freedom, fairness and dignity in professional relations, and free of any collective or individual discriminatory behaviour. In line with the new national and international regulations on Diversity and Inclusion and with the growing attention from stakeholders on these issues, the awareness and commitment to update strategies and implement new processes in this regard is constantly increasing, in order to favour the inclusion of the various forms of diversity.



A specific  
Commission  
on equal  
opportunities  
has been set  
up

The Group recognises the value of the principles of responsibility and ethics, respect for human rights and protection of the environment, as outlined internationally and nationally by regulations and guidelines, including, first and foremost, the Constitution of the Italian Republic and the UN Universal Declaration of Human Rights. It has also adhered to the UN Global Compact since 2004, drawing inspiration for its strategy and corporate culture from the Ten Principles set out therein.

In this perspective, the Bank is continuing – based on a holistic approach and with the strong desire to be an actor of change – in the process already undertaken to identify, implement and monitor Diversity and Inclusion objectives, implementing the most suitable methods to achieve them in its specific context and at a system level.

The Group's Sustainability Policy, drafted in the first half of 2021, expressly mentions the commitment to promote and respect human rights, as also set out in the UN Global Compact.

The Code of Ethics confirms that the Bank undertakes to guarantee working conditions that respect people's dignity and that forms of discrimination contrary to the law are not admitted or tolerated. To this end, it requires that acts of psychological violence or attitudes or behaviour that discriminate or harm people, their beliefs or preferences in internal or external work relationships are not allowed.

The Bank requires that no harassment of any kind takes place in internal and external working relationships and does not tolerate any form of retaliation against employees who complain of discrimination or harassment, nor against workers who report such situations.

In agreement with trade union representatives, a specific Committee for Equal Opportunities has been set up with the purpose of:

- identifying appropriate measures to achieve equal opportunities;
- promoting measures to facilitate the reintegration of women workers after maternity leave and to safeguard their professionalism;
- promoting initiatives aimed at eliminating any behaviour harmful to personal freedoms, including sexual harassment;
- evaluating any reports about direct or indirect discrimination at a work or professional level and making proposals in this regard.

In compliance with contractual provisions, without prejudice to corporate organisational requirements, the Bank grants flexibility or work hour reductions to allow a better balance between personal and family needs and those of the Company. Special attention is also paid to staff with severe disabilities. The Head of Staff Service offers constant attention and support, even when staff members return to work, allowing flexible working hours.

The Group's remuneration policies are designed to comply with current legislation and the contractual provisions applicable to the banking sector including, in particular, the national collective bargaining agreement and supplementary negotiations, as well as various agreements at a corporate level.

During the past year, BPS (SUISSE) SA, which distinguishes itself in the Swiss financial sector as a fair and diversity-conscious employer, was once again awarded the Fair-ON-Pay+ federal certificate.

This certification highlights the Bank's constant commitment to the equal treatment and remuneration of women and men, thereby overcoming a cultural challenge that politicians and employers have been addressing for many years.



**BPS (SUISSE) SA: “Diversity is an integral part of our company policy”**

The principles of conduct and behaviour, guiding values, entrepreneurial spirit, ambitions and goals express the intent to maintain and disseminate a business culture in which the individual is at the centre. BPS (SUISSE) SA has a Staff Policy characterised by a strong focus on diversity:

- training and further education programmes, as far as possible, integrate awareness-raising modules on equal opportunities and gender equality;
- special attention is paid to transparency in all human resources processes, such as recruitment, selection, hiring, acceptance, development and promotion of staff, performance appraisal and definition of remuneration, with a view to ensuring equal opportunities for women and men;
- a fair and inclusive company culture is promoted;
- the HR Office regularly monitors compliance with equal pay between women and men through a dedicated tool;
- the Staff Regulations recall the measures taken to prevent harassment, violence and abuse of power in the workplace.

There are no barriers to career advancement, equal opportunities or inclusion. With regard to the recruitment process, language bias is minimised from the job announcements forward and the recruitment and selection processes are addressed in a manner that is as free from prejudice as possible.

In 2022, during the recruitment process, 58% men and 42% women were interviewed; the percentage of recruits is 54% men and 46% women.



In all its relations, the Bank undertakes to promote equal treatment of all individuals, avoiding any discrimination on grounds of gender, gender identity and/or expression, affective/sexual orientation, marital status and family situation, age, ethnicity, religious belief, political and trade union membership, socioeconomic status, nationality, language, cultural background, physical and mental condition and any other characteristic.

In 2022 the Guidelines on Diversity and Inclusion were approved; this document defines the general principles and essential implementation guidelines on Diversity and Inclusion to promote, disseminate and implement a policy to foster the inclusion of various forms of diversity. The objective of the guidelines is to create a work environment characterised by plurality, which is respectful and harmonious, knows how to generate value from the dialogue between people with different characteristics and opinions, where everyone feels free to express themselves in an authentic manner and which allows everyone's talent to be recognised and valued, giving every individual the same opportunities for professional growth and remuneration dynamics.

Specifically, the Board of Directors, through the functions in charge, ensures and guarantees compliance with the principles listed below, with reference to the values that inspire the Bank and what is defined in the Code of Ethics:

- promote an inclusive corporate culture, at all organisational levels, which identifies diversity as the area in which to strengthen its expertise and competitive advantage for the Company;
- ensure fairness in the selection, recruitment and remuneration processes, respecting the identity and diversity of each person;
- ensure equal opportunities and treatment during the various stages of corporate life (training, assessment, professional growth);
- promote meritocracy and talent development using evaluation approaches based on objective and inclusive criteria;
- promote work-life balance through the development of tools aimed at ensuring the correct balance between work and personal commitments.





In the past year, the Bank adopted the “Regulation on diversity in the composition of the Board of Directors and the Board of Statutory Auditors of Banca Popolare di Sondrio”, which identifies the measures implemented to ensure that the composition of the corporate bodies reflects an adequate degree of diversification in terms of – among others – skills, experiences, age, gender and international projection, promoting the emergence of different perspectives and points of view on the various areas of expertise.

In 2023, the Banca Popolare di Sondrio Group joined, as an ordinary member, Valore D, the first association of large companies created in Italy committed to promoting an inclusive corporate culture, without discrimination, capable of bringing out everyone’s talent by valuing and promoting diversity. Through this partnership, the Bank will be able to take advantage of numerous services and growth opportunities including a rich training offer to be disseminated throughout the Group to create an inclusive corporate culture which values diversity.

In addition, the Bank, as evidence of the growing sensitivity towards these issues, has decided to sign the “ABI’s Women in Banking Charter”, a tool available to companies to support their commitment to equal opportunities.

By signing this document, the Bank undertakes to enhance its corporate policies according to the following principles for equal opportunities:

- promote an inclusive work environment open to the values of diversity, including gender;
- strengthen the selection and development methods aimed at promoting equal gender opportunities, in a corporate environment oriented towards equal role opportunities and treatment at all levels;
- disseminate the full and effective participation of women at every company level;
- promote gender equality including outside the Bank, for the benefit of the communities of reference;
- carry out appropriate initiatives to address and enhance its corporate policies on gender equality.

### Reporting inappropriate behaviour

The Bank considers it essential to promote a work environment that respects the principles of Diversity and Inclusion, also by virtue of its impact on people’s motivation, trust and health, with consequences on work performance and on the Bank’s reputation. Any inappropriate behaviour must therefore be reported: for these reasons, an internal whistleblowing reporting channel has been identified, where a “diversity and inclusion” section has been made available. Each employee of the Bank who needs to report inappropriate facts or conduct will be able to access the section via the corporate Intranet to make their report.

valore<sup>D</sup>

The remuneration and incentive policies envisage remuneration treatments based on equity and meritocracy. Moreover, there are no remuneration gaps due to factors of diversity.

## Remuneration

Remuneration is a fundamental tool for attracting and retaining staff with the professionalism needed to ensure the growth of Group companies and their ability to compete in target markets. It is therefore essential to enhance staff development by assigning them to roles with an increasing level of responsibility and complexity. In this regard, the remuneration policies of the Parent Company have evolved alongside and in support of the general expansion of business activities. This expansion has also highlighted the need for increasingly qualified professional resources to work in both the central and branch offices, partly because of the new business areas and partly because of the higher level of competition within the banking system. It is therefore essential to motivate employees, fostering their inherent potential and supporting their growth in terms of skills and professional roles.

In keeping with the general trends of the market, and with the aim of attracting, retaining and motivating the best human resources, the Bank has held firm to a number of basic principles: attention to the medium- and long-term sustainability of remuneration policies, general balance, meritocracy, a gradual approach and the desire to establish lasting relationships over time.

The gradual progression of professional career paths is accompanied by a balanced remuneration policy designed to motivate and retain the best resources who, consistent with our values, support the growth of the business. This vision is shared by the other members of the Group, while recognising the special circumstances of Banca Popolare di Sondrio (SUISSE) SA and the characteristics of the jobs market in the factoring sector.

The remuneration policies are designed to comply with current legislation and the contractual provisions, such as the national collective bargaining agreement and supplementary negotiations, as well as various agreements at a company level. In general, there are no discretionary pension benefits, while compensation in the event of early termination of employment other than that provided for in national contracts or for early departure from office is regulated within the Remuneration Policies, with agreements made on a case by case basis.

The Remuneration Policies that will be submitted for Shareholders' approval at the General Meeting of 29 April 2023 were the result of a thorough revision of the previous regulations on the matter. In particular, continuing on the path of the meritocratic and highly collaborative culture that has always been present in the Group, the new Policies help to encourage behaviour consistent with the guidelines defined in the Business Plan, strengthening the existing accountability mechanisms of management and transparency towards Investors and the markets. The changes introduced in the Policies are also aimed at ensuring full consistency with the evolving regulatory context, with the expectations of the Supervisory Authorities and shareholders.

The main changes introduced for 2023 concern:

- strengthening the link between the Group's sustainable success, measurement of Top managers' individual performance and relevant remuneration, in particular through:
  - the expansion of the scope of quantitative and objective metrics taken into account in determining the variable remuneration (with the exception of the Heads of the Control Functions);
  - the selection of both short- and long-term performance metrics, consistent with the objectives set out in the 2022-2025 Business Plan (expected results and timeframes);



- the strengthening of metrics aimed at supporting the Group's commitment on ESG issues. Specifically, in determining the short- and long-term variable remuneration, a set of measurable sustainability objectives are considered regarding the achievement of a series of goals. These pertain to the improvement of ESG ratings, the integration of credit and finance processes, the reduction of CO<sub>2</sub> emissions, the completion of training in the ESG area envisaged by the Business Plan, adoption of ESG, ESG credit and finance, CO<sub>2</sub> emissions ratings, as well as ESG training and participation in international environmental and social initiatives;
- the introduction – in addition to the entry gates and the regulatory malus and claw-back clauses already in force – of further risk adjustments aimed at discouraging an increase in performance obtained through the assumption of excessive risk, strongly limiting or preventing the disbursement of variable remuneration components upon the occurrence of dynamics and outcomes that are not fully consistent with the risk appetite defined by the Board of Directors (in particular in the Risk Appetite Framework) and with the objectives, which the Group sets from time to time, of strengthening its capital, liquidity and governance structure;
- the increase in the relative weight of the variable components of remuneration with respect to the fixed ones, with a limit increased to 100%, for the General Manager and other Top Management figures, and to 50% for the rest of the personnel, from the 35% established in the previous Policies, while ensuring that an increasing focus on variable compensation does not lead to a worsening of the overall cost structure;
- within the limits of the Policies, the ex ante definition of the levels of variable remuneration components of Top Management as a function of performance (rewards), in particular as regards to achieving the targets of the Business Plan or exceeding them (overperformance);
- an increasing use of financial instruments in the payment of variable, immediate and deferred remuneration, thus further aligning the medium-/ long-term interests of the Group with those of Top Management;
- a greater degree of disclosure of the mechanisms underlying the Policies and the remuneration paid, to ensure management accountability and transparency towards investors and the markets;
- a more clear definition of the roles of the Group's bodies and structures in relation to the definition and implementation of Policies and of remuneration and/or indemnity mechanisms in the event of early termination of the employment relationship of Top Management.

Details on the changes and operation of the new Policies are available in the “Annual report on the remuneration policy and compensation paid”, approved by the Board of Directors on 17 March 2023. This document will be subject to Shareholders' approval at the General Meeting of 29 April 2023.

More in-depth information on the remuneration policies of the highest governance body and senior executives (managers), the remuneration determination process and the total annual remuneration ratio can be found on the Group's corporate website at the following links: <https://istituzionale.popso.it/en/governance/corporate-documents> e <https://istituzionale.popso.it/en/investor-relations/shareholders-meeting>.

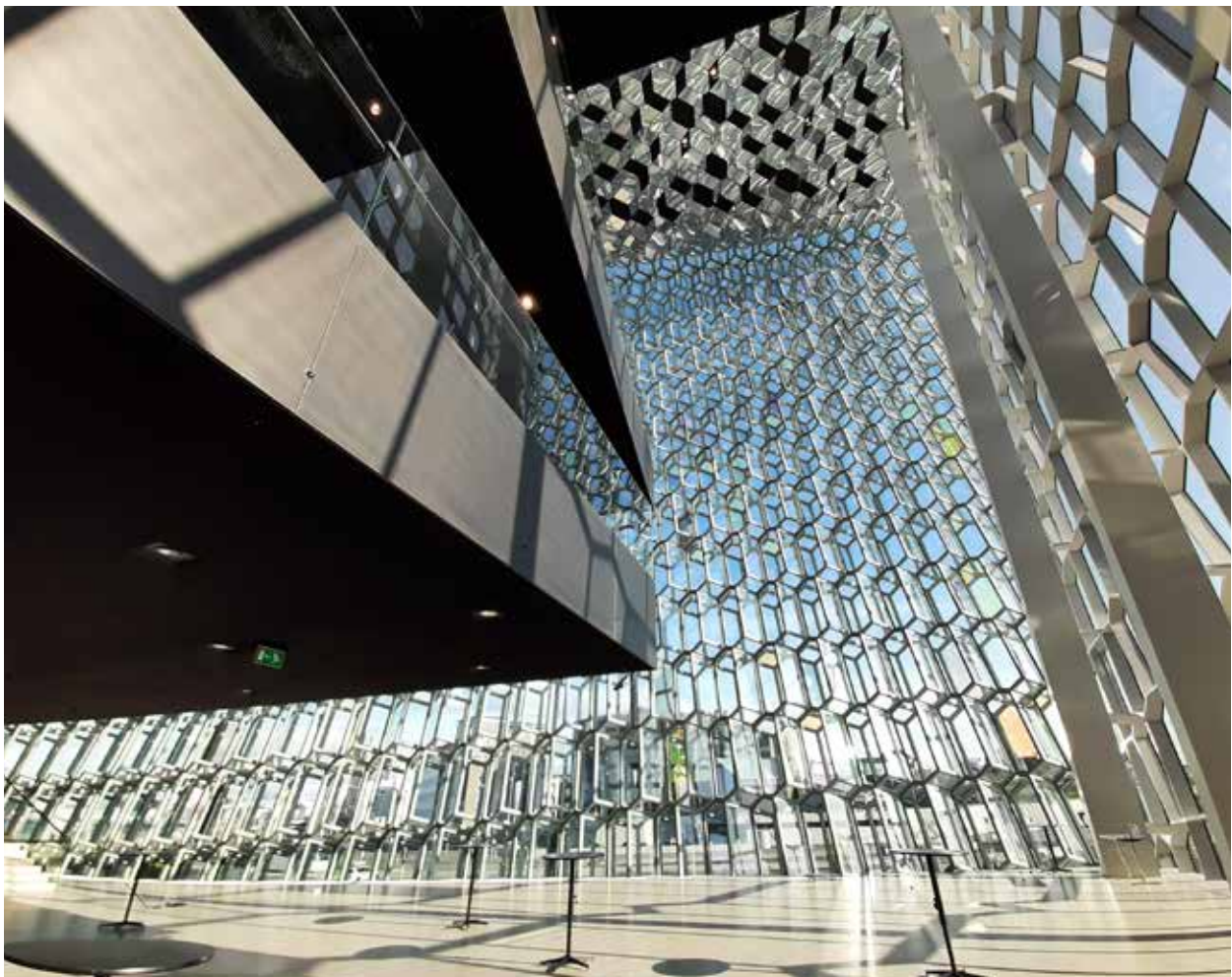
In 2023, BPS supplemented its remuneration policies with a number of ESG indicators

GRI  
2-19, 2-20, 2-21



### Annual total compensation ratio

	2022	2021	2020
Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)	18.88	19.28	19.27
Report, where applicable, the percentage increase in annual total compensation for the organization's highest-paid individual from the previous to the reporting period	0%	1.95%	-
Report, where applicable, the percentage increase in median annual total compensation for all of the organization's employees (excluding the highest-paid individual) from the previous to the reporting period	2.12%	1.91%	-
Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the percentage increase in median annual total compensation for all employees (excluding the highest-paid individual)	-	1.02	-



### Management remuneration

In line with the consolidated prudential approach to management, the remuneration for the Board of Directors and the members of the Board of Statutory Auditors is exclusively of a fixed nature.

By contrast, the remuneration structure of the General Manager and other key executives consists of a fixed component and a variable component (the latter may not exceed 100% of the fixed remuneration for the General Manager and top management or 50% for the rest of key personnel).

Specifically:

- the fixed component, which is the largest, remunerates the skills and responsibilities associated with the role held, rewarding professional skills and experience, as well as commitment;
- the variable component is aimed at rewarding significant and outstanding professional performance for the achievement of lasting and prestigious corporate results.

In particular, the variable remuneration consists of a part linked to the achievement of quantitative economic and financial objectives and ESG objectives for the Group and individual qualitative objectives, and is approved subject to verification of the total or partial attainment of the objectives, on the basis of the established parameters.

Moreover, the payment of variable remuneration is subject to compliance with access thresholds identified in line with the minimum parameters set annually by the Supervisory Authority and incorporated in the Risk Appetite Framework and is defined according to the additional risk adjustments introduced in 2023.

The BPS (SUISSE) SA remuneration system is a flexible, structured and segmented system for the different levels of the workforce (young trainees and recent graduates, employees, middle managers/key positions and senior management), designed to increase professional motivation, improve performance, create sustainable value for the Bank over time and retain the resources.

The Executive Board ensures the implementation of this system in order to align it with the practices of the target market and to increase the clarity and transparency of the adopted criteria. The remuneration policy, which is oriented towards the long term, pays particular attention to the issue of diversity: BPS (SUISSE) SA is committed to respecting the principle of equal treatment in the workplace and to maintaining equal pay for women and men. Pension benefits are in line with the market and are based on sound financial foundations.

Fair-ON-Pay  
and SoPaCEB  
(Social  
Partnership  
Centre for  
Equal Pay in  
the Banking  
Industry)  
certifications





GRI  
405-2**Ratio of average basic salary and remuneration of women to men by employee category and job title\* \*\***

It is noted that:

- basic salary refers to the minimum and fixed amount paid to the employee for their work, excluding any additional recognition such as overtime or bonuses;
- remuneration refers to the basic salary plus any additional payment to the employee;
- average basic salary is the ratio of basic salary to the number of middle managers or office staff, depending on gender, in that particular year, minus those working part-time;
- percentage is the ratio of the average female to male basic salary.

<b>MIDDLE MANAGERS</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Average basic salary	97%	97%	96%
Average remuneration	94%	93%	92%
<b>OFFICE STAFF</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Average basic salary	89%	89%	89%
Average remuneration	86%	85%	85%

\* In accordance with the privacy protection laws and relevant jurisprudence, BPS (SUISSE) SA does not report any remuneration-related data.

\*\* The % relating to Executives is not reported due to the absence of female executives.

\*\*\* The data in the table is calculated by number of employees, not by number of FTEs

The 2022 results show a considerable improvement for all categories. Differences in salaries and remuneration are mainly due to seniority: since male staff have been employed longer than female staff, they have been able to take advantage of a greater number of increases. With reference to GRI 2-7, it can be noted that over the years the number of female hires has increased, indicating a positive shift towards greater equity.

In addition, significant differences remain in terms of working hours, especially for office staff. The greater number of female employees with part-time hours contributes decisively to the salary mismatch illustrated in the table.

In the current year, the calculation method was changed; for the purpose of a correct representation, the figures for 2020 and 2019 were also updated.



### Incidents of discrimination

The Bank considers it essential to promote a work environment that respects the principles of Diversity and Inclusion, also by virtue of its impact on people's motivation, trust and health, with consequences on work performance and on the Bank's reputation. Any inappropriate behaviour must therefore be reported: for these reasons, an internal whistleblowing reporting channel has been identified, where a separate and independent "diversity and inclusion" section has been made available.

Each employee of the Bank who needs to report inappropriate facts or conduct will be able to access the section via the corporate Intranet to make their report. In this regard, the communication channel selected ensures the necessary privacy, confidentiality and security of the information received.

GRI  
406-1




### Parental leave

GRI  
401-3

	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of employees that took parental leave	119	111	230	114	25	139	162	67	229
Number of resignations after returning to work after parental leave during the year	2	0	2	0	1	0	1	0	1
Number of resignations compared to returning to work after parental leave in the prior year	2	0	2	1	0	1	0	0	0
Rate of returning to work after parental leave	98%	100%	99%	100%	100%	100%	99%	100%	100%
Job retention rate after taking parental leave	100%	100%	100%	99%	100%	99%	100%	100%	100%

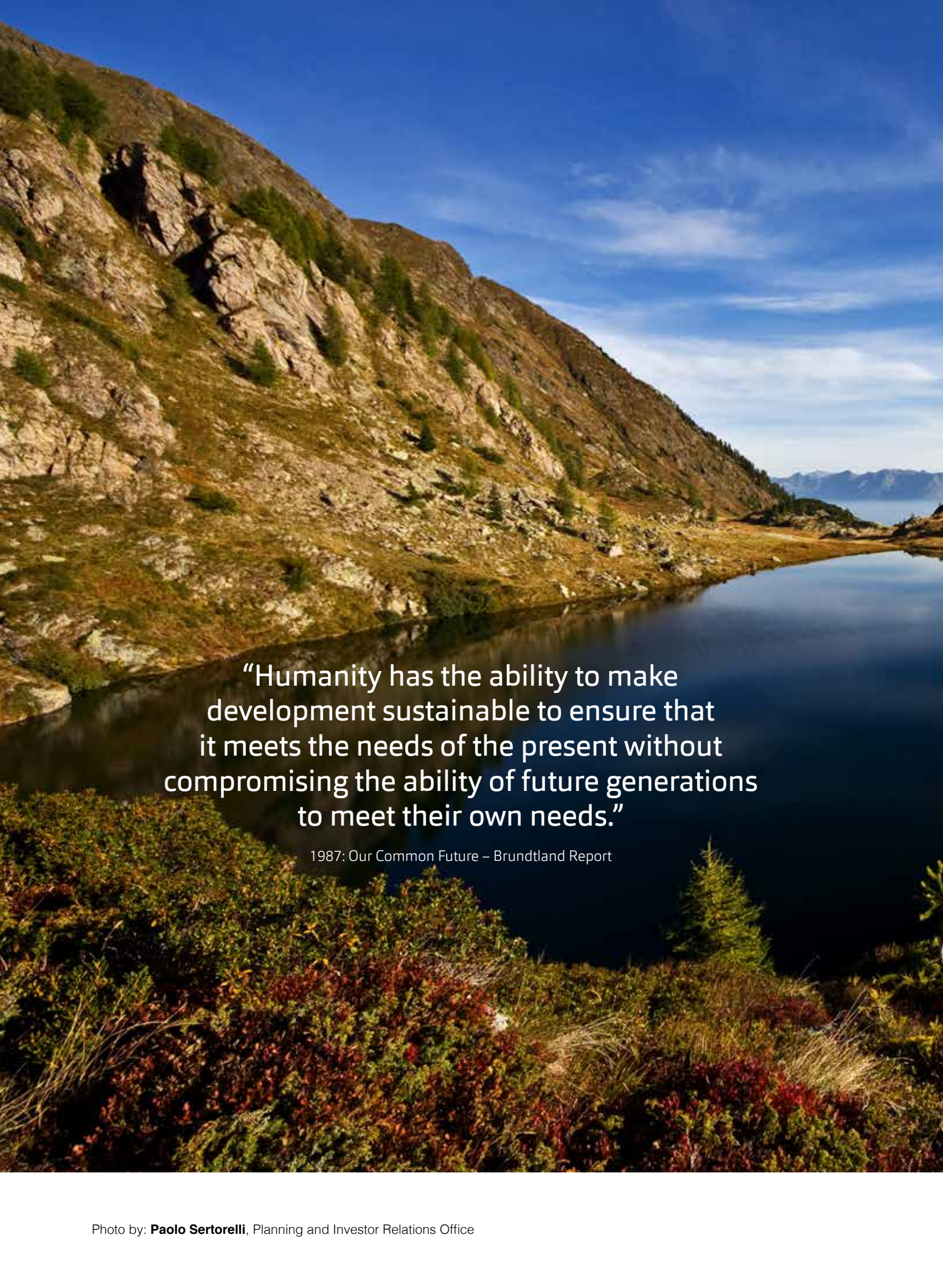


### Risks associated with the topic

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Social risk (S)</b>	Legal and Policy	Non-compliance with regulations	Risks of sanctions (non-compliance risks) associated with: - adoption of discriminatory practices (e.g. non-compliance with inclusion principles) - anti-union conduct - application of unequal conditions	Full compliance with employment regulations.  Adoption of non-discriminatory practices, both when recruiting and for existing relations.
 <b>Social risk (S)</b>	Legal and Policy	Operational (Legal)	Risks of compensation claims (legal risks) associated with: - adoption of discriminatory practices (e.g. non-compliance with inclusion principles) - anti-union conduct - application of unequal conditions	Internal reporting system (whistleblowing)  Adoption of specific Guidelines on Diversity and Inclusion based on the principles of inclusiveness, plurality, respect, free expression and enhancement of talent.
 <b>Social risk (S)</b>	Reputation	Reputation	Reputational risks associated with: - adoption of discriminatory practices (e.g. non-compliance with inclusion principles) - anti-union conduct - application of unequal conditions	







**“Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs.”**

1987: Our Common Future – Brundtland Report





# 04.

## GOVERNANCE: A SUSTAINABLE ADMINISTRATION





## Governance: a sustainable administration

Governance is the system through which an organisation makes and implements the decisions to pursue its goals and it is the implemented choices and activities that can make a significant contribution to sustainable development. The corporate structure therefore constitutes the Company's institutional framework and, according to a sustainability-based approach, in order for the Company to effectively adopt strategies that respect and enhance the other two factors (Environmental and Social), governance must also be guided by ethical principles in line with ESG parameters.

In particular, these guidelines are reflected in the Bank's Code of Ethics, a document that sets out commitments and ethical responsibilities in conducting the Bank's business and activities, while also defining the set of values and principles, as well as the conduct, that must be adopted by Directors and Statutory Auditors, by all persons connected to the Bank by employment relationships (employees), and, in general, by all those who work with the Bank, regardless of the relationship that connects them (collaborators and third parties).

The Code expressly states that it is forbidden to engage in or instigate others to engage in corrupt practices of any kind in dealings with external authorities (e.g. Supervisory Authorities, Financial Administration, Authorities in charge of checking the correctness of social security and welfare obligations and Judicial Authorities). Furthermore, in business dealings with customers, suppliers and consultants, donations, benefits (both direct and indirect), gifts, acts of courtesy and hospitality are prohibited, unless they are of a nature and value such as not to compromise the Bank's image and not to be interpreted as aimed at obtaining favourable treatment that is not determined by market rules.

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**The Group intends to identify a clear path towards sustainable development that can guide not only its operations, but also those of the players all along the value chain.**

[Sustainability Policy](#)



The Bank promotes knowledge of and compliance with the Code of Ethics, first of all, among all Directors, Statutory Auditors, employees and collaborators of every kind. Where appropriate, this is also extended to commercial and financial partners, consultants and suppliers under specific contractual agreements that envisage, in the event of infringement, suitable contractual or disciplinary sanctions.

Governance that preserves personal integrity and operates with fairness and transparency, valuing both economic soundness and accessibility of information, is the basis for a corporate identity that can be positively perceived by both internal (employees) and external parties (investors, shareholders, ESG rating agencies, etc.). Protecting the confidentiality and security of customers' and employees' data and information is one of the fundamental elements of the activities carried out by Banca Popolare di Sondrio, which is committed to ensuring that personal data is collected and processed in compliance with the provisions of the law and the applicable regulations on the subject.

In the 2022-2025 "Next-Step" Business Plan, governance and related issues are among the enabling factors to ensure an effective implementation of what has been defined therein: the maintenance of corporate identity, the development of skills and expertise and therefore the strengthening of governance are, in fact, the basis for the effective implementation of the Bank's ESG strategy.







## Integrity and fight against corruption

Convinced that the main success factor of any business is the contribution of the people who work there, the Bank recognises the central role played by human resources, who are required to possess professionalism, dedication, loyalty, honesty and a spirit of collaboration, essential elements in training the sense of belonging to one's company.

### Code of Ethics

The Group conducts its activities with the aim of providing products and services to its customers in accordance with the value of integrity, which in turn is reflected in the principles of loyalty, seriousness, honesty, competence and transparency.

To this end, it operates coherently with the 2030 Agenda and in particular with the objectives of SDG 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".

In this context, the Group actively adopts the principles of the UN Global Compact, which call for the development of policies to fight corruption, protect human and workers' rights and safeguard the environment.



Compliance with the internal and external regulations and codes of conduct is also important from a strategic standpoint. Accordingly, the Group is firmly convinced that the respect for rules and fair business dealings are fundamental elements in conducting banking activities, which by its very nature is based on trust and transparency. Thanks to this approach, it implements a prudent and sound management of business dealings and of activities with all stakeholders.

The Supervisory Body must be informed without delay by employees, Head of the various corporate Functions, corporate bodies and external subjects regarding events that could generate liability on the Bank's part pursuant to Italian Legislative Decree 231/2001.

For reporting purposes, Bank's employees can access the "Italian Legislative Decree 231/2001" section on the corporate Intranet, while all other parties can use a specific e-mail address (odv231@popso.it). With reference to the internal reporting of unlawful conduct as per Italian Law no. 179 of 30 November 2017 (so-called whistleblowing), the Bank's employees may report violations concerning the issues referred to in Italian Legislative Decree 231/2001 by means of the appropriate IT application adopted, in compliance with the provisions of the Policy on internal reporting of violations. In both cases, the SB shall promptly assess the report on the basis of its responsibilities and competences, including by questioning the sender, the person responsible for the alleged violation and any person potentially involved.

The SB protects whistleblowers from any kind of retaliation or act that could give rise even to the mere suspicion of constituting a form of discrimination or penalisation, and undertakes, in particular, to ensure the confidentiality of the whistleblower's identity, without prejudice to legal obligations.

### Information and Training

The organisational models established by the Parent Company and the subsidiaries Factorit and BNT, aimed, inter alia, at preventing the crime of corruption, explicitly stipulates that the body carries out information and training activities for all staff covered by the OMM and the Code of Ethics. Information is provided through publication on the corporate Intranet, in a dedicated section, of circulars and all internal regulations.

Training is provided through classroom courses and compulsory courses accessible via the multimedia platform.

An update of BPS's OMM is expected in 2023. Subsequently, specific training will be provided for the corporate governance bodies and, in general, for all Bank's personnel.

Communication channels to report any violation of the Code of Ethics





GRI  
205-2

### Communication and training about anti-corruption policies and procedures

In 2022, the percentage of employees who received anti-corruption training was 81%, in line with 80.72% in 2021 and 79.47% in 2020. All members of the governing bodies, for the three-year period under review, were informed about the Company's anti-corruption policies and procedures, although no specific training courses were provided to them in 2022.

With reference to BPS (SUISSE) SA, the corporate bodies of the company and the independent control functions are aware of the risks associated with corruption. However, the Swiss laws in force do not require that the bank carries out specific training on anti-corruption policies or procedures. The situation in Switzerland does not currently represent a material risk, so much so that in international statistics it is in the bottom ranks of the most corrupt states. The Supervisory Authority requires the Bank to provide adequate training on Compliance, Anti-Money Laundering and Rules of Conduct in the market, which takes place regularly. All members of the governing bodies of BPS (SUISSE) SA, its employees and also business partners were informed about the anti-corruption policies and procedures adopted, in line with previous years.

In addition to the specific issue of corruption envisaged under the OMM, training of the Bank's staff also covers anti-money laundering and counterterrorism. The multimedia platform on the corporate Intranet contains training modules aimed at all staff, as well as information modules for new employees (issued every six months) specifically dedicated to these important topics.

GRI  
205-3

### Confirmed incidents of corruption and actions taken

No cases of corruption were identified during the year, in line with previous years.

GRI  
206-1

### Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

No legal actions were brought against the Bank in relation to this matter during the year, in line with previous years.



## Group Compliance

The Parent Company's Compliance and Data Protection Officer (DPO) Function controls and assesses – with respect to the issues within its expertise as set out in the Function's Operations Manual, therefore excluding the regulatory areas covered by the other second-level corporate control functions – effective monitoring of the risk of non-compliance with regulations, defined as the risk of incurring judicial or administrative penalties, significant financial losses or reputational damage as a result of violations of external (laws) and/or self-regulatory rules.

The Function's operational mandate is specified in the General Non-Compliance Risk Regulations (level 1), the Compliance Function Regulations (level 2) and the Non-Compliance Risk Management Process Operations Manual. The latter defines the operating procedures set out in the non-compliance risk management model described in the aforementioned General Regulations.

The Function collaborates with the Specialised Control Units in the following areas: business continuity, tax, labour and social security, occupational health and safety, collateral funding, supervisory reporting, labour law, corporate governance and issuer discipline. In addition, regulatory compliance is supported by the Compliance Contact Person for ICT, mortgage loans, conflicts of interest, related parties and the prevention of interlocking.

The adopted operating model is that of widespread compliance, which is implemented both through the direct activity of the Function in relation to core issues (especially concerning consumer protection, i.e. investment services, transparency, usury, privacy, consumer code, etc.) and through collaboration with certain professionals from the Specialised Control Units and the Compliance Contact Persons in the aforementioned areas of their respective expertise.

To support its activities, the Compliance and DPO Function uses the ABICS (ABI Compliance System) online application, developed by ABI. In short, the procedure provides regulatory updates via daily email alerting messages, thereby offering access to a legal inventory for compliance activities. Furthermore, as of 2021, the Function has been equipped with the ABICS Anticipation service aimed at anticipating the deliberate entry into force and operational implementation of EU and national reform projects in the banking/financial sector.

Compliance activities are also carried out with the support of specific application procedures, namely:

- the Compliance Tracking Tool for tracking and monitoring improvement measures related to the resolution of anomalies found during the conducted audits and assessments;
- the Internal Governance, Risk and Compliance (GRC) system to enable the involvement and support of the different levels of Management and Head of operations in the different phases of compliance analysis;
- work tools to organise and classify activities, in particular for the purposes of monitoring the Compliance Plan, in a structured and detailed manner in order to achieve better management of the activities assigned to each employee and the relevant time to conduct them.

\* The Compliance Contact Persons are identified among the service/office heads and/or employees who have gained knowledge and skills over time, capable of ensuring that the various phases of the process under their responsibility are always aligned with the corporate rules and regulations; they have therefore adequate experience and the necessary professional skills in implementing the corporate guidelines.

The operating model adopted by the Bank is that of widespread compliance



During the first half of 2022, some application updates were completed which introduced new functionalities aimed at the integrated management of requests and made it possible to create a specific repository with all the requests and analyses produced by the Function.

In addition, in the second half of 2022, additional improvements were developed, including:

- automation of the management of reporting flows relating to remediation actions;
- definition of a system of metrics (KPIs) to monitor the performance of the compliance activity.

### Swiss compliance

The Compliance Office is a unit of the Legal & Compliance Office (L&C), which aims to identify and prevent risks that could damage the Bank's reputation and to ensure irreproachable, diligent and compliant banking activities both in Switzerland and abroad. The Legal & Compliance Service is an essential contact point for both the Board of Directors and the Head of operations to outline and implement careful business management and effective risk management.

The objectives of the Compliance Officer are therefore to endorse, formulate and then implement within the Bank, subject to Top Management approval, rules of conduct in areas such as money laundering, due diligence agreement, PEP (Politically Exposed Persons), bribery/gift-taking, data protection, confidentiality, internal and external communication, HR operations, complaints, insider information, conflicts of interest, internal training, performance of investment services, and customer/consumer protection discipline.

GRI  
417-2

### Incidents of non-compliance concerning product and service information and labelling

In line with previous years, there have been no reports of non-compliance with regulations or voluntary codes regarding the information and disclosures of products or services, nor concerning marketing activities (including advertising, promotion, and sponsorship).

GRI  
417-3

### Incidents of non-compliance concerning marketing communications

In line with previous years, there have been no reports of non-compliance with regulations and/or voluntary codes concerning marketing communications (including advertising, promotion, and sponsorship).



## Complaints management

Complaints are dealt with in compliance with applicable regulations and organised as follows:

- **banking and insurance services**, entrusted to the Legal and Regulatory Office; the office also handles complaints lodged with the Banking and Financial Ombudsman (ABF) with regard to banking services or with the Institute for the Supervision of Insurance (IVASS) with regard to insurance services. In particular, with regard to BNT, it should be noted that the Complaints Office has been identified within the Secretariat, Legal and General Affairs Service. The unit handles complaints and appeals to the ABF independently of the company functions responsible for marketing banking services and products, in accordance with specific and consolidated internal procedures that correctly identify the activities, roles, functions, different levels of responsibility, and conduct to adopt, as well as the information flows necessary for handling complaints and participating in the proceedings before the ABF;
- **investment services**, entrusted to the Compliance and DPO Function, assisted where necessary by the office/branch to which the complaint relates and, where appropriate, by the Central and Branch Inspectors Office. This also relates to any customer appeals addressed to the Financial Dispute Arbitrator (ACF).

Complaints by customers and the Bank's reply can be sent by both ordinary mail and email.

The procedures based on which customers can submit complaints to the Bank, the ABF, the ACF and IVASS are available on the Bank's website, in the "transparency" section.

The staff in charge of handling complaints have adequate knowledge of regulations, constantly monitoring their development. They interact with the Compliance Function and benefit, to the extent necessary for the analysis of certain positions, from the cooperation of other Bank offices. Complaints are examined and acknowledged, if possible, on the same day they are received or, if further investigation is necessary, within a few days, in any case within the time limits set out in the applicable regulations.

The progress of complaints received by the Bank is reported to the corporate bodies and the Supervisory Authorities through periodic reports as required by the applicable regulations.

Complaints are handled free of charge



### Complaint management at BPS (SUISSE) SA

The philosophy of BPS (SUISSE) SA – which prioritises customers – is to offer services that reflect customer needs. If, however, this is not the case, customers may address their comments and complaints in writing directly to the relevant advisor, specifying the subject matter and providing their contact details and account number in order to find a solution. In the event that no agreement is reached, however, customers have the option of appealing to the Swiss Banking Ombudsman, a neutral and cost-free mediation body.

In general, complaints are handled through internal procedures based on the relevant circulars. In particular, the Bank's Risk Control Service is responsible for recording all complaints centrally and, where necessary, carrying out specific analyses in the event of inherent weaknesses in the internal control system. On a quarterly basis, the status of complaints (open, closed, ongoing), with their causes listed systematically on the basis of the cases identified by the Parent Company, is presented to the Risk Committee and to the Executive Board.





## Communication and management of critical concerns

The Bank considers situations of non-compliance related to legislation – in other words when the procedures do not comply with the regulations in force – to be critical, thus presenting high risk profiles in relation to which it is possible to receive administrative or criminal sanctions.

Critical concerns can be more or less serious depending on whether the risk of incurring sanctions is more imminent. Among the different degrees of criticality, situations linked to the RAF (Risk Appetite Framework) are those at risk of the most imminent sanctions, and therefore the most serious in nature.

In particular, the process for managing cases where the risk trigger parameter<sup>1</sup> has been exceeded is structured in the following phases:

- in the event that an indicator exceeds the risk trigger parameter, the Integrated Risk Office identifies the event in question and ascertains the root causes that have triggered it;
- the Chief Risk Officer, made aware of the nature and circumstances that led to the event, promptly informs the Managing Director, also supported by the Head of the Risk Control Service, so that the actions to be taken can be identified;
- having assessed the situation in consultation with the Chief Risk Officer and/or, when relevant, with the Head of the Compliance and DPO Function or with the Head of the Anti-Money Laundering Function, the Managing Director may decide, depending on the seriousness of the same:
  - to authorise, for a period of time appropriate to the frequency of the indicator's detection, for the risk trigger parameter to be exceeded, due to circumstances that are temporary or of an extent that is not deemed to be of particular significance;
  - to activate immediate mitigation initiatives, where within his/her powers;
  - to inform the Risk Committee during the first periodic meeting or by convening an extraordinary meeting of the Committee;
  - if he/she deems that the necessary conditions exist, to request for an extraordinary meeting of the Board of Directors to be convened;
- the Risk Committee expresses its opinions and assessments regarding the initiatives to be implemented, proposing to the Managing Director, where appropriate, interventions for the rebalancing and/or optimisation of the risk profiles;
- at the first meeting following the identification of the critical concern, the Board of Directors is informed by the Managing Director of the event, of any decisions already implemented or planned and of possible further interventions entrusted to the same Body; supported in its assessments by the Control and Risk Committee, it can thus decide:
  - not to proceed with any actions, due to temporary or non-significant circumstances or in cases where the development of the situation has led to a return to the established threshold before the Board meeting;
  - approve the proposal for corrective actions presented by the Managing Director;
  - identify further initiatives deemed necessary to bring the risk parameter back within acceptable values;

<sup>1</sup> "Risk trigger parameter": threshold expressing – together with the risk appetite – the general attitude towards risk of the Group or its components, which, where risks can be tolerated beyond the set objective, it indicates a distance from the same within levels in any case representative of the ordinary course of business; when exceeded, the activation of the first management actions to contain the risk is evaluated.

GRI  
2-16



- the Managing Director is therefore responsible for:
  - communicating – including through the Heads of the Governance Areas and Top Management members, according to their respective powers – to the competent Organisational Units the initiatives promoted by the Board of Directors, supervising the implementation of the decisions taken;
  - informing the Board of Directors on the progress of the actions undertaken.

Within the Group, the Managing Director is responsible for:




- coordinating the actions pertaining to the Parent Company and the Subsidiaries;
  - formally communicating to the corporate bodies of the Subsidiaries the corrective measures to be taken, in the event that it is deemed appropriate to intervene in this sense;
- it is the responsibility of the Chief Risk Officer, including with the support of the Head of the Risk Control Service and with the help of the Integrated Risks Office and of the Office responsible for monitoring the specific indicator, as well as – when relevant – in agreement with the Head of the Compliance and DPO Function or with the Head of the Anti-Money Laundering Function, to verify the development of the parameter exceeded, reporting regularly to the Risk Committee until the threshold has been restored.

With regard to compliance activities, critical concerns are communicated annually to the Managing Director and General Manager, the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors.

As regards the specific activity of the Internal Audit Function, in cases where the situation is immediately considered to have a serious impact with respect to the assumptions of sound and prudent corporate management, the aforementioned function immediately produces a report addressed to the Company's Top Management. In the absence of serious anomalies and/or significant interventions, information is provided to the Board of Directors on a half-yearly basis and, to the Control and Risk Committee, together with the Board of Statutory Auditors, on a quarterly basis. In this regard, no critical concerns were identified in 2022.



## Risks associated with the topic

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Governance risk (G)</b>	Legal and Policy	Non-compliance with regulations	Risk of various types of sanctions, significant financial losses or reputational damage due to failure to comply/not adequately complying with laws, regulations, self-regulatory codes, internal procedures and codes of conduct	Business conduct in accordance with the fairness and integrity required by ethical standards and full compliance with codes of conduct, regulations and laws.
 <b>Governance risk (G)</b>	Legal and Policy	Operational (conduct)	Risks of compensation claims (conduct risks) due to non-compliance/inadequate compliance with laws, regulations, self-regulation codes, internal procedures and codes of conduct	Internal control system  Adoption of an "Organisation, management and control model" and of a Code of Ethics pursuant to Italian Legislative Decree 231/2001.
 <b>Governance risk (G)</b>	Reputation	Reputation	Reputational risks due to non-compliance/inadequate compliance with laws, regulations, self-regulation codes, internal procedures and codes of conduct	Internal reporting system (whistleblowing)



## Privacy and IT security

Protecting the confidentiality and security of information is a key factor in the activities of BPS, which is committed to ensuring that the collection and further processing of personal data is carried out in compliance with applicable legislation. Accordingly, as a fundamental part of its assets, the Bank protects this information by applying appropriate technical and organisational measures to contain the risks associated with its processing, as well as by employing specialised resources to oversee the issue, who handle the operational and regulatory aspects in cooperation with other figures inside and outside the Company.

In the age of digitisation, the creation and use of increasingly more innovative technologies require the definition of strategies that allow the objectives of sustainable development to be combined with data protection and increased IT security.

These issues were examined by the United Nations during the drafting of the 2030 Agenda for Sustainable Development.

UN goals also include “Industry, innovation, infrastructure”, whose purpose consists precisely in building resilient infrastructure, promoting inclusive and sustainable industrialisation and enhancing innovation.

From this goal it can be deduced that today privacy, IT security and sustainability are intrinsically linked as fundamental concepts to support the competitiveness of companies in the global scenario and enable their economic development.

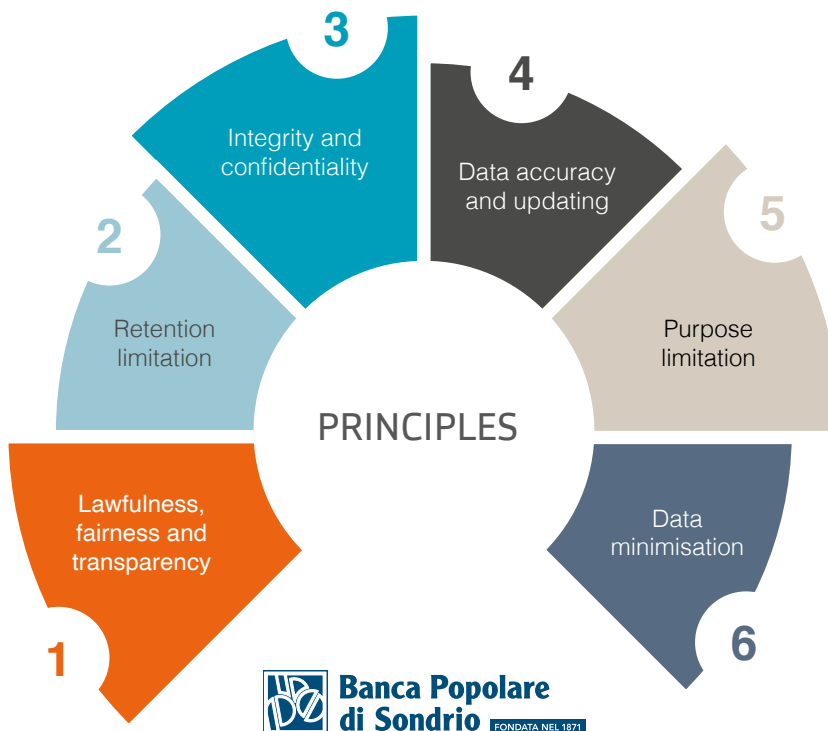
The Bank recognises the right to the protection of personal data, as stated in Article 12 of the “Universal Declaration of Human Rights”, which reads: “*No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks*”. In this context the right to privacy is recognised, which is not to be understood as the right to anonymity or to be alone, but as the right to maintain control over one’s data or information, as a prerequisite for the exercise of many other freedom rights.

Privacy and cybersecurity are essential elements for sustainable development



## Data protection

The Group promotes and maintains a constant commitment to protecting the privacy of its customers and of all other natural persons who interact with the various Group companies, in compliance with the regulatory requirements in force at the national and European level, as well as with the decisions and provisions from time to time issued by the Italian Data Protection Authority.



The principles of personal data protection

In light of the entry into force of Regulation (EU) 2016/679 (GDPR), the Bank has progressively adapted its internal organisation and information systems to a specific Personal Data Protection Operating Model, formalised in its Regulation on the Protection of Personal Data.



The Regulation applies to all Group Companies, including BPS (SUISSE) SA, insofar as they process personal data. The Parent Company provides the necessary guidelines to ensure that the decisions taken by Subsidiaries are consistent and coordinates the process of managing and monitoring risks of this kind, verifying compliance with the relevant regulations and the implementation of the provisions contained in the Regulations.

In compliance with the law, a Data Protection Officer (DPO) was appointed, within the pre-existing Compliance Function, and an operational data protection control unit was introduced within the Chief Information and Operations Officer Area, tasked with defining policies and overseeing the issue in line with corporate strategic guidelines.

The aforementioned corporate Regulation, together with the detailed annexes, defines the essential principles for the legal compliance of data processing activities, including the protection of the rights of data subjects, also prescribing proactive conduct aimed at cooperation between the various company structures and compliance with the additional rules applicable on each occasion.

The Group policies are mainly aimed at:

- defining the organisational model and business processes for the protection of personal data;
- effectively implementing the principles of data protection, identifying the actors involved and their roles in the related processing activities;
- identifying appropriate technical and organisational measures to contain the risks related to the processing of personal data, reviewing and updating them where necessary;
- identifying the documentary support for the protection of personal data;
- establishing roles and control activities that ensure proper application of the relevant data protection regulations.

The most significant data protection measures include:

- the introduction of Registers of data processing activities, aimed at identifying and recording the processing operations carried out with or without the help of external providers appointed as Data Processors, together with those carried out by the Bank on behalf of third parties;
- the implementation of specific training courses for employees, such as “The European regulation on personal data”, “Security of personal data within the Bank”, “Protection of privacy in the promotion and sale of products and services within the Bank”, and “Management of employee data within the Bank”;
- the management of Data Breaches integrated into the pre-existing process for managing serious incidents;
- the integration of the privacy/data protection area within the Bank’s Integrated ICT Risk Framework, defining the risk scenarios related to the issue and obtaining ISO/IEC 27701:2019 certification specifically on aspects related to data protection;
- the introduction, during 2021, of the ICT Risk Technical Committee, which, besides the DPO, as an additional member with data protection expertise, receives reports on IT incidents classified as “Major - potentially serious”.

\* Each employee is directly responsible for the confidential processing of information, in paper or electronic form, that he/she produces, receives and manages.



### ISO 27001 security certification

Since 2006, Banca Popolare di Sondrio's Information Security Management System (ISMS) has been certified ISO/IEC 27001:2013 (ISO 27001) by the DNV certification body and is constantly evolving.

In 2021, the verification of the requirements for certification was also extended to the area of personal data protection, resulting in a further ISO 27701 certification.

On this occasion, the scope covered by the Bank's Information Security Management System (ISMS) was also revised and is now as follows: Information Security Management System related to the design, development and maintenance of online banking services, tools and services to support application design and development and the management of IT systems and networks located in the Server Farm.

### Substantiated complaints concerning breaches of customer privacy and losses of customer data

	2022	2021	2020
Total number of complaints concerning breaches of customer privacy	3	2	7
<i>of which from external parties</i>	3	2	7
<i>of which from regulators</i>	0	0	0

Data breaches are not included in the reporting for confidentiality reasons. Any incidents are appropriately handled in accordance with internal policies.

During 2022, three complaints relating to the issue of personal data were received and handled appropriately in accordance with internal policies. In the same year, there was an increase in "requests to exercise the rights of data subjects" (220 requests: erasure, rectification, opposition, etc.) mostly relating to requests for erasure and/or opposition to receiving commercial communications.

GRI  
418-1

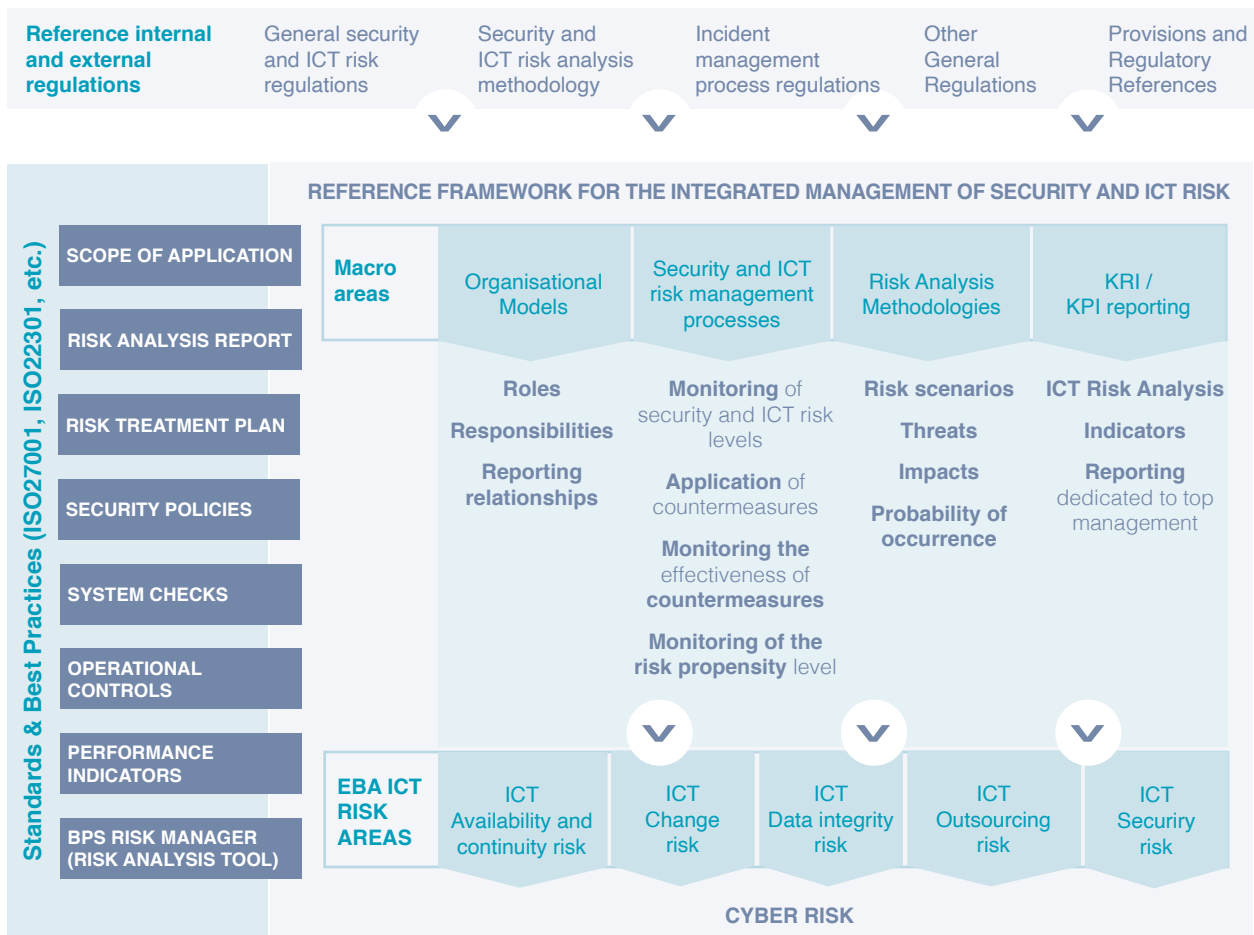


All IT resources are classified based on confidentiality, integrity and availability requirements

### Cybersecurity

The Banca Popolare di Sondrio Group constantly monitors the issue of cybersecurity with the aim of safeguarding the integrity, availability and confidentiality of data and systems, developing countermeasures suitable for dealing with cyberattacks, with a focus on resilience and enabling systems to evolve based on reasonable timeframes and costs (agility).

In order to effectively manage this process, the Group has chosen to adopt a Reference Framework for the integrated management of security and ICT risk, illustrated below, based on international standards and reference best practices for the sector and consistent with the relevant provisions defined by the EBA.



The structure of the Framework and the processes that govern it have been created to enable the proactive and dynamic management of these risks, necessary to address the sudden changes in risk scenarios driven by the ongoing evolution of ICT threats, especially in the cyber sphere.

Cybersecurity is the responsibility of the Security Officer and is managed through a control framework (annual, monthly and continuous controls). Any IT or security incidents follow a notification process that immediately involves the Security Officer, who then manages any escalation to pre-defined organisational levels. Through the Risk Committee and a special section in the monthly security report, the Top Management is informed of any incidents occurred. Annually, the entire control framework is evaluated by means of a security assessment addressed to the Company's Top Management; in addition, the entire process is aligned with FINMA (Swiss Financial Market Supervisory Authority) regulations and regularly audited.




#### **Rules for the use of workstation and IT services**

Continuous regulatory and technological developments, together with the related impacts on the business processes involved, have necessitated a revision of the Rules for the use of workstation and IT services, issued in November 2015, which govern the use of IT tools and services in the workplace, so as to encourage even more prudent and careful management of company data. The document was updated taking into account the current regulations on data management and protection, together with the specific provisions adopted by the Italian Data Protection Authority, the Workers' Statute (Italian Law no. 300 of 20 May 1970), and the practices and rules already in place and currently applied at a company level.

The regulation includes two important subject areas: the management and cataloguing of so-called EUDAs (End User Developed Applications) and the "remote working" regulation. The regulation in question is inspired by compliance with the principles of responsibility and confidentiality and seeks to increase awareness of the need to ensure the confidentiality of information and the security of the IT equipment used to process it.

**Correct and effective data protection cannot be separated from equally fruitful customer awareness on these issues. To this end, in accordance with the EBA's Guidelines on ICT and security risk management, the Bank defined and implemented processes to increase the knowledge of payment service users in relation to the security risks associated with these services.**

## Risks associated with the topic

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Governance risk (G)	Technology	Operational (IT)	IT Risks (damages, recovery costs) attributable to fraudulent violations (also perpetrated through cybernetic attacks) of company systems, aimed at the theft/disclosure of confidential data (data breaches) or at the theft of codes/credentials for the execution of fraudulent payment orders	Adoption of structured risk management models attributable to IT system security profiles and the management and protection of personal data (at the Parent Company level certified according to the ISO/IEC 27001:2013 and ISO/IEC 27701:2019 standards).
 Governance risk (G)	Legal and Policy	Non-compliance with regulations	Risk of various types of sanctions, significant financial losses or reputational damage attributable to inadequacy of operational/IT controls regarding the processing and protection (from a privacy perspective) of confidential data	Underwriting of insurance policies to cover cyber threats and risks associated with the loss of confidentiality of data managed within the scope of business operations.  Continuous awareness-raising activities in relation to customers on cyber threats and on the correct management and confidentiality of credentials for using internet banking services.
 Governance risk (G)	Reputation	Reputation	Risks of a reputational nature attributable to fraudulent violations (also perpetrated through cybernetic attacks) of company systems, aimed at the theft/disclosure of confidential data (data breaches) or at the theft of codes/credentials for the execution of fraudulent payment orders	





## Solidity and economic performance



Solid and positive economic performance underpins the organisation's sustainability and ensures the financial stability and security for customers and shareholders. Last December, during the approval of materiality, the Sustainability Committee correspondingly decided to consider this topic relevant "a priori", as its nature is intrinsic to the Group's purpose and represents one of the foundations for reporting its sustainability performance.

In a macroeconomic and geopolitical context characterised by many adverse factors and a high level of uncertainty, the Group has been able to achieve important results which confirm the strength of its business model: the net profit for the period amounted to €251.3 million, while the payout ratio stands at 50%, in line with the provisions of the Business Plan.

# 251.3

€m

Net profit

Thanks to its diversified offer, the quality of products and services, the ability to penetrate commercial areas and the high level of management efficiency, the Group can count on solid foundations to achieve the development objectives outlined in the 2022-2025 "Next Step" Business Plan, month after month.

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**"The income statement results are accompanied by excellent levels of capitalisation, and the significant growth – of over 6% – in deposits and loans, confirming the sustainability of our business model, which has always been capable of quickly adapting to the challenges that the current articulated and complex market requires us to face."**

Mario Alberto Pedranzi,  
Managing Director and General Manager of Banca Popolare di Sondrio



GRI  
201-1

The Bank operates in line with the 2030 Agenda, the United Nations document aimed at achieving respect for human rights, and in particular it supports SDG 8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, and SDG 9 “Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation”.

**Direct economic value generated and distributed**

	UoM	2022	2021	2020
<b>Direct economic value generated</b>	€K	<b>1,033,609</b>	<b>990,937</b>	<b>761,124</b>
a) Revenues (net sales plus revenues from financial investments and sales of assets)	€K	1,033,609	990,937	761,124
<b>Economic value distributed</b>	€K	<b>809,997</b>	<b>751,382</b>	<b>604,392</b>
b) Operating costs (payments to suppliers, non-strategic investments, royalties and facilitation payments with a clear commercial objective)	€K	245,220	230,528	221,732
c) Employee wages and benefits [total expenses for employees (current payments, not future commitments)]	€K	272,331	269,900	250,883
d) Payments to providers of capital (all financial payments made to lenders of the organisation's capital)	€K	127,000	90,677	27,203
e) Payments to government [(gross taxes), the tax charges deducted from operating costs must be added to this item, which does not include deferred taxes]	€K	165,261	160,109	104,395
f) Community investments (voluntary donations and investment of funds in the broader community)	€K	185	168	179
<b>Economic value obtained: Economic value generated less Economic value distributed</b>	€K	<b>223,612</b>	<b>239,555</b>	<b>156,732</b>

**1,034**  
€mAdded value  
produced  
during the  
year

The Group produces wealth, contributing to the economic growth of the social and environmental context in which it operates and measures this wealth in terms of added value produced and distributed to its stakeholders. The reported representation is based on the standard drawn up by the GBS (Gruppo di Studio per il Bilancio Sociale) association and the GRI guiding principles. The values shown here on a consistent basis over the years refer to continuing operations.

The added value produced in the year amounted to €1,034 million, an increase of €43 million compared to 2021.



**With regard to the main reference stakeholders, the added value was distributed as follows\*:**



**26.3%**

Employees

through direct remuneration in the form of wages and salaries and post-employment benefits and indirect remuneration, such as social security contributions and the cost of personnel-related services (canteen, reimbursement of travel expenses)



**16%**

Public Administration

through direct and indirect tax payments



**12.3%**

Shareholders

through dividend payments



**23.7%**

Suppliers

through payment for services received from professionals or other services

The added value produced was also reinvested in the Group in the form of depreciation and amortisation of the tangible and intangible assets used in the production process, as well as in the form of self-financing for the development and supply of new services to the areas and markets served.

An amount of around €450,000 has also been allocated to local and national communities through donations and sponsorships. The amount to arrive at the total added value equals the economic value obtained (21.7%).

\* The percentages have been calculated with respect to the added value produced.



## Broad shareholder base

**€1,360,157,331.00**  
Share capital of **Banca Popolare di Sondrio**

**453,385,777**  
Shares issued

**158,400**  
Shareholders as at 31  
December 2022

### Equal treatment of shareholders and investors

Banca Popolare di Sondrio believes that discussion with the Company's investors and the main stakeholders, pursued through clear forms of dialogue, can help ensure a better understanding of each other's prospects and raise the Bank's level of governance.

Indeed, a constructive, open and frank exchange, in compliance with current regulations and corporate best practices, is considered to be fundamentally important by the Bank, with a view to ensuring maximum transparency of information, increasing the level of involvement in strategic decisions, improving the Group's financial and non-financial results, taking into account environmental, social and corporate governance factors, and, last but not least, to fostering, more generally, sustainable success and value creation in the medium to long term.

Aiming at this goal, the Bank operates in compliance with applicable laws and regulations, ensuring transparency in a fair and non-selective manner to guarantee equal treatment of shareholders and investors in the same situation.

The Board of Directors is the body responsible for promoting the Bank's dialogue with shareholders, investors and the public. This general duty encompasses the Board's competence to set the guidelines for dialogue and to monitor its effectiveness over time, ensuring proper interaction with investors and adequate information to all Board members about their views and expectations.

In January 2022, the Directors-Shareholders Dialogue Regulation was approved – a document which sets out the rules adopted by the Bank to promote and regulate dialogue between the Board of Directors and shareholders on issues within the Board's remit, defining the procedures for its implementation, identifying parties involved, topics to be discussed, methods, timing and interaction channels.

According to what is defined in the Regulation, all shareholders can initiate dialogue through a written request to be sent by registered mail to Banca Popolare di Sondrio SpA, Planning and Investor Relations Office – Headquarters, P.zza Garibaldi, 16 - 23100 Sondrio, Italy with a document bearing a handwritten signature, indicating a contact email address within the request, or, by email to the dedicated email address ([engagementpopso@popso.it](mailto:engagementpopso@popso.it)).

More in-depth information regarding the shareholding structure as at 31 December 2022 can be found in the Financial Statements, as well as in the specific section of the Group's corporate website (<https://istituzionale.popso.it/en/investor-relations>) and in the Report on Corporate Governance and Ownership Structures (<https://istituzionale.popso.it/en/governance/corporate-governance-reports>). As at that date, no shareholder exercises control over the Company.



## The Group's tax approach

Taxes are one of the most important sources of government revenue for investing in the development of society and communities, and therefore play a vital role in long-term value creation.

Through the key tax mechanism, the Group actively contributes to the development of the economy of the areas in which it operates.

Council Directive (EU) 2018/822 (so called DAC6), transposed into national law by Italian Legislative Decree no. 100 of 30 July 2020, imposes new reporting obligations on intermediaries to the competent Tax Authorities, in particular in relation to potentially aggressive tax planning schemes, expanding the scope of the mechanism for the automatic exchange of information between the tax administrations of the Member States. In order to comply with the obligations imposed by the DAC6 Directive, Banca Popolare di Sondrio set up a specialised control unit responsible for analysing possible cases falling within this scope.

In addition, starting from October 2020, thanks to an internal control unit dedicated to the training of resources and with the implementation of the technical and tax back-office, the Bank has assisted around 16,000 customers (both individuals and companies) in the transfer of tax credits deriving from "super/ecobonus" procedure, thus supporting the improvement and energy efficiency enhancement of properties in the geographical areas where it operates.





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207-1

### Approach to tax

As defined in the Bank's Code of Ethics, the Group's tax approach, based on principles of truthfulness and fairness, is centred around full formal and substantive compliance with tax regulations.

The Head of the Tax Office, in agreement with the Head of the Administration and General Accounting Service, reports to the corporate management bodies on the most important tax issues.

In particular, the approach to regulatory compliance in tax issues is governed by a specific service agreement between the Tax Office, in its capacity as a specialist supervisor, and the Bank's Compliance Function.

In order to promote greater system-level knowledge of best practices and to investigate any regulatory developments in the tax area, Banca Popolare di Sondrio's Tax Office plays an active role in the various meetings organised by trade associations. Moreover, these Associations, where necessary, represent a valid intermediary between the Bank and Tax Authorities, thus promoting better collaboration between the parties.

GRI  
207-2

### Tax governance, control, and risk management

To ensure adequate risk management, the Bank has set up a versatile model aimed at controlling and minimising the risk of tax disputes.

A dedicated monitoring and management structure is the basis for the measures implemented in the development and fine-tuning of tax risk reduction policies. Specifically, the tax compliance model is the specialised control tool set up to constantly monitor the compliance of the Bank's tax processes with current regulations and consequently prevent the risk of non-compliance with tax regulations in order to preserve the company's reputation and limit, as far as possible, the economic effects arising from the risk of penalties and compensation.

As part of the monitoring of tax-related operational risks, a diagnosis mechanism is in place with a possible subsequent revision of deficient processes.

The processes, described in the Operations Manual for Tax Compliance, were designed to suit the organisational structure and minimise risks.

The Bank's Risk Control Service, in addition to monitoring and identifying risks of a fiscal nature, is entrusted with reviewing the specific control model. Moreover, the Bank's Compliance and Internal Audit Functions periodically review the Bank's compliance with tax regulations and related operational processes.

The Bank's Risk Control Service, in addition to monitoring and identifying risks of a fiscal nature, is entrusted with reviewing the specific control model. Moreover, the Bank's Compliance and Internal Audit Functions periodically review the Bank's compliance with tax regulations and related operational processes.



### Stakeholder engagement and management of concerns related to tax

The Group maintains a collaborative and transparent relationship with the Tax Authorities and all related control authorities and prohibits the use of corrupt practices, tax avoidance and aggressive tax planning schemes.

It should be noted that Banca Popolare di Sondrio is not among the companies eligible in Italy for the cooperative compliance regime established in Italy by Legislative Decree no. 128 of 5 August 2015.

In the materiality analysis, in order to fully identify the most relevant aspects, tax issues were also submitted to the stakeholders.

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207-3






### Data contained in the country-by-country reporting, pursuant to Bank of Italy's Circular no. 285/2013 "Supervisory provisions for banks"

Balance as at 31 December 2022 - Consolidated Financial Statements	Italy	Switzerland	Principality of Monaco	Overall data
Turnover (in thousands of €)	973,219	319	8,703	982,241
Employees*	3,016	269	20	3,305
Profit before tax (€)	331,079	20,099	2,712	353,890
Taxes on profit (€)	97,471	4,441	657	102,569
Public grants received (€)	5	0	0	0




\*Number of employees on a full-time equivalent basis.



## Risks associated with the topic

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 <b>Environmental and climate-related risk (E)</b>	Transition (Market)	Strategy and Business	Strategic and business risks associated with investments in companies operating in production sectors perceived as inadequate by markets to support the transition to a low-carbon economy	Business conduct inspired by principles of sound and prudent management, in compliance with prudential supervisory provisions and aimed at the reliable generation of value for all stakeholders, in compliance with the principles of economic, social and environmental sustainability.
 <b>Environmental and climate-related risk (E)</b>	Transition (Reputation)	Reputation	Reputational risks associated with investment in companies operating in production sectors not perceived as adequate by public opinion and customers to support the transition to a low-carbon economy	Structured organisational system (Sustainability Committee, Control and Risk Committee, Sustainability Office, ESG Contact Persons) and internal regulations (Sustainability Policy, Environmental Policy, Guidelines on Diversity and Inclusion, ESG Credit Policy) in the sustainability area.
 <b>Social risk (S)</b>	Strategy and Business	Strategy and Business	Strategic and business risks associated with investment in companies operating in controversial countries/sectors in terms of their respect for laws and human rights and, as such, subject to embargoes or other international trade restrictions	Representation of the strategic guidelines for sustainability in a dedicated section of the 2022-2025 "Next Step" Business Plan (also in summary form on the corporate website).  Participation in international initiatives inspired by the principles of compliance with environmental, social and governance criteria, such as the UN Global Compact.
 <b>Social risk (S)</b>	Reputation	Reputation	Reputational risks associated with investment in companies operating in controversial countries/sectors in terms of their respect for laws and human rights and, as such, subject to embargoes or other international trade restrictions	Periodically undergoing assessments by third-party agencies for the purpose of assigning solvency/reliability ratings and, from 2021 onwards, the level of compliance achieved in relation to international sustainability guidelines (Standard Ethics Rating) or carbon reporting (CDP).  Subjecting proposals for new corporate holdings to in-depth scrutiny to assess their risk elements, including from the standpoint of compatibility with the principles of economic, social and environmental sustainability.
 <b>Governance risk (G)</b>	Strategy and Business	Strategy and Business	Risks of a strategic and business nature deriving from the failure to define and/or implement strategic guidelines inspired by sustainability issues or which do not respond to stakeholder expectations	



ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Governance risk (G)	Reputation	Reputation	Reputational risks deriving from the failure to define and/or implement strategic guidelines inspired by sustainability issues or which do not respond to stakeholder expectations	Business conduct inspired by principles of sound and prudent management, in compliance with prudential supervisory provisions and aimed at the reliable generation of value for all stakeholders, in compliance with the principles of economic, social and environmental sustainability.
 Governance risk (G)	Strategy and Business	Strategy and Business	Risks of weaknesses in capital structure or imbalances at the economic/financial level resulting from the adoption of financial management policies that are not inspired or only apparently inspired by sustainability requirements	Structured organisational system (Sustainability Committee, Control and Risk Committee, Sustainability Office, ESG Contact Persons) and internal regulations (Sustainability Policy, Environmental Policy, Guidelines on Diversity and Inclusion, ESG Credit Policy) in the sustainability area.  Representation of the strategic guidelines for sustainability in a dedicated section of the 2022-2025 "Next Step" Business Plan (also in summary form on the corporate website).
 Governance risk (G)	Reputation	Reputation	Reputational risks deriving from weaknesses in capital structure or economic/financial imbalances, with consequences in terms of inadequate profitability/remuneration of capital	Participation in international initiatives inspired by the principles of compliance with environmental, social and governance criteria, such as the UN Global Compact.  Periodically undergoing assessments by third-party agencies for the purpose of assigning solvency/reliability ratings and, from 2021 onwards, the level of compliance achieved in relation to international sustainability guidelines (Standard Ethics Rating) or carbon reporting (CDP).  Subjecting proposals for new corporate holdings to in-depth scrutiny to assess their risk elements, including from the standpoint of compatibility with the principles of economic, social and environmental sustainability.



## Innovation

“The financial world has its distinctive characteristics, we all need to maintain a high level of oversight on ESG issues, supporting and facilitating the transition of our customers. And the use of technology and its innovation along this path is essential. Because sustainability is truly implemented only if it is measured and measurable: we need a measurement process and useful data for this purpose, a monitoring capability to evaluate our sustainability performance. And if we think of the world of data, it is easy to understand that sustainability can hardly be achieved without the use of technology.”

Milo Gusmeroli, Vice General Manager, Chief Information and Operations Officer Banca Popolare di Sondrio





Banca Popolare di Sondrio's interest in digital innovation has always been strong, translating into actions aimed at improving the efficiency of operations, strengthening customer relationship channels from an open banking perspective, and collaborating with the Fintechs.

The Bank operates in line with the 2030 Agenda, the United Nations document aimed at achieving the protection of human rights, and in particular it supports SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", SDG 9 "Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation", and SDG 10 "Reduce inequality within and among countries".

The Group firmly believes that innovation, if disseminated at every organisational level, is the engine capable of generating value for the entire Company. The goal is to seize broad spectrum opportunities, enable new interaction channels and progressively offer new products and services to customers in an ecosystem perspective. To achieve this, the Bank has developed a streamlined organisational model featuring a flexible decision-making process, in relation to the type of initiative to be evaluated and undertaken. Banca Popolare di Sondrio's digital transformation is based on two main stimuli: the technological innovations that are intercepted and evaluated by the IT Function, and the innovative solutions arising from business needs. In the first case we are referring to "IT-centric" innovation, in which it is the IT Function that primarily scouts for technological innovation and has the mandate to experiment, with the aim of proposing new solutions to internal customers if they have an impact on efficiency and business development.

The operational process of innovation starts from the identification of an idea, which can be promoted by an internal or external actor of the Bank. Generally, the IT Function sensitises the business to the enabling nature and merit of the idea, to then activate an experimentation process and form a transversal and multidisciplinary team, in charge of overseeing this phase. In the event that the idea passes to the next step of implementation, the initiative is carried out based on a classic project approach. For each proposal, an attempt is made to immediately define the objective and any economic returns, in order to appropriately evaluate the investment, which in some cases may not be immediately finalised in the context of a trial, as was the case while exploring the blockchain technology, with study and training activities. Experimentation can also take place in collaboration with innovative entities such as the Fintechs: if one of these is assessed as having a bearing on the Bank's business or an open vision towards related areas, a project initiative is directly launched. In this case, at the procurement level, the relationship can be managed with the same tools used to manage traditional suppliers.

The attention devoted to the digital offer saw a growing diffusion in the period characterised by the Covid-19 pandemic and, together with this, other significant initiatives have been launched from a multi-channel or omni-channel perspective, with a focus on increasing customer loyalty, whose preferences are the very fulcrum of the distribution strategy. The offer of the Bank's SCRIGNO Internet Banking digital portal has evolved over time to meet the most varied needs of customers, offering a series of services on the Internet channel and apps, as well as on smartwatches.

The adoption of new channels for the distribution of banking services is of increasing importance, to reduce fraud and scams.

The Bank firmly believes that innovation, if disseminated at every organisational level, is the engine capable of generating value for the entire Company



On the one hand, there has been a proliferation in our network of so-called advanced ATMs, which allow money and cheques to be acquired in a secure environment by simply and immediately depositing them into one's account. On the other hand, we are witnessing the virtualisation of our payment cards in the main digital payment services (Apple Pay, Samsung Pay, Google Pay, Garmin Pay, Fitbit Pay, Swatch Pay, Xiaomi Pay), a trend that protects users who can travel around without carrying cash and, physically, payment cards.

As a good example, the contactless cards issued by Mastercard can be used to pay for travel on the Milan underground system, making a clear contribution to environmental sustainability (production and disposal of tickets).

Some of the most innovative features that contribute to the reduction of the Group's direct environmental impacts, as they reduce the use of paper and printouts, promoting the secure use of primarily online processes, are outlined below:

#### ■ Use of online and physical channels

Channel	2022	2021	2020
ATM	12.51%	11.32%	9.80%
Internet	32.61%	37.52%	37.32%
Mobile	3.04%	2.44%	2.10%
Online – corporate	33.43%	29.70%	30.88%
Branch	18.31%	18.92%	19.77%
“PagoFacile” service	0.10%	0.09%	0.14%

#### ■ Push notifications

Push notifications allow customers to receive alerts through the app, rather than text messages. Messages sent using this new method consist only of a summary, therefore to view the content it is necessary to log in via the app. With respect to a simple text message, these messages have a high level of robustness, both in terms of confidentiality and of the security of the data.

#### ■ Online correspondence

Channel	2022	2021	2020
Users who have activated the SCRIGNO Internet Banking service	606,302	560,239	530,721
Users who have activated the online communication service	578,455	533,195	481,838
% of users who have activated the online communication service	95.41%	95.17%	90.79%

#### ■ Digital signature

The digital signature is a service that allows the customer to purchase the products and services available on Smart Web and through the Contact Centre, directly online.

In fact, it facilitates the signing of contracts and the sale of products remotely. The documents are signed digitally, guaranteeing the authenticity of the subscription by the customer and the non-modifiability of the document. The digital signature allows for communications to be sent remotely during the subscription process, ensures high levels of security for both the Bank and the customer and allows document management in paperless mode (it is no longer necessary to physically print documents).



### ■ **MyBank**

MyBank is a European current account-based payment service that allows online purchases of goods and services to be made through the Internet Banking service of the providers affiliated with this circuit, recognisable through the special brand; a simple method that facilitates access to the vast e-commerce market through the familiarity and security of digital banking.

The online services are constantly updated for security purposes, in compliance with the requirements of the EU Payment Systems Directive (so-called PSD2).

### ■ **Navigosereno**

Navigosereno is a service that provides information and news about IT security and can check for the most common vulnerabilities affecting computers, smartphones and tablets. It also provides timely and simple guidance on how to solve any detected critical concerns.

### ■ **Instant bank transfer**

The instant transfer is used to transfer money in ten seconds, without the option to revoke the transaction, to beneficiaries who are customers of banks participating in the service within the SEPA area. The service, launched in 2018, has radically changed the payment system: it eliminates waiting times for the beneficiary and speeds up the possibility for the customer to obtain goods and services. The instant bank transfer is available in a multi-channel perspective both at a branch level and for SCRIGNO Internet Banking and SCRIGNOapp customers.

### ■ **SCRIGNObudget**

SCRIGNObudget is the PFM (Personal Financial Management) service aimed at private customers who use the SCRIGNO Internet Banking platform to help keep the family budget under control, classifying movements based on the typical spending categories of a family. To this end, it allows customers to connect current accounts and cards with IBANs held at third-party banks.



## The 2022-2025 Business Plan – Development Guideline 3 – Digital evolution of customer relations



The Bank's service model is based on a direct relationship with customers at the branch, which is accompanied by an increasingly significant use of digital channels. The initiatives in this direction aim to further evolve the traditional branch model, towards a multi-channel interaction of a physical/digital (phygital) type, also thanks to the robotisation and automation of processes to improve the customer experience and free up commercial energies.

- The “universal” branch remains the key place for customer relations, which are strengthened thanks to the support of specialist skills.
- The initiatives are aimed, on the one hand, at freeing up branch staff time to devote to commercial activities and, on the other, at integrating the traditional method of interaction with increasingly popular alternative “remote” channels.
- On the multi-channel front, the initiatives envisage leveraging the Virtual Unit:
  - enhance this unit by attracting new digital native customers (+36,000 customers over the course of the Plan);
  - evolve towards a multi-channel “phygital” model to respond to the changing needs of traditional customers.
- The Plan provides for major investments in technology and human capital to:
  - enhance the technological infrastructure and data management;
  - introduce additional resources in the most requested areas and launch an extraordinary digital training and up-skilling campaign for resources with high innovation potential.

## Innovation at Banca Popolare di Sondrio (SUISSE) SA



- Upgrade of the e-banking platform for a better user experience on mobile devices
- Credit cards equipped with e-wallet functions (Apple Pay/Samsung Pay)
- Development of a platform for digital and centralised management of credit agreements and related flows and controls
- Development of a platform for automatic management of stock exchange order compliance requirements
- Introduction of IVR (Interactive Voice Response) at the Call Centre to improve routing
- Branch network development
- Direct Banking development



## An accessible bank

The concept of accessibility, in the online context, means that persons with impaired or absent motor or sensory functions can obtain information and services from the Internet without constraints and in a fully autonomous manner.

In this regard, the Bank has always been committed to ensuring that its main contact points are accessible to customers: in fact, some activities are currently underway to enhance accessibility according to the new criteria on all touchpoints of the digital ecosystem. This also allows individuals with disabilities to access and use the Bank's services through dedicated technological aids (such as screen readers and voice synthesizers).

The availability of a wide range of banking services, both for obtaining information and giving instructions, allows a high degree of financial inclusion, breaking down barriers related to the need for "physical" access to the Bank during opening hours. The services made available include instant bank transfers with immediate settlement for the counterparty, current account statements in Braille, reloading of prepaid cards, F24 payments needed to pay taxes, IMU, Tari, Tasi and excise duties, and payments to the public administration via the pagoPA application, which also allows car tax bills to be paid. Lastly, we would like to mention SCRIGNObudget, the service aimed at private customers which makes it possible to analyse and automatically classify spending into the typical categories of expenses incurred by families with the aim of keeping expenses and income under control.

**SCRIGNO Internet Banking**, a component of the SCRIGNObps website, which brings together all the applications, opportunities and products/services that characterise our digital banking offer, hosts a number of initiatives relating to social issues in the broadest sense, to the values of solidarity, and to the advancement of science, the local area and culture.

Customers can thus learn about existing projects and, if necessary, support their work. In this regard, in 2022 the possibility of making donations to support reception projects in favour of Ukrainian refugees was added too.

Another tool that is not only accessible, but also useful for reducing consumption, is the electronic signature, a means of signing banking documents in digital format, eliminating the use of paper. This method of signing documents involves the use of a graphometric signature applied by means of an electronic device (the so-called signature pad) with a manual gesture that is entirely comparable to a handwritten signature on paper and which meets the technical, IT and legal requirements necessary to qualify as an "advanced electronic signature" in accordance with the law.

These requirements are contained in Italian Legislative Decree no. 82/2005 (Digital Administration Code) and in the Italian Prime Minister's Decree of 22.02.2013. Use of the graphometric signature is enabled for signing current account contracts, SCRIGNO Internet Banking contracts, contract for the main products that can be purchased at a branch, as well as accounting and forms relating to the purchase and sale of the main financial instruments.

Available tools include SCRIGNO PagoFacile, the portal that allows users to pay – simply, quickly and securely – for utilities, fees, taxes and dues to counterparties (public and private bodies, companies, etc.) that participate in the initiative. The service is also available to those who are not customers of the Bank.

Level AA in terms of the Web Content Accessibility Guidelines (WCAG)

SCRIGNO  
*Internet Banking*



Accessibility is a prerequisite for fair use of the Bank's services to be closer aligned with its stakeholders



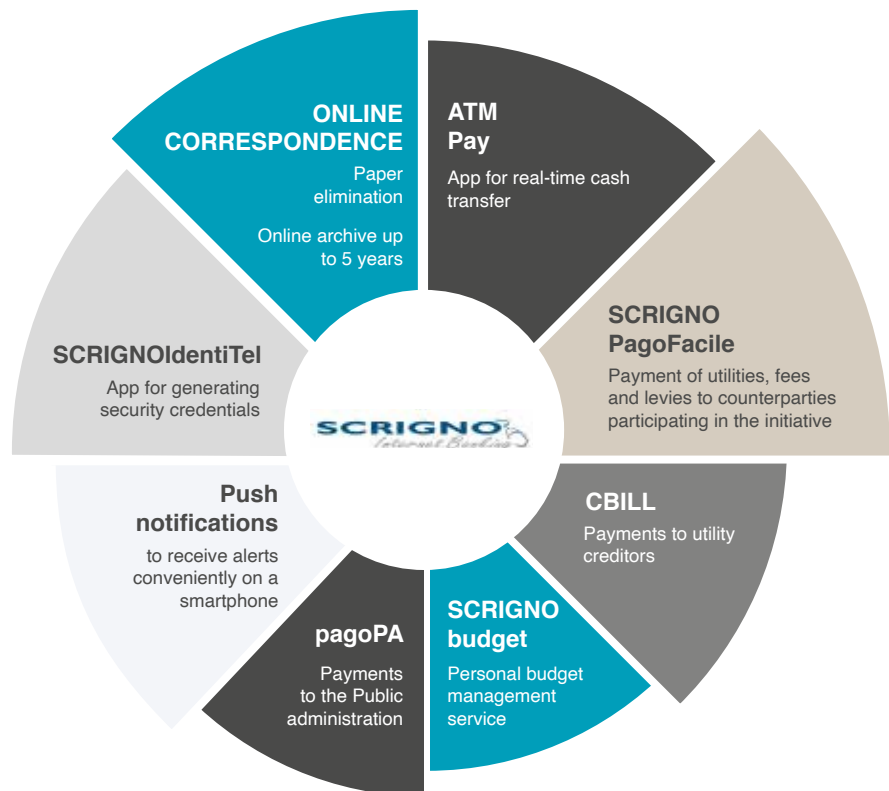


Before authorising an online transaction, the customer sees its key elements in the SCRIGNOIdentiTel app and can decide whether or not to confirm the payment

In order to facilitate its use without language distinctions, the digital banking service is offered not only in the national language, but also in English, French and German. The SCRIGNOapp, which allows the use of banking services on the go, is also available in English, as is the SCRIGNOIdentiTel app which allows customers to bank online with maximum ease and security thanks to the Push IdentiTel and QR IdentiTel “advanced authentication methods”.

85% of authorisations for SCRIGNO transactions are generated through the SCRIGNOIdentiTel app. Considering that 80% of these are carried out using the advanced authentication method, this provides for a clear benefit in terms of reducing fraud. The customer views and verifies the key elements of a transaction that he/she is authorising on the SCRIGNOIdentiTel app (e.g. in the case of a bank transfer: payee, IBAN, payee’s bank and amount). In addition, the OTP is not entered manually, but transmitted to SCRIGNO automatically, reducing the possibility of potential fraud.

It should also be noted that 15% of transactions are generated through the physical token. We aim to reduce this percentage with the previously stated objective of reducing fraud, thanks to the continuous increase in security levels, but also to reduce the environmental impact deriving from the production, disposal and distribution of the physical instrument.



A strategic and very important service, especially for the current context, is the “Communications” service, which allows Digital Bank customers to communicate easily and securely with the branch to request information and receive feedback, including on products and services offered by the Bank. This opportunity was stimulated by the start of the Covid-19 pandemic to facilitate the customer’s relationship with the branch, avoiding physical meetings.



## Artificial intelligence (AI)

The term Artificial Intelligence (AI) refers to a rapidly evolving group of technologies, capable of bringing a wide range of economic and social benefits. The use of AI, ensuring improved forecasting, optimisation of operations and resource allocation, as well as a personalised service delivery, can contribute to the achievement of significant results and competitive advantages.

In particular, the Italian Strategic Programme on Artificial Intelligence points to the banking sector as one of the key priority targets: *“Modern AI technologies will allow banks and insurers to improve in at least two ways. First, they will increase the quality of services offered to customers and reduce their costs through a higher level of personalisation and security of transactions. Second, AI applications will strengthen fraud prevention systems and simplify the fulfilment of intermediary obligations through the adoption of mechanisms for detecting suspicious behaviour and analysing data and documents”.*

However, the same elements and techniques driving the benefits can also lead to new risks or negative consequences for individuals or companies. Therefore – particularly at the European level – various players, including the European Supervisory Authorities, are drafting regulations and/or providing guidelines for the management of AI systems, with the aim of promoting the development of new technologies in accordance with the values, fundamental rights and legislation already in place in the sectors where AI systems are used. In order to ensure favourable conditions for the development and use of AI, while limiting potential negative impacts, Europe has chosen a legislative approach proportionate to the risk involved, supported by codes of conduct for AI systems not deemed to be high-risk.

AI encompasses various techniques and approaches that can be differentiated based on the scope pursued:

- Machine Learning (ML) is the portion of AI that we are most familiar with (for example chatbots, recommendation systems, image recognition, etc.);
- Deep Learning is one of the ML techniques that relies on the use of neural networks;
- the portion of AI that does not include ML is also called General AI and pertains to the creation of sentient systems that are able to imitate – and surpass – human behaviour in various fields simultaneously (hence the difference with restricted AI).

In line with the provisions of the EU Proposal for a Regulation on artificial intelligence, in December 2022 the Bank drafted a Corporate Regulation for the governance and management of business solutions based on Artificial Intelligence. The aim is to formalise the general principles and procedures that the Bank has defined and applies to ensure a management of AI systems that is consistent with other corporate regulations, international best practices and legislation currently being defined.



## AI projects

### ■ AI supporting Anti-Money Laundering (AML) Transaction Monitoring processes

The Anti-Money Laundering Function has highlighted the need to implement a solution aimed at defining a model for analysing suspicious transactions reporting and creating a dashboard for second-level controls, also taking into account the changed supervisory context which, today, is increasingly more focused on the risk based approach.



To this end, a solution based on ML models was created to support transaction monitoring activities for the assessment and identification of potentially suspicious transactions.

### ■ AI supporting Product Oversight Governance

A solution has been developed that is able to suggest suitable, coherent and useful products with respect to the interests, objectives and characteristics of the customer to whom they are proposed.






## Risks associated with the topic

ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Social risk (S)	Legal and Policy	Non-compliance with regulations	Risk of various types of sanctions, significant financial losses or reputational damage due to failure to apply/not adequately applying principles and techniques for the design, building, maintenance and update of digital systems (websites and mobile applications) aimed at ensuring accessibility, inclusiveness and usability for people with disabilities	<p>Adoption of a structured risk management system addressing unavailability and malfunctioning of IT systems.</p> <p>Presence of “accessible versions” of websites and online services.</p>
 Social risk (S)	Reputation	Reputation	Reputational risks associated with the failure to apply/inadequate application of principles and techniques for the design, building, maintenance and update of digital systems (websites and mobile applications) aimed at ensuring accessibility, inclusiveness and usability for people with disabilities	<p>Structured process for the advance approval of operational innovations.</p> <p>Adequate prior training of staff with regard to operational innovations.</p>





ESG dimension	Sub-category of ESG risk	Traditional banking risks	Risk description	Control method
 Governance risk (G)	Technology	Operational (IT)	IT risks (damages, recovery costs) associated with unavailability/malfunctioning of IT systems and the technological infrastructure supporting the distribution of products/services to customers	Adoption of a structured risk management system addressing unavailability and malfunctioning of IT systems.
 Governance risk (G)	Strategy and Business	Operational (Organisational)	Operational risks (organisational risks) associated with the start of new areas of operation/ adoption of new distribution channels, partly attributable to the lack of adequately trained and experienced staff	Presence of "accessible versions" of websites and online services. Structured process for the advance approval of operational innovations. Adequate prior training of staff with regard to operational innovations.
 Governance risk (G)	Reputation	Reputation	Reputational risks associated with unavailability/ malfunctioning of IT systems and the technological infrastructure supporting the distribution of products/services to customers	





# Glossary

## ACRONYMS

*Non-exhaustive list of acronyms mentioned in the NFS*

TERM	DEFINITION
COP	Annual meeting of the Conference of the Parties to the Climate Change Convention. Among the COPs, COP 21 held in Paris in December 2015 was particularly notable. It was attended by 195 nations along with many international organisations and led to the approval of the Paris Agreement, a key document for defining strategies to tackle climate change.
CSR	Corporate Social Responsibility – the set of behaviours that businesses should adopt to conduct their activities in a responsible manner towards society as a whole, contributing to Sustainable Development.
CSRD	Corporate Sustainability Reporting Directive (CSRD) – legislative proposal updating Directive 2014/95/EU (so-called Non-Financial Reporting Directive). Published on 21 April 2021 by the EU Commission, one of its goals is to extend the reporting obligation to all European-based companies with more than 250 employees and all SMEs listed on European markets, except micro-enterprises.
NFS	Consolidated Non-Financial Statement – a reporting document prepared pursuant to Italian Legislative Decree 254/2016 concerning the disclosure of non-financial information at a Group level.
EFRAG	European Financial Reporting Advisory Group – the body responsible for developing standards for sustainability reporting.
ESG	Environmental, Social and Governance: Sustainability integration pillars; “Environmental” refers to the environmental impact of a company’s activities; “Social” relates to respect for human rights, gender policies, labour standards and relations with the civil community; “Governance” refers to corporate governance practices, from control procedures to the composition of the Board of Directors and the remuneration policy for managers.
GCNI	Global Compact Network Italy – a foundation established with the primary purpose of contributing to the development of the UN Global Compact in Italy, an initiative to promote the culture of corporate citizenship supported and managed on a global scale by the United Nations.
GRI	Global Reporting Initiative – an international non-profit body established with the aim of defining standards for reporting the sustainable performance of organisations of all sizes, belonging to any sector and country in the world.
KPIs	Key Performance Indicators – measurable values that demonstrate how effectively a company is achieving its core business objectives.
OMM	Organisation, management and control model adopted pursuant to Italian Legislative Decree 231/2001 to prevent the offences defined therein.
NFRD	Non-Financial Reporting Directive 2014/95/EU – Directive of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.



**ACRONYMS**

*Non-exhaustive list of acronyms mentioned in the NFS*

TERM	DEFINITION
SB	Pursuant to Italian Legislative Decree 231/2001, the task of supervising the operation of and compliance with the Model, as well as the updating of the same, has been assigned to a body with independent powers of initiative and control.
HWTP	Home-Work Travel Plan – a planning document aimed at reducing private vehicle traffic, it identifies measures to steer the employees' home-work travel towards sustainable forms of mobility as an alternative to the individual use of private motor vehicles, based on an analysis of the employees' home-work journeys, their mobility needs and the state of the transport services available in the relevant area.
SDGs	Sustainable Development Goals – 17 goals launched as part of the UN 2030 Agenda; they are also divided into 169 targets, which aim to end poverty, fight inequality and to social and economic development.
SFDR	Sustainable Finance Disclosure Regulation – Regulation (EU) 2019/2088 on on sustainability-related disclosures in the financial services sector; it requires, inter alia, financial actors and financial advisors to disclose how ESG risks are considered at the subject and product level.
TCFD	Task Force on Climate-Related Financial Disclosures – an initiative set up in December 2015 by the Financial Stability Board. It aims to make the information provided by companies on the financial impact of climate change on their activities and strategies complete and comparable. In June 2017, it published 11 recommendations to companies (particularly financial companies) concerning transparency of climate risk information, dividing them into four broad subject areas: governance, strategy, risk management, metrics and targets.
UNEP FI	United Nations Environment Programme – Finance Initiative – partnership between the United Nations Environment Programme and the world of finance, with the aim of mobilising the private financial sector for sustainable development.
UNEP FI PRB	Principles for Responsible Banking – a programme developed through an innovative partnership between banks around the world and UNEP FI, which aims to promote actions to foster the development of a sustainable banking sector by aligning it with the goals of the UN 2030 Agenda and the 2015 Paris Climate Agreement.
UNEP FI PSI	Principles for Sustainable Insurance – a programme developed through an innovative partnership between insurance companies from around the world and UNEP FI, which aims to promote actions to foster the development of a sustainable insurance sector.
UN PRI	United Nations Principles for Responsible Investment – an initiative launched by the United Nations in 2006 with the aim of promoting the dissemination of sustainable and responsible investment among institutional investors and sector operators.



## DEFINITIONS

*Non-exhaustive list of certain sustainability-related terms in the NFS*

TERM	DEFINITION
Paris Agreement on Climate Change (2015)	An international agreement with the long-term goal of averting dangerous climate change by limiting global warming to well below 2 °C and continuing efforts to limit it to 1.5 °C. It also aims to strengthen the ability of signatory countries (195) to address the impacts of climate change and to support them in their efforts. The Paris Agreement is the first universal and legally binding agreement on climate change, adopted at the Paris Climate Conference (COP21) in December 2015.
Materiality analysis	A process that consists of determining the significance of a set of thematic areas of economic, social and environmental sustainability for the company and its stakeholders.
Climate Delegated Act	Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 – so-called Taxonomy – and establishing the technical screening criteria for determining the conditions under which an economic activity can contribute substantially to climate change mitigation or adaptation and for determining whether that economic activity causes significant harm to any of the other environmental objectives.
Disclosure Delegated Act	Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 – so-called Taxonomy – and specifying the content and presentation of information to be disclosed by companies pursuant to Articles 19a or 29a of Directive 2013/34/EU on environmentally sustainable economic activities, and specifying the methodology for complying with this reporting obligation.
Benchmark	A methodology based on systematic comparison that allows companies applying it to compare themselves with the best ones and above all to learn from them in order to improve.
Biodiversity	A concept defined by the United Nations Convention on Biological Diversity as the variety and variability of living organisms and the ecological systems in which they live, emphasising that it includes diversity at the genetic, species and ecosystem levels.
Climate change	Any alteration of the global atmosphere that is directly or indirectly attributable to human action, as defined by the United Nations.
Code of Ethics	A document that defines the ethical commitments and responsibilities in conducting the Bank's business and corporate activities, the set of values and principles that must be assumed by Directors, Statutory Auditors, Employees and, in general, by all those who work with the Bank, regardless of the relationship that connects them to it, as well as by those who have business relations with the Bank.
Corporate Governance	A set of measures, rules and mechanisms at all levels governing the management of the company in the interest of the different stakeholder categories. Corporate governance also includes the relations between the various stakeholders and the company's objectives.
Diversity	A concept that refers to all the differences between groups and individuals and defines people as identities that are distinct from each other. In this sense, the definition of diversity encompasses everything that makes people unique and incomparable, including ethnicity, age, style, gender, personality, religious and political convictions, experiences, sexual and affective orientation, psychological, cognitive, physical and social differences specific to each individual, and much more.
Sustainable finance	Finance that supports economic growth while reducing pressures on the environment by taking into account social and governance aspects, as defined in the European action plan of the same name.
FINREP	Type of reporting with supervisory statistical content prepared by investment companies, banks and financial groups subject to the Capital Requirements Directive IV (CRD IV) and using IFRS or national accounting standards.
European Green Deal	A set of policy initiatives adopted by the European Commission on 11 December 2019 with the overall goal of achieving climate neutrality in Europe by 2050 (at least 50% reduction of EU greenhouse gas emissions by 2030). The intention is to review every existing climate law and, in addition, to introduce new laws on the circular economy, building renovation, biodiversity, agriculture and innovation.
Greenwashing	A practice used as a marketing and communication strategy by some companies to demonstrate their commitment to the environment, but without any real, concrete results; the aim is to enhance the company's reputation and obtain benefits in terms of turnover, to the detriment of a concrete environmental commitment.
GRI Standards	Global Reporting Initiative Standards – global best practices for sustainability reporting that provide information on an organisation's positive or negative contribution to sustainable development and allow it to report on its economic, environmental and social impacts.



## DEFINITIONS

*Non-exhaustive list of certain sustainability-related terms in the NFS*

TERM	DEFINITION
Inclusive	An environment or company in which physical, socioeconomic, ethnic and gender differences are valued so as to give everyone an equal chance to grow in a fair and cohesive system that cares for all citizens, ensuring their dignity, respect for differences and equal opportunities.
Letter of Assurance	A declaration of compliance drawn up by the independent auditor appointed to certify the Consolidated Non-Financial Statement. The assurance process is based on the ISAE 3000 standard, issued in 2004 by the International Auditing and Assurance Standards Board (IAASB), the same body responsible for issuing auditing standards.
Materiality matrix	The materiality analysis allows the organisation to clearly identify the relationships between the company's interests and those of its stakeholders, thus highlighting the areas of sustainability of mutual interest on which the content of reporting and strategic actions should focus.
Corporate mission	A statement of intent of an organisation or business, namely its ultimate purpose that distinguishes it from its competitors and enables it to achieve predetermined results.
Sustainable mobility	All activities and initiatives that aim to ensure that transport systems meet society's economic, social and environmental needs, while minimising their negative impact on the economy, society and the environment.
Corporate Mobility Manager	A professional figure in charge of managing a company's sustainable mobility, with ongoing support tasks in decision-making, planning, programming, management and promotion of optimal solutions. Introduced by the so-called Ronchi Decree (Italian Interministerial Decree of 27 March 1998), it was confirmed by the Relaunch Decree (Italian Decree-Law no. 34 of 19 May 2020).
Action Plan for Sustainable Finance	A Plan launched in March 2018 by the European Commission, outlining the strategy and measures to be taken for the establishment of a financial system capable of promoting economically, socially and environmentally sustainable development, contributing to the implementation of the Paris Agreement on Climate Change and the UN 2030 Agenda for Sustainable Development.
Stakeholders	Individuals or groups that have an interest in the company and notably that, in relation to the company's activities or a specific project: <ul style="list-style-type: none"> <li>- could be affected positively or negatively;</li> <li>- have or could have some influence on them;</li> <li>- are interested in the results and possible consequences.</li> </ul> Some stakeholder categories may be: shareholders, employees, customers, suppliers, public institutions, local communities, etc.
Stakeholder Engagement	A process for involving stakeholders which, through the identification, analysis, planning and implementation of certain actions and/or projects, aims to create a constructive dialogue for both parties, enabling a better understanding of the needs, viewpoints and vision that "the outside world" has about the company (e.g. one-to-one interviews, online questionnaires, etc.).
Renewed sustainable finance strategy	A package of measures adopted in July 2021 by the European Commission to help improve the flow of money for financing the transition to a sustainable economy. The goal is to enable investors to redirect their investments towards more sustainable technologies and companies.
Sustainable development	Development that ensures that the needs of the present generation are met without compromising the ability of future generations to meet their own needs. The definition was first reported in the Brundtland Report (Our Common Future), published by the World Commission on Environment and Development (WCED, 1987).
EU Taxonomy	Regulation (EU) 2020/852 that introduced a classification of activities considered sustainable based on their alignment with EU environmental objectives and compliance with certain social clauses.
United Nations Global Compact	An initiative launched in 2000 with the intention of synergistically involving the world of business and non-governmental organisations in the major challenges facing humanity in order to provide further impetus towards achieving the Millennium Development Goals. The Global Compact encourages companies around the world to create an economic, social and environmental framework to promote a healthy and sustainable world economy that guarantees everyone the opportunity to share the benefits. To this end, the Global Compact requests member firms and organisations to adopt, support and apply, within their spheres of influence, a set of fundamental principles relating to human rights, working standards, environmental protection and the fight against corruption.
Whistleblowing	Rules on protecting employees who have reported wrongdoing of which they have become aware in the course of their work from discrimination or retaliation.



# GRI Content INDEX

<b>Statement of use</b>	Banca Popolare di Sondrio SpA presented a report in compliance with the GRI Standards for the 01.01.22 to 31.12.22 period
<b>GRI 1 used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard</b>	GRI G4 Financial Services Sector Disclosures

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSIONS		
			Requirements omitted	Reason	Explanation
<b>GENERAL DISCLOSURES</b>					
<b>GRI 2: General disclosures 2021</b>	2-1 Organisational details	I; II; from 7 to 9			
	2-2 Entities included in the organisation's sustainability reporting	63			
	2-3 Reporting period, frequency and contact point	II; 63; 64			
	2-4 Restatements of information	25; 136; 215			
	2-5 <i>External</i> assurance	274			
	2-6 Activities, value chain and other business relationships	from 6 to 20; from 180 to 183			
	2-7 Employees	189; 190			
	2-8 Workers who are not employees	This requirement does not apply to the Group			
	2-9 Governance structure and composition	22; 25			
	2-10 Nomination and selection of the highest governance body	22; 23			
	2-11 Chair of the highest governance body	22			
	2-12 Role of the highest governance body in overseeing the management of impacts	29			
	2-13 Delegation of responsibility for managing impacts	29			
	2-14 Role of the highest governance body in sustainability reporting	29			
	2-15 Conflicts of interest	23			





GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSIONS		
			Requirements omitted	Reason	Explanation
<b>GRI 2: General disclosures 2021</b>	2-16 Communication of critical concerns	230; 231			
	2-17 Collective knowledge of the highest governance body	34			
	2-18 Evaluation of the performance of the highest governance body	212; <a href="https://istituzionale.popso.it/en/governance/corporate-governance-reports">https://istituzionale.popso.it/en/governance/corporate-governance-reports</a>			
	2-19 Remuneration policies	from 211 to 214			
	2-20 Process to determine remuneration	212			
	2-21 Annual total compensation ratio	212			
	2-22 Statement on sustainable development strategy	from 11 to 18			
	2-23 Policy commitments	from 10 to 18; from 206 to 217; 221; 222			
	2-24 Embedding policy commitments	from 10 to 18; from 198 to 201			
	2-25 Processes to remediate negative impacts	from 52 to 59; 116; 152; 179; 182; 204; 217; 228; 229; 232; 239; 247; 258			
	2-26 Mechanisms for seeking advice and raising concerns	from 69 to 73			
	2-27 Compliance with laws and regulations	226; During the reporting period, the Group recorded 2 cases of non-compliance with laws and regulations for which no fines were paid			
	2-28 Membership associations	173; 187			
	2-29 Approach to stakeholder engagement	69; 70			
2-30 Collective bargaining agreements	203				



GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSIONS		
			Requirements omitted	Reason	Explanation
<b>MATERIAL TOPICS</b>					
<b>GRI 3: Material topics 2021</b>	3-1 Process to determine material topics	from 72 to 75			
	3-2 List of material topics	74			
<b>ENVIRONMENT AND CLIMATE CHANGE</b>					
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	from 88 to 90			
<b>GRI 301: Materials 2016</b>	303-1 Materials used by weight or volume	110			
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organisation	109			
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	91			
	305-2 Energy indirect (Scope 2) GHG emissions	94			
	305-3 Other indirect (Scope 3) GHG emissions	97			
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	111			
	306-2 Management of significant waste-related impacts	112			
	306-3 Waste generated	113			
<b>SUSTAINABLE FINANCE AND RESPONSIBLE CREDIT</b>					
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	from 118 to 122; from 140 to 146			
<b>GRI G4 Financial Services Sector Disclosures: Product portfolio</b>	FS7: Monetary value of products and services designed to deliver a specific social benefit	124; 136; 148			
<b>GRI G4 Financial Services Sector Disclosures: Product portfolio</b>	FS8: Monetary value of products and services designed to deliver a specific environmental benefit	135; 148			



GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSIONS		
			Requirements omitted	Reason	Explanation
<b>GRI G4 Financial Services Sector Disclosures: Active Ownership</b>	FS11: Percentage of assets subject to positive and negative environmental or social screening	147			
<b>GRI G4 Financial Services Sector Disclosures: Product and Service Labelling</b>	FS15: Policies for the fair design and sale of financial products and services	137			
<b>SUPPORT TO THE COMMUNITY AND TIES WITH THE LOCAL AREA</b>					
<b>GRI G4 Financial Services Sector Disclosures: Product portfolio</b>	FS6: Percentage of the portfolio for Business Lines by specific region, size and by sector	166			
<b>GRI G4 Financial Services Sector Disclosures: Local communities</b>	FS13: Access points in low-populated or economically disadvantaged areas by type	166			
-	Donations: total economic value of the Group's charitable donations, broken down by type of event/activity	174			
-	Sponsorships: economic value of the Group's investments in sponsorship, for advertising purposes, of events/activities to financially support the community	174			
<b>SUPPLY CHAIN MANAGEMENT</b>					
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	180; 181			
<b>GRI 204: Procurement practices 2016</b>	204-1 Proportion of spending on local suppliers	181			
<b>ENHANCEMENT OF HUMAN RESOURCES</b>					
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	from 184 to 188			
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	191			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	186			



GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSIONS			
			Requirements omitted	Reason	Explanation	
<b>GRI 402: Labour/ Management relations 2016</b>	402-1 Minimum notice periods regarding operational changes	203				
	403-1 Occupational health and safety management system	193				
	403-2 Hazard identification, risk assessment, and incident investigation	193				
	403-3 Occupational health services	193				
	<b>GRI 403: Occupational Health and Safety 2018</b>	403-4 Worker participation, consultation, and communication on occupational health and safety	194			
		<b>GRI 403: Occupational Health and Safety 2018</b>	403-5 Worker training on occupational health and safety	194		
	403-6 Promotion of worker health		195			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	195				
	403-9 Work-related injuries	197; the main type of injuries occurring in 2022 was that related to falls and slips.				
<b>GRI 404: Training and education 2016</b>	404-1 Average hours of training per year per employee	201				



GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSIONS		
			Requirements omitted	Reason	Explanation
<b>HUMAN RIGHTS, DIVERSITY AND INCLUSION</b>					
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	from 206 to 210			
<b>GRI 401: Employment 2016</b>	401-3 Parental leave	216			
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	25			
	405-2 Ratio of basic salary and remuneration of women to men	215			
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	216; no incidents of discrimination were reported during the reporting period			
<b>INTEGRITY AND FIGHT AGAINST CORRUPTION</b>					
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	223; 224			
<b>GRI 205: Anti-corruption 2016</b>	205-2 Communication and training about anti-corruption policies and procedures	225			
	205-3 Confirmed incidents of corruption and actions taken	225			
<b>GRI 206: Anti-competitive Behaviour 2016</b>	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	225			





GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSIONS		
			Requirements omitted	Reason	Explanation
<b>GRI 417: Marketing and Labelling 2016</b>	417-2 Incidents of non-compliance concerning product and service information and labeling	227			
	417-3 Incidents of non-compliance concerning marketing communications	227			
<b>PRIVACY AND IT SECURITY</b>					
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	from 233 to 236			
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	236	Total number of identified leaks, thefts, or losses of customer data	Confidentiality constraints	The data has not been provided as it is confidential
<b>SOLIDITY AND ECONOMIC PERFORMANCE</b>					
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	from 240 to 243			
<b>GRI 201: Economic performance 2016</b>	201-1 Direct economic value generated and distributed	241			
<b>GRI 207: Tax 2019</b>	207-1 Approach to tax	245			
	207-2 Tax governance, control and risk management	245			
	207-3 Stakeholder engagement and management of concerns related to tax	246			
-	Country-by-country reporting: data included in the country-by-country reporting pursuant to Circular no. 285/2013 "Supervisory provisions for banks"	246			



GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSIONS		
			Requirements omitted	Reason	Explanation
<b>INNOVATION</b>					
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	from 249 to 257			
-	Innovation: innovative features that contribute to the reduction of direct environmental impacts	251			



# UN Global Compact - Communication on Progress



## Banca Popolare di Sondrio

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SEDE CENTRALE

Sondrio, 16<sup>th</sup> September 2022

### TO WHOM IT MAY CONCERN

#### **Subject: Statement of continuous support to the UN Global Compact**

The Group Banca Popolare di Sondrio has been taking an active part in the UN Global Compact community since 2004, by regularly communicating through the annual Communication On Progress its achievements in the corporate sustainability field. Moreover, in 2018 the Group welcomed the invitation of the United Nations by signing up also to the Italian network (Global Compact Network Italy - GCNI) as a founder member.

With this letter Banca Popolare di Sondrio hereby confirms its willingness to renew the ongoing commitment to the Global Compact project by continuing the journey towards the alignment to the best practices about sustainability, such as environmental protection, human rights, working standards and the fight against corruption.

The Group has always been paying attention to the ethical themes of social responsibility, which developed into the current definition of sustainability (covering Environmental, Social and Governance factors), with reference not only to business strategy and culture, but also to day-by-day banking and financial activities. Since the foundation in 1871 as one of the first Italian cooperative banks, Banca Popolare di Sondrio has been recognized as a point of reference by actively promoting the economic, social and cultural development of the territories in which it carries out its activities.

Following the approval of the corporate transformation resolved by the Extraordinary Shareholders' Meeting of 29 December 2021, the Bank operates now as a joint-stock company. In drafting the new Articles of Association, the intention was to give a sense of continuity between the role played by Banca Popolare di Sondrio up to now and the role which, after its transformation into a joint stock company, it would be required to play, in keeping with the tradition of cooperative credit, catering for households, small and medium-sized enterprises, cooperatives, and public and private bodies, while paying special attention to the areas it serves.

Since the last Communication On Progress, the Bank strengthened its engagement to reduce its environmental impact and published the Environmental Policy the Environmental Policy: which sets out the guidelines for reducing the company carbon footprint in terms of GHG emissions and containing the consumption of raw materials.

With regard to the climate&environmental risks, the Group is committed to improve its framework in line with the institutions' requests. Following a self-assessment addressing the

Iscritta al Registro delle Imprese di Sondrio al n. 00053810149 - Iscritta all'Albo delle Banche al n. 842  
Capogruppo del Gruppo bancario Banca Popolare di Sondrio - Iscritto all'Albo dei Gruppi bancari al n. 5696 0  
Affiliato al Fondo Interbancario di Tutela dei Depositi - Codice Fiscale / Partita IVA: 00053810149  
Capitale sociale € 1.350.157.331 - Riserve € 1.263.358.214 (dati approvati dall'Assemblea dei soci del 11/05/2021)





expectations set out in the Guide on Climate-Related and Environmental Risks, in May 2021 the Bank submitted to the European Central Bank an action plan to ensure the development and implementation of the solutions through which it will achieve a progressive alignment with the supervisory expectations.

To reach its goals, since 2021 the Group has engaged in studying its portfolio impact footprint, performing specific sectorial analyses and setting the objective to complete the single-name analysis on counterparties by the end of 2022.

As stated in its renewed 2022-2025 Industrial Plan, published last June, the Group is firmly convinced to adopt one or more climate-related and environmental targets by the end of 2022. Moreover, the Group engages in adopting, by 2023, several climate-related initiatives, among which UN PRB, TCPD, Net-Zero Banking Alliance - this will contribute to reinforce the climate strategy in progress.

Please find attached the Bank Non-Financial Report 2021, a document which shows the commitment towards the Sustainable Development Goals (SDGs) of the 2030 Agenda (p.71), the importance given to the UN Global Compact membership (p.39), the Sustainability at BPS (p.27-54), the environmental impacts management system (p.77-138), the commitment to a social and inclusive economy (p.139-204) and the sustainable economic performances (p.139-241).

We remain at your disposal for any further information with regards to this subject.

Best regards.

Francesco Venosta  
Chairman



# Independent Auditor's Report



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## Independent auditors' report on the Consolidated Non-Financial Statement pursuant to article 3, paragraph 10, of Legislative Decree no. 254/2016 and Article 5 of CONSOB Regulation adopted with Resolution no. 20267 of 18 January 2018

To the Board of Directors of  
Banca Popolare di Sondrio S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial statement of Banca Popolare di Sondrio S.p.A. (hereinafter the "Bank") and its subsidiaries (hereinafter the "Group" or "Gruppo Banca Popolare di Sondrio") for the year ended 31 December 2022 in accordance with article 4 of the Decree approved by the Board of Directors on 17 March 2023 (hereinafter "NFS").

Our limited assurance engagement does not cover the information included in the paragraph "Taxonomy: eligibility disclosure pursuant to Article 8 of Regulation (EU) 2020/852" of the NFS, that are required by art.8 of the European Regulation 2020/852.

### Responsibilities of Directors and Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Standards" published by GRI - *Global Reporting Initiative* as well as sector supplements "*Financial Services Sector Supplements*" (hereinafter "GRI Standards") identified by them as an independent reporting methodology.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the NFS that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the NFS within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the NFS, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

### Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.

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iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi  
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iscritta all'Albo Speciale delle società di revisione  
Consiglio di progressivo n. 2 delibera n. 10531 del 16/7/1997

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Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

#### **Auditors' responsibility**

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the NFS with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the NFS is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the NFS, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the NFS, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the NFS with those included in the Group's consolidated financial statements;
4. understanding of the following aspects:
  - o Group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
  - o policies adopted by the Group related to the matters indicated in art. 3 Decree, results achieved and related key performance indicators;
  - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the NFS and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the NFS.  
In particular, we have conducted interviews and discussions with the management and with the personnel of Banca Popolare di Sondrio S.p.A., and with the personnel of Factorit S.p.A. and Banca Popolare di Sondrio (SUISSE) SA and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the NFS.





Furthermore, at group level, for significant information, considering the Group activities and characteristics:

- at Group level:
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- with specific reference to Banca Popolare di Sondrio S.p.A., Factorit S.p.A. and Banca Popolare di Sondrio (SUISSE) SA, that we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with the management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

#### Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that NFS of Gruppo Banca Popolare di Sondrio for the year ended 31 December 2022 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Our conclusions on the NFS of the Group do not refer to the information included in the paragraph "Taxonomy: eligibility disclosure pursuant to Article 8 of Regulation (EU) 2020/852" of the NFS itself, that are required by art.8 of the European Regulation 2020/852.

Milan, 5 April 2023

EY S.p.A.  
Signed by: Davide Lisi  
(Auditor)

*This report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*





## **Photos**

Thanks to all BPS colleagues who participated in the photographic contest and contributed to making this NFS a communication tool that is increasingly closer to our people.

Antonelli Daniele, Bagiolo Alfonso, Balzarini Pier Luigi, Carrà Andrea, Casapollo Maurizio, Colzani Stefano, Della Marianna Luca, Faldrini Martina, Fanchi Danilo, Fioratti Ivan, Flematti Francesco, Forner Michael, Galli Alex, Gallotta Diego, Graziato Carlo, Innocenti Diego, Lidgley Deborah, Luzzi Laura, Mariani Lucia, Maspero Fabio, Pola Davide, Sertorelli Paolo, Simonini Nando, Tedeschi Stefano Gastone, Ticozzi Fabio, Vaninetti Milena, Vaninetti Simone.



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