



# THE EXTRA ORDINARY IS POSSIBLE, TOGETHER

## SUSTAINABILITY REPORT 2021

CONSOLIDATED  
NON-FINANCIAL  
STATEMENT  
PURSUANT TO  
ITALIAN LEGISLATIVE  
DECREE 254/2016







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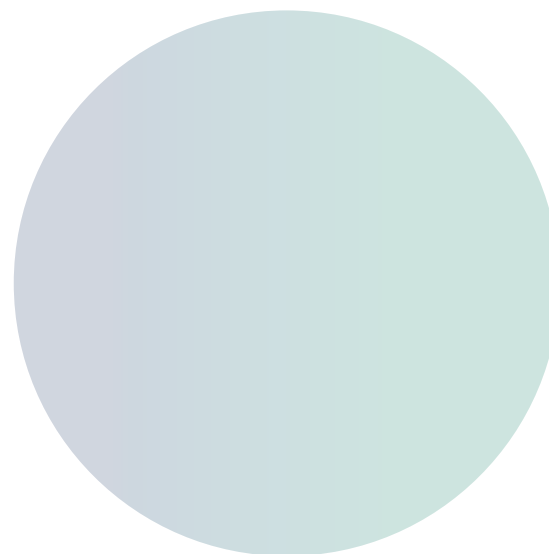
TOGETHER  
WE CAN DO  
EXTRA  
ORDINARY  
THINGS

[GRUPPO.BANCOBPM.IT](http://GRUPPO.BANCOBPM.IT)

**Banco BPM S.p.A.**

Piazza F. Meda, 4

Milan





# Letter to our Stakeholders

15 March 2022

Dear Readers,

The uncertainty and drama of current events have partly changed the opening of this letter accompanying this year's non-financial statement.

**The consequences of the conflict in Europe risk overshadowing the recovery which, thanks to our country's ability to react and relaunch, made it possible to achieve excellent results in all sectors in 2021.**

We too participated in this rebirth, supporting the productive and social fabric and strengthening the process of integrating ESG factors into our operating and business models, **in the conviction that sustainability is necessary** for the consolidation of economic development and that the emerging collective awareness of these issues must be transformed into concrete, measurable and prospective actions.

Even at a time like this, **we want to persevere in a long-term vision**, increasing skills and tools without ignoring the impacts of these global events on society and on the production and investment sectors. Several years after signing the United Nations 2030 Agenda, we have made a commitment to align our objectives with those of the institutions which, as the NRRP also shows, are totally geared **towards widespread and sustainable innovation from which the entire economic system will benefit, even in less predictable scenarios.**

Complex and multifaceted factors such as climate change, the emergence of new poverty and political conflicts have shown us that **an effective response lies in cooperation between different partners of civil society, both public and private.** We make these urgent needs our own, and as a local bank, we link our perspectives to the communities in which we operate. This is why we want to continue to work together with our Foundations to carry out projects related to the environment, young people, research and education, with our best skills and resources.

**The growing awareness of environmental, climate and social risks and opportunities, and the role of the banking system in this challenge** have also profoundly influenced our strategic choices. This is why the business plan presented on 5 November 2021 indicates the steps to define the strategy, action plan and individual activities that will characterise **our path towards what is known as the 'sustainability revolution'.**

This plan, which focuses on attention to ESG criteria as a driver of risk management, growth and competitiveness, **aims to express the Group's true potential from now until 2024** and the first results, such as higher ratings and inclusion in the most reputable industry indices, confirm the scale of our ambitions.

The following pages include the description and results of this commitment to shareholders, customers, employees, suppliers and associations. **We would like to thank them once again for their trust and perseverance in their daily work in this difficult year as well.**

Our hope is that in a few months' time, looking at this page we will all be looking forward to a more serene horizon, called to a common commitment and even more certain of the value of dialogue and solidarity.

**We shall move forward once again together, because as we know quite well, only in doing so can we do extraordinary things; all of us, especially at times like these, truly need it.**

**Massimo Tononi**  
Chairman

**Giuseppe Castagna**  
Chief Executive Officer



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# Reading guide

The Consolidated Non-Financial Statement of the Banco BPM Group contains **information on environmental, social and personnel issues, respect for human rights and the fight against corruption**. This helps provide a better understanding of the Group's activities and the impact they have on its activities by presenting, for each material topic identified, the management and organisational model, the policies, the main KPIs and the risks generated and incurred. The risks represented and the relative management methods/policies employed have been identified with the contribution of the corporate departments that directly and indirectly manage such risks.

*The document was generated by the Sustainability Department which guided, coordinated and monitored all the phases of its creation, from the materiality analysis to the identification of KPIs, from the processing of information and data received from all Group structures to the drafting of the content and discussions with the independent auditors and the graphic design firm.*

The Group continues with its ongoing commitment to improving sustainability reporting, with the belief that the obligation to draft this document provides **an opportunity for sharing policies, strategies and impacts in the various reporting areas**.

The document contains well over **100 sustainability KPIs**: around 30 relating to Strategic Plan objectives, more than 70 relating to the GRI standards, as well as further KPIs relating to the requirements of analysts and investors active in the field of sustainable investing, specifically marked with a circular graphic sign. The document is organised into nine macro-chapters and opens with a section dedicated to new challenges and opportunities. The first macro-chapter 'Strategy' describes the new Strategic Plan, introduces innovating elements, listening to our stakeholders, the materiality analysis, the business model, the economic value generated and distributed, equity strength and profitability.

In the second macro-chapter '**Identity**' describes the Group and its mission, governance and organisational model, remuneration policies, financial and non-financial risk management and the section dedicated to business conduct.

The following macro-chapters introduce the main KPIs and achievements in 2021 related to the Strategic Plan objectives, a section dedicated to the commitment to our stakeholders, and the Strategic Plan objectives by 2024.

Macro-chapters 3, 4, 5, and 6, '**Customers**', '**People**', '**Community**' and '**Environment**' describe the management and organisational methods, the KPIs, the main risks and the related management methods/policies practised that refer to each material topic identified.

Macro-chapter 7 describes the '**Recognitions**' that the Banco BPM Group obtained in 2021, followed by Macro-chapter 8 with the **annexes on the environmental data** of the '**Environment**' macro-chapter.

Macro-chapter 9 '**Method and framework**' contains the methodological aspects, the reconciliation table with the requirements of the adopted standard (Global Reporting Initiative), the principles of the UN Global Compact and the recommendations of the TCFD, as well as the auditors' report.

## NAVIGATING

Name of the reference chapter, top of each right-hand page

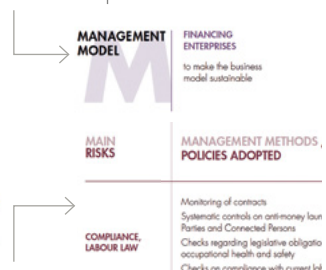


## TITLES

Shown in the contents

## DIAGRAM

Management model at the beginning of each chapter



## TABLE

Risks and management methods/policies implemented at the end of each chapter.

## INDICATOR

Innovative elements and those of particular relevance are marked by special graphic signs

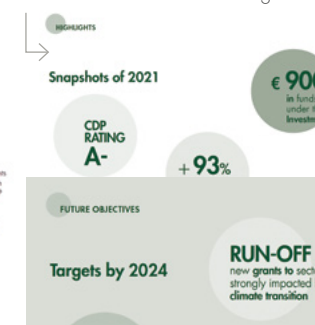


## REPORTS

Analyst and investor requests

## COVER PAGES

The beginning of each macro-chapter has the 2021 KPIs - 2021 snapshots - and the end has the 2024 targets



# New challenges and opportunities

## Sustainability: continuous evolution

We are witnessing the emergence of a **new economic paradigm capable of including a shared commitment to environmental and social sustainability**, driven by the initiatives of regulators, supervisory bodies and international organisations and confirmed by the growing interest of financial market players and savers.



## NEXTGENERATIONEU: THE FUTURE AFTER THE PANDEMIC

The economic and social difficulties brought about by the Covid-19 pandemic have prompted the European Union to draw up ambitious recovery plans. With the **NextGenerationEU** (NGEU) programme approved in July 2020 the EU has earmarked, in loans and grants, more than **€ 800 billion** (in current value) to be invested in projects that will make Europe greener, more digital and more resilient. To access the available funds, each member country will have to present a **National Recovery and Resilience Plan** (NRRP) setting out a coherent package of reforms and investments for the period 2021-2026 (the NRRP). **Italy** is the **main beneficiary of the programme**, with around € 190 billion in reserved funds.



For more information on the progress status of the programme, visit this site: [europa.eu/next-generation-eu/index\\_en](https://europa.eu/next-generation-eu/index_en)

In recent years, sustainability issues have become increasingly important in the agendas of governments and institutions, as well as in consumer and investment choices, representing a process of change characterised by extraordinary speed.

<sup>1</sup> [eur-lex.europa.eu](https://eur-lex.europa.eu) > Action plan to finance sustainable growth > European Commission

<sup>2</sup> [www.eba.europa.eu](https://www.eba.europa.eu) > Guidelines for granting and monitoring loans > EBA

<sup>3</sup> [ec.europa.eu](https://ec.europa.eu) > The European Green Deal > European Commission

<sup>4</sup> [eur-lex.europa.eu](https://eur-lex.europa.eu) > EU regulation on sustainability reporting in the financial services sector > European Parliament

<sup>5</sup> [www.bankingsupervision.europa.eu](https://www.bankingsupervision.europa.eu) > Guidance on climate and environmental risks > ECB

<sup>6</sup> [www.pwc.com](https://www.pwc.com) > Asset and wealth management revolution: the power to shape the future > pwc

<sup>7</sup> [www.consilium.europa.eu](https://www.consilium.europa.eu) > Infographics, Next Generation Eu - Recovery Package from Covid-19 > European Council

2021

## EU TAXONOMY - GREEN ASSET RATIO

Within In the framework of the renewed **Sustainable Finance Strategy**<sup>8</sup>, the European Commission has adopted Regulation 2020/852<sup>9</sup>, the **taxonomy of sustainable economic activities**. Effective 1/1/2022, it will be the instrument that guides financial market players and companies in the **transition** to a **sustainable economic growth** model.

It is a **harmonised classification system** at European level of **economic activities** that can be defined as **sustainable** if:

- **they positively contribute to at least one of the six objectives** climate change mitigation and adaptation; sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection of biodiversity and the health of ecosystems;
- **do not have a negative impact on any other objective;**
- are carried out **in compliance with minimum social guarantees**.

To understand the extent to which assets and products are associated with sustainable economic initiatives according to the taxonomy, the **Green Asset Ratio**<sup>10</sup> was identified, which measures the share of assets associated with green economic activities.

<sup>8</sup> eur-lex.europa.eu > Strategy for Financing the Transition to a Sustainable Economy > European Commission

<sup>9</sup> eur-lex.europa.eu > EU Regulation establishing a framework promoting sustainable investments and amending Regulation (EU) 2019/2088 > European Parliament

<sup>10</sup> www.eba.europa.eu > EBA advises the Commission on KPIs for transparency on institutions' environmentally sustainable activities, including a green asset ratio > EBA

## NRRP

As part of the **NextGenerationEU (NGEU) programme**<sup>11</sup> which aims to boost growth, development and modernisation on the European continent in a sustainable way, each country is asked to present a **National Recovery and Resilience Plan (NRRP)**, a set of **reforms and investments** financed through loans and grants.

For Italy, the European plan guarantees **€ 191.5 billion** in resources to be used in the **period 2021-2026**.

The **Italian NRRP**<sup>12</sup> is based on the three strategic axes shared at European level (digitalisation and innovation, ecological transition, social inclusion) and is characterised by **three cross-cutting priorities**: gender equality, young people and the South - territorial rebalancing, which characterise the **Six Missions** into which it is divided:

- 1 digitisation, innovation, competitiveness, culture and tourism;
- 2 green revolution and ecological transition;
- 3 infrastructure for sustainable mobility;
- 4 education and research;
- 5 inclusion and cohesion;
- 6 health.

<sup>11</sup> europa.eu > NextGeneration Eu > European Union

<sup>12</sup> www.governo.it > National Recovery and Resilience Plan > Italian Government

## COP26

Organised in partnership between Italy and the United Kingdom, the **26th Conference of the Parties**<sup>13</sup> (COP26), the UN-sponsored **global climate summit** attended by 197 countries was held in Glasgow, Scotland.

Recognising the **urgency and systemic nature of climate change and the loss of biodiversity**, the **Glasgow Climate Pact** reaffirmed the goal of **limiting the temperature increase to +1.5°** above pre-industrial levels, committing all participants to **reduce their emissions by 45% by 2030** compared to 2010 to achieve **carbon neutrality** around **mid-century**.

For the first time, **explicit reference is made in the Pact to the role of coal in the climate crisis and a commitment is made to reduce its use** in power generation.

<sup>13</sup> ukcop26.org > What is a Cop? > UN COP26; Partnership between UK and Italy > UN COP26

## THE SIX MISSIONS OF THE NRRP

1

### DIGITISATION, INNOVATION, COMPETITIVENESS, CULTURE AND TOURISM

Supports the country's digital transition in the context of the modernisation of the public administration, communication infrastructure and the production system.



2

### GREEN REVOLUTION AND ECOLOGICAL TRANSITION

Aims to achieve the green and ecological transition of society and the economy to make the system sustainable and ensure its competitiveness.



3

### INFRASTRUCTURES FOR SUSTAINABLE MOBILITY

Aims to strengthen and extend the national high-speed rail network and upgrade the regional rail network, with a particular focus on the south of Italy.



4

### EDUCATION AND RESEARCH

Aims to address the structural shortcomings, both quantitative and qualitative, in the provision of education services.



5

### INCLUSION AND COHESION

Investing in social infrastructure, strengthening active labour policies and supporting the dual system and female entrepreneurship.



6


















### HEALTH

Focus on strengthening prevention and care locally and modernising the technological equipment of the National Health Service (NHS, or SSN in Italian).



## 2021 ISTAT SDGs REPORT FOR THE 2030 AGENDA IN ITALY

The goals of the UN's 2030 Agenda have been outlined for each of the signatory countries, taking into account their specific situations. ISTAT has been tasked with monitoring these targets in Italy. Below are some of the main indicators identified and their value in the 2021 Report.

 <p><b>1</b> END POVERTY IN ALL ITS FORMS EVERYWHERE</p>	 <p><b>2</b> END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE</p>	 <p><b>3</b> ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES</p>	 <p><b>4</b> ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL</p>	 <p><b>5</b> ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS</p>	 <p><b>6</b> ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL</p>
<p><b>9.4%</b> people in ABSOLUTE POVERTY</p>	<p><b>15.8%</b> ORGANIC CROPS used on AGRICULTURAL SURFACE</p>	<p><b>66.5%</b> FLU VACCINE COVERAGE age 65+</p>	<p><b>27.8%</b> OF YOUNG PEOPLE aged 30-34 have a university or tertiary degree (34.3% of women and 21.4% of men)</p>	<p><b>49.6</b> WOMEN, per 100,000, VICTIMS OF VIOLENCE called the 1522 helpline to report incidents of violence and stalking</p>	<p><b>58%</b> DRINKING WATER fed into the distribution network reaches end users</p>
 <p><b>7</b> ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL</p>	 <p><b>8</b> PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL</p>	 <p><b>9</b> BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION</p>	 <p><b>10</b> REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES</p>	 <p><b>11</b> MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE</p>	 <p><b>12</b> ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS</p>
<p><b>18.2%</b> ENERGY FROM RENEWABLE SOURCES on gross final energy consumption</p>	<p><b>62.6%</b> EMPLOYMENT rate (20-64 years)</p>	<p><b>3.6%</b> EMPLOYEES with specialised ICT positions</p>	<p><b>177,254</b> NEW STAY PERMITS issued</p>	<p><b>28.3%</b> people living in OVERCROWDED HOMES</p>	<p><b>58%</b> COMPANIES which prepare ENVIRONMENTAL and SUSTAINABILITY budgets and/or REPORTS</p>
 <p><b>13</b> TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS</p>	 <p><b>14</b> CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES FOR SUSTAINABLE DEVELOPMENT</p>	 <p><b>15</b> PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, AND HALT AND REVERSE LAND DEGRADATION AND HALT BIODIVERSITY LOSS</p>	 <p><b>16</b> PROMOTE PEACEFUL AND INCLUSIVE SOCIETIES FOR SUSTAINABLE DEVELOPMENT, PROVIDE ACCESS TO JUSTICE FOR ALL AND BUILD EFFECTIVE, ACCOUNTABLE AND INCLUSIVE INSTITUTIONS AT ALL LEVELS</p>	 <p><b>17</b> STRENGTHEN THE MEANS OF IMPLEMENTATION AND REVITALIZE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT</p>	
<p><b>7.1</b> EMISSIONS of CO<sub>2</sub> and other climate-altering gases (tonnes per inhabitant)</p>	<p><b>65.5%</b> SWIMMABLE marine coasts</p>	<p><b>31.7%</b> FORESTRY AREAS in relation to land area</p>	<p><b>105.5</b> PRISONERS in detention facilities per 100 places available</p>	<p><b>0.22%</b> PUBLIC DEVELOPMENT AID as a share of gross national income</p>	

# STRATEGY

Can we combine sustainability with our business strategy?

 **BIETTIVI**  
PER LO SVILUPPO  
SOSTENIBILE



For us, **being a bank** means being the place where **opportunities** meet the **future**.

To make projects become **reality**, we are working to strengthen our digitisation process, to enhance people and their skills and to support the transition to **a more sustainable economy** and all the opportunities related to the NRRP.

#### ESG FIELDS



# The new Strategic Plan

## GENERATING VALUE IN A NEW GROWTH-ORIENTED ENVIRONMENT

With the full integration of ESG issues, the **2021-2024 Business Plan** - approved by the Board of Directors in November 2021 - aims to strengthen our role as a creator of sustainable and shared value on a path inspired by **sustainability, digitalisation and valuing people**.

### DEVELOPING A SUSTAINABLE BUSINESS

We are aiming for commercial growth in the main business areas through an innovative service model based on omnichannel communication and leveraging bancassurance, asset management and consumer credit.



### DIGITAL-DRIVEN SERVICE MODEL

- Reorganisation and optimisation of the physical commercial network
- Enhancing remote banking to increase the efficiency and effectiveness of customer relations

### ESG INTEGRATION

- Clear governance of ESG issues
- Full ESG integration into business and operational policies

### INVESTMENT IN PEOPLE AND TECHNOLOGY

- People-oriented approach to attract and develop talent
- Investment in skills development and rationalisation of the commercial network
- New digital-enabled architecture and enhanced cybersecurity: technology infrastructure to support the transformation

### CAPITAL STRENGTH

- New management and monitoring systems to improve asset quality and focus on 'low NPE Bank'
- Effective management of corporate finance aimed at maintaining and improving the Group's capital strength.



## ESG INTEGRATION

The 2021-2024 Strategic Plan marks a new stage in the progressive integration of ESG issues into the business.

The new Strategic Plan's focus on **sustainability**, as well as the evolution of the **Group's governance**, is the natural continuation of a conscious path that has been traced and consolidated for some time now.

**ESG issues guide the Group's development activity across the five pillars: Business, Risk&Credit, People Strategy, Environment, Community, and identify areas of action in which the interventions envisaged by the seven fields of the ESG Programme (launched in February 2021) are distributed.**

### THE ESG PILLARS IN THE NEW STRATEGIC PLAN

#### BUSINESS

Customers +

- Strengthening our ESG commercial offer through dedicated products, services and consultancy
- Expansion of the range of ESG asset management products, aimed at directing our customers' savings towards sustainable initiatives
- Consultancy for corporations and SMEs, helping them face competitive challenges in the ESG field, also through workshops and training sessions
- Further issue of green and social bonds

#### RISK & CREDIT

Environment +

- Exclusion or highly selective approach for sectors with high environmental risk:
  - Stop new lending to sectors heavily impacted by the climate transition (hard coal mining, manufacturing of coal-fired blast furnace products and coal-fired power generation) and run-off of those currently existing
  - At least 80% of the new credit in the fossil fuel sector will be earmarked for transition projects
- Proactively support the environmental transition of our customers exposed to climate and environmental risk through dedicated tools to assess and encourage ESG-oriented business plans
- Risk Management Framework integrated with climate factors, with particular reference to the RAF, ICAAP, stress testing and the internal rating system

#### PEOPLE STRATEGY

People +

- ESG Accountability: management incentive schemes that include selected ESG KPIs linked to different responsibilities/units/roles and to a broader group of managers
- Attention to people's well-being through work-life balance policies (e.g., working remotely)

- Diversity&Inclusion: talent development, increasing the share of women in management, analysis and effective plan for managing the gender pay gap, strengthening programmes for reintegrating staff on maternity leave
- Talent management: attracting and retaining young talent through partnerships with universities and customised development programmes
- Identification of ESG Ambassadors in all corporate departments

#### ENVIRONMENT

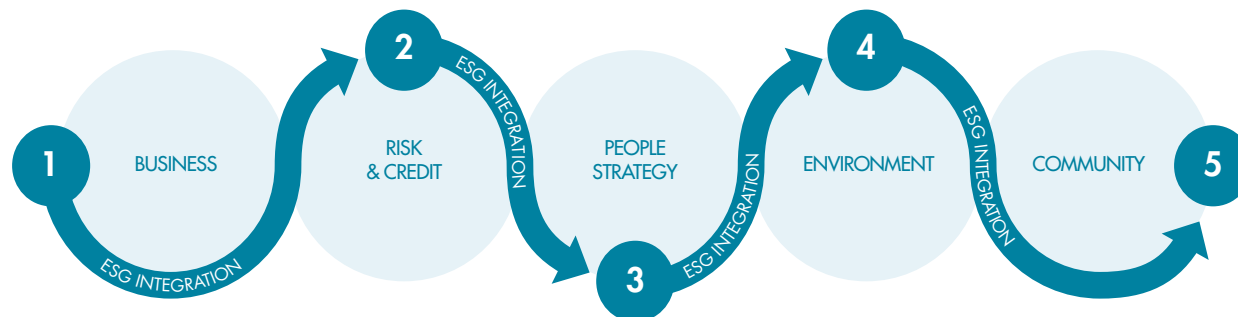
Environment +

- Reduction of CO<sub>2</sub> emissions through efficiency, rationalisation, digitisation and offsetting actions
- Achieving carbon neutrality (scope 1 + scope 2)
- New guidelines for responsible energy use in our buildings and new policies for the company fleet
- Membership in the Net-Zero Banking Alliance and the Science Based Target initiative during the plan period
- Improving environmental ratings and renewing existing certifications

#### COMMUNITY

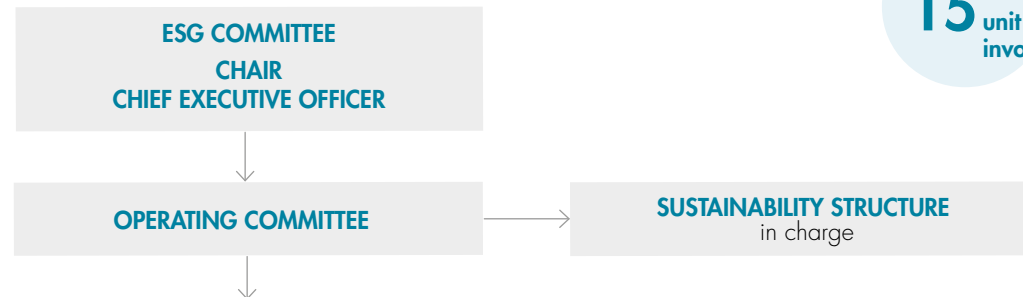
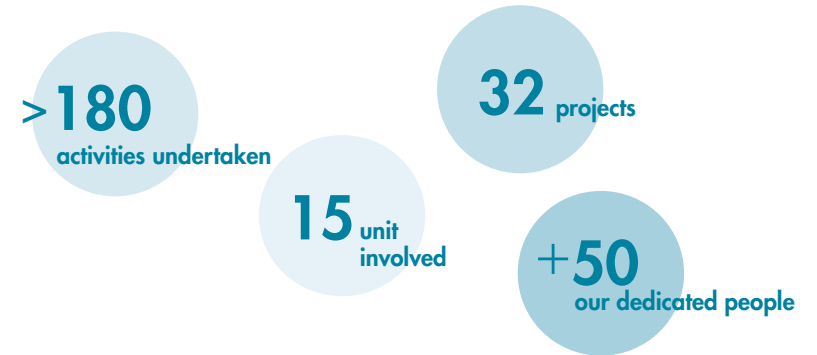
Community +

- Signing to major international partnerships such as the UN Global Compact
- Supporting initiatives for a resilient community oriented towards well-being: arts and culture, charity, research and health, education, sports-related inclusion projects and volunteering
- Investments in educational activities and support for schools and universities
- Confirmation of Banco BPM as an important Financial Partner for the Third Sector



## THE ESG PROGRAMME AND THE RELATIONSHIP WITH THE ESG PILLARS OF THE NEW STRATEGIC PLAN

- ESG MACRO-AREAS 2021-2024 STRATEGIC PLAN
- ESG STRATEGIC AMBITION AREAS AND MAIN OBJECTIVES



PEOPLE STRATEGY		RISK & CREDIT	BUSINESS		ENVIRONMENT	COMMUNITY
<p><b>GOVERNANCE</b></p> <ul style="list-style-type: none"> <li>Review of internal ESG policies</li> <li>Expansion of ESG KPI integration in management remuneration policies</li> <li>Appointment of ESG Ambassadors in the various corporate departments</li> </ul>	<p><b>PEOPLE</b></p> <ul style="list-style-type: none"> <li>Promotion of Diversity &amp; Inclusion (D&amp;I) issues</li> <li>Increasing female presence in management roles</li> <li>Extension of ESG training plans</li> </ul>	<p><b>RISK &amp; CREDIT</b></p> <ul style="list-style-type: none"> <li>Integration of climate-related and environmental risks in risk assessment and lending</li> <li>Development of portfolio transparency exercises to measure climate-related risks in key sectors and geographies</li> <li>Conducting specific climate risk stress tests and scenario analyses which also consider the Paris Agreement</li> </ul>	<p><b>CUSTOMERS: BUSINESS</b></p> <ul style="list-style-type: none"> <li>Supporting the green transition process</li> <li>Developing customer engagement skills on ESG issues</li> </ul>	<p><b>CUSTOMERS: WEALTH MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>Development of ESG investment product offerings and appropriate disclosure to customers</li> <li>Integration of ESG considerations into product selection and advisory activities</li> <li>Reporting to customers on the effects of their investments on sustainability risks and objectives</li> </ul>	<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>Reducing our CO<sub>2</sub>eq emissions</li> <li>Reducing material consumption</li> <li>Integration of ESG criteria in supplier selection</li> </ul>	<p><b>STAKEHOLDER ENGAGEMENT &amp; MEASUREMENT</b></p> <ul style="list-style-type: none"> <li>Analysis and selection of international sustainability initiatives in line with the Group's values, policies and objectives</li> <li>Definition of metrics for measuring the indirect impacts of our funding</li> <li>Development of disclosure in line with industry best practices</li> </ul>

# Innovation

Technology, a constantly evolving social context and awareness of the increasingly necessary **transition towards sustainable development models** make the present a time of **rapid change**.

**Innovation** is our response to market challenges and changing stakeholder expectations.

Our work places us at the centre of a dense network of relationships with communities, people and territories whose

needs and expectations evolve over time. Rethinking and renewing processes, products and services is therefore a fundamental and priority commitment for us and represents the method by which we ensure that our competitiveness is the result of a strategy in favour of the environment and society.

**Innovation allows us to consolidate the positive correlation between ESG performance and economic and financial performance.**

## INNOVATION AS AN APPROACH TO WORK

The challenges posed by the Covid-19 pandemic and the solutions adopted in response to it have once again underlined the relationship between process innovation, sustainability and inclusion, especially when contingent difficulties have been interpreted as opportunities for change.

**Innovation is one of our key drivers today and we are among those who have introduced innovative elements into products, services and processes across different organisational structures over the last two years.**

This theme has certainly been a protagonist in the **digital** sphere with the implementation of services and solutions that have simplified carrying out various operations and enabled remote and, given the pandemic period, secure operation.

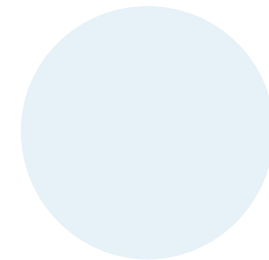
We have been able to experiment and develop a new way of working, using tools and platforms that overcome the limits of physical distances. This gave us the opportunity to reorganise our work, also with a view to sustainable mobility and work-life balance.

Also in the area of **products**, Banco BPM has sought to expand its offering by introducing new, increasingly innovative and sustainable products, correlating the logic of business and credit with the pursuit of ESG objectives and targets.

Particular attention has also been dedicated to personnel and **services specifically for colleagues**, both from the point of view of overall process innovation, and in terms of training as an enabling factor for change within a broader notion of People Strategy.



**Innovation** is one of Banco BPM's key drivers, and it characterised various areas in 2021. This Sustainability Report includes indications of the main innovative elements with the graphic sign presented here.



## Listening to our stakeholders

**Listening to our stakeholders** is a very important part of making **strategic decisions**, as well as in our daily work. Sharing interests and objectives with our people, with the company's trade unions, within the framework of positive and consolidated relationships, as well as with the communities, allows us to identify new ways to **evolve our business, increasing our positioning** and consequently creating value.



### SHAREHOLDERS/INVESTORS/ANALYSTS

- **Calls/Webcasts** to present results
- **Roadshows and Reverse roadshows** organised to meet analysts/investors
- **Comparison** with rating companies
- **Shareholders' Meeting**

### MEETINGS

102

investment companies,  
rating agencies, analysts  
and institutional investors

For Banco BPM, **the relationship with shareholders and the national and international financial community** is fundamental to ensure greater transparency and prompt disclosure of the Group's annual and interim financial reporting and strategies.



### CUSTOMERS

- **Customer Satisfaction Surveys**
- **Research projects** to gather feedback on services/products and new ways of using them
- **Customer Experience** with email interviews to identify critical points and improvements
- **Materiality analysis** submitted to our customers for sharing and validation

### MATERIALITY ANALYSIS

Involved:

> 900

Customers

**Survey carried out by a qualitative/quantitative market research company** to identify the importance our customers attribute to the relevant issues of our Bank.



## PEOPLE

- **Structure/Branch Managers and Staff Manager** oriented towards empowering resources and professional development
- **Development Section**, a communication channel activated in the performance assessment process with the aim of gathering individual professional aspirations
- **Channels for listening** to people, aimed at promoting well-being in the company.
- **In Teams with the CEO**, virtual meetings with the CEO
- **Surveys** aimed at investigating issues of common interest such as home - workplace mobility with a view to work-life balance

### IN TEAMS WITH THE CEO

The following participated:

**72**

Hub Managers

**Eight meetings were organised between the Chief Executive Officer and the eight Regional Departments.**

For each Regional Department, none 9 Hub Branch Managers\* participated, respecting gender parity. The aim of the initiative is to stimulate dialogue, explore issues, especially commercial ones, resolve doubts and build a team.

\*Hub Branches: generally large organisational structures with direct management of all customer segments and coordination of smaller branches



## COMMUNITY/ ENVIRONMENT

- **Local Committees**, collecting local needs and also involved in the materiality analysis
- **Foundations** as a bridge connecting us with our communities
- **Dialogue with Third Sector organisations** through our collaboration with the National Forum

### LOCAL COMMITTEES

**7**

to protect the local area

**54**

meetings

**The Local Committees are a means for maintaining a continuous dialogue with the local areas where we have roots.**

They consist of representatives from the economic, professional and associative worlds. They formulate proposals, plan and organise events and initiatives and, when requested, express opinions on proposed issues.



## SUPPLIERS

- **Supplier Register**, the portal for constant dialogue with suppliers, making the relationship concrete
- **Dedicated email address**

### REQUESTS

**> 2,000**

**More than 2,000 requests were sent to suppliers for census/updating activities** during the year. Beyond these initial contacts, the work of interaction through emails and phone calls must be considered.



## PA AND SUPERVISORY AUTHORITIES

- **Constant dialogue**
- **Participation in working groups** during consultation on new legislation
- **Interactions during on-site and remote inspections**
- **Individual and group meetings**
- **ESG meetings** with the ECB

### CONTACTS

**96**

calls/  
videocalls

**784**

participants

**A structure of Banco BPM is entirely dedicated to relations with the Supervisory Authorities.** During 2021, there were numerous contacts with the European Central Bank (ECB) and the Bank of Italy (BI), many of which focused on ESG issues. In particular, our ESG Plan was sent to the ECB, and its objectives are constantly monitored to ensure that they are being met.

# Materiality analysis

Through an analysis process inside and outside the Group, **we have identified the sustainability issues (material topics) which are most relevant to us and our stakeholders.**

The materiality matrix graphically depicts this, highlighting strategic issues to improve our economic, environmental and social impact.

## OUR CONTRIBUTION TO THE 2030 AGENDA



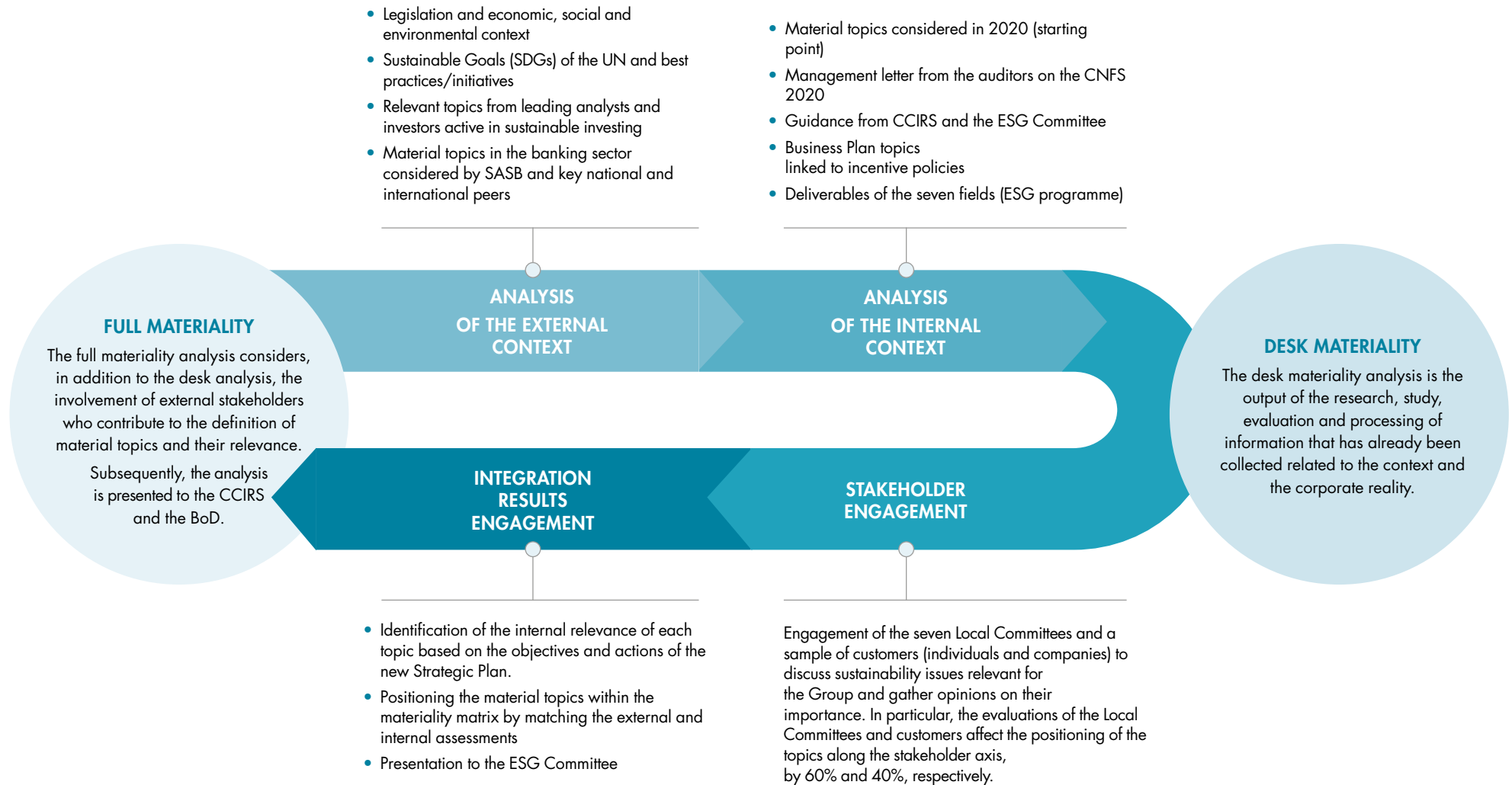
At the beginning of the document's macro-chapters, we have outlined the UN sustainability targets linked to the Group's material topics.

### THE MATERIALITY MATRIX

- Environmental
- Social
- Personnel
- Respect for Human Rights
- Fighting active and passive corruption



## HOW WE CREATE THE MATERIALITY MATRIX





## WHAT HAS CHANGED WITH RESPECT TO 2020?

### SOCIAL

Social topics are still the largest part of the matrix and the business topics remain strategic.

- We introduced the topic of **'transition to a sustainable economy and finance'**, which concerns the management of credit according to sustainability criteria, the offer of products and services to accompany companies towards a sustainable business model, and the channelling of savings and proprietary finance towards financial initiatives and instruments that take ESG criteria into account. The new topic incorporates that of responsible management and enhancement of savings addressed in 2020.
- The **focus of credit has shifted** from supporting businesses and people experiencing hardships due to the pandemic crisis in 2020 to the **recovery that will characterise the Italian, European and global economy** in 2021. ('credit for the country's recovery').
- **The scope of 'innovation' has been widened** to include not only technology, products, services and customer relations, but also processes relating, for example, to human resource management, working methods and environmental impact.
- We **continued to invest economic, human and technological resources to ensure service and personal data continuity and reliability** ('business continuity, cybersecurity and privacy') in a post-pandemic context still characterised by working remotely and increasing online operations.
- The relational aspect (**'customer relationship'**) **remains a fundamental element of banking**, influencing customer satisfaction, reputation and business results.
- **The importance of 'capital strength and profitability' and the development of 'corporate citizenship' topics are confirmed**. The topic of supplier relations in 2021 will change to **'responsible supply chain management'** considering the start of the inclusion of Environmental, Social, Governance factors in supplier selection and management.

### PERSONNEL

**The commitment to people and the development of related issues continues** with particular regard to:

- staff management, staff development and the ability to include and enhance diversity and merit, including through new organisational structures, training activities and programmes to promote female talent (the topic 'management, development, diversity and inclusion');
- the well-being and involvement of people, especially in a context where it is still necessary to pay particular attention to both protecting staff's health and safety and to a working model that reconciles work and personal needs (the topic 'welfare, work life balance and well-being').

### ENVIRONMENTAL

**The Group's commitment to environmental issues is further strengthened** both through its business and through the management of consumption and emissions, in particular:

- The topic 'climate change and green business' covers the management of climate and environment-related risks and addresses the new credit policies;
- on the other hand, 'environmental mitigation' concerns consumption and emissions mainly related to the company's operations.

### RESPECT FOR HUMAN RIGHTS

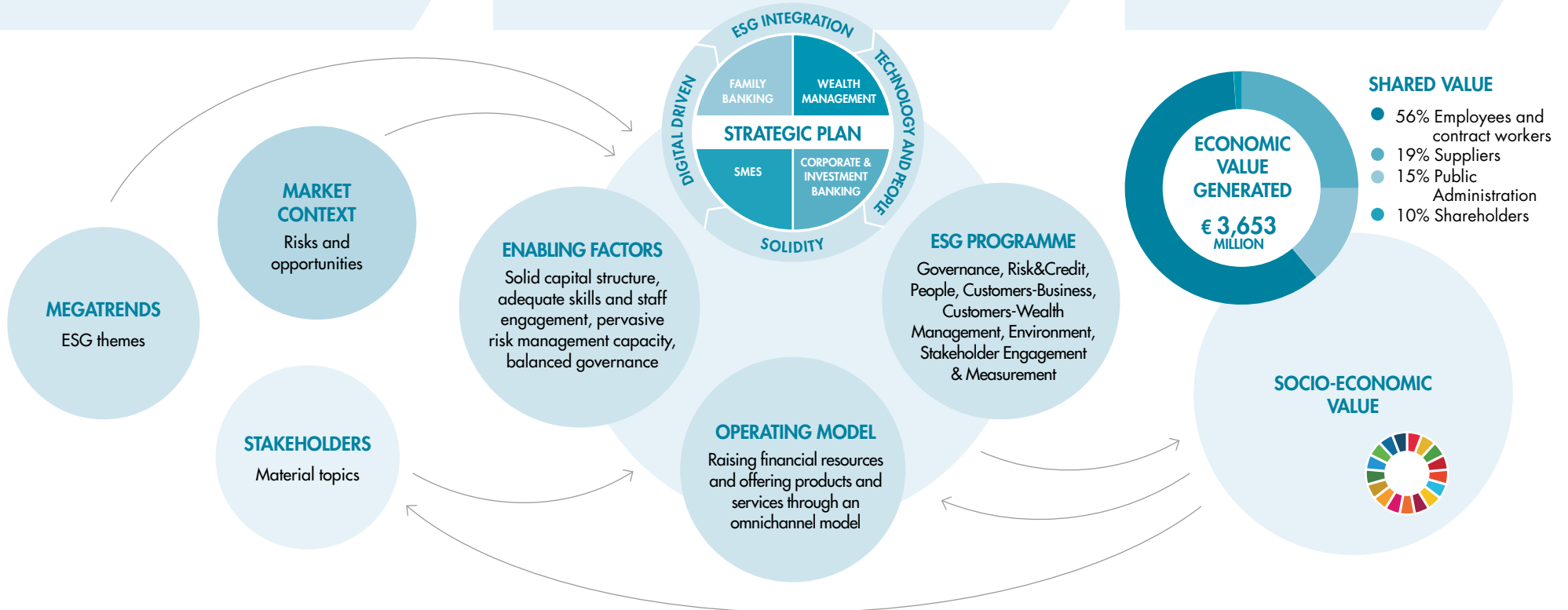
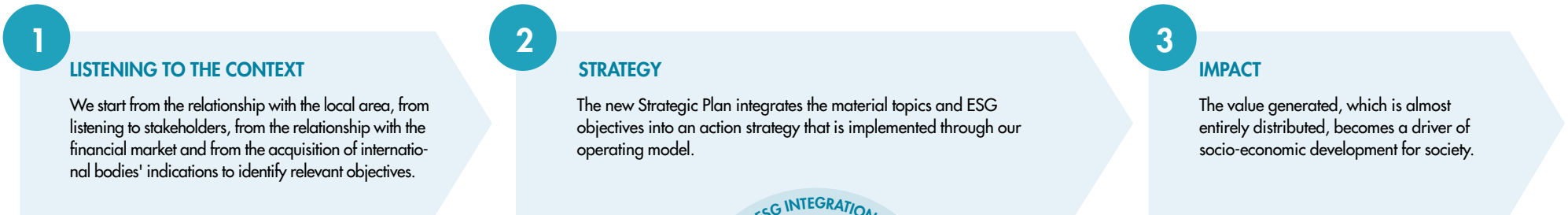
### FIGHTING ACTIVE AND PASSIVE CORRUPTION

- ● The focus on **business conduct** is growing.



# Business Model

**Our aim is to create sustainable value** over time, seizing the opportunities presented by a changing environment. Our business model welcomes stakeholder input and integrates environmental, social and governance objectives to translate them into a responsible growth strategy.



## Economic value generated and distributed

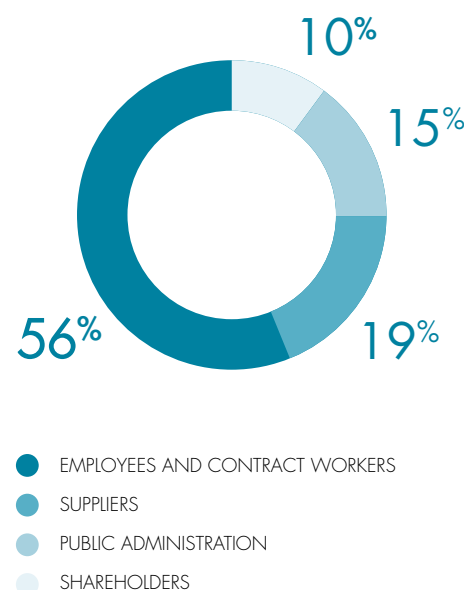
We generate economic value, which is distributed among our majority shareholders, namely to those parties that influence the Group's business activities.

	2021 (€ million)	2020 (€ million)
Interest and similar income	2,425	2,417
Interest and similar expense (-)	(409)	(460)
Fee and commission income	2,019	1,766
Fee and commission expense (net of the costs of external networks) (-)	(125)	(133)
Dividends and similar income	54	42
Net trading income	80	17
Fair value gains/losses on hedging derivatives	(1)	(8)
Gains/losses on disposal or repurchase of activities and financial liabilities	(129)	(150)
Net gains (losses) from other financial assets and liabilities measured at fair value through profit and loss	16	134
Net losses/recoveries on credit risk	(631)	(1,049)
Profit/loss from contractual amendments without derecognitions	(9)	(1)
Other operating expenses/income	363	329
Gains (losses) on disposal of investments	-	1
<b>TOTAL ECONOMIC VALUE GENERATED</b>	<b>3,653</b>	<b>2,905</b>
<b>TOTAL ECONOMIC VALUE DISTRIBUTED</b>	<b>2,973</b>	<b>2,917</b>
<b>TOTAL ECONOMIC VALUE RETAINED</b>	<b>680</b>	<b>(12)</b>

In 2021, we distributed 81% of the value generated, mainly to our employees, contractors, suppliers and shareholders as shown in the chart<sup>1</sup>.

In 2021, the economic value generated increased by 26% compared to 2020, due to performance above pre-pandemic levels.

A proposal is made to distribute a dividend of € 0.19 per share to shareholders<sup>2</sup> (€ 287.9 million in total).



The value distributed to the public administration is € 454 million (mainly due to contributions paid to the resolution and deposit guarantee funds) and is significant, while the contribution to the general public, in terms of donations and charitable contributions, amounts to approximately € 3 million (in addition to € 2 million in profit allocated to the charity fund).

**81%**  
share of generated value distributed

**+26%**  
value generated vs 2020

<sup>1</sup> The graph does not consider the amount distributed to the community and the environment of € 5 million which, with regard to the contribution illustrated in the chapter entitled 'Corporate identity and citizenship' is based on the accruals principle, and the profit allocated to the charity fund and does not consider social sponsorships, recorded in a different item of the income statement.

<sup>2</sup> The distribution of profits will be submitted to the Shareholders' Meeting planned for 7 April 2022.

# Capital strength and profitability

Capital strength, profitability and financial stability are fundamental for any enterprise, particularly for a bank that must be able to protect the financial resources of its customers also in difficult times. This is why we focus on **ensuring capital strength and generating profits that can meet the expectations of our main stakeholders over time, as well as guaranteeing long-lasting financial stability**<sup>3</sup>.

## PROFITABILITY AND CAPITAL STRENGTH

During the year, despite the continuing Covid-19 health crisis, we outperformed pre-pandemic results. Thanks to the commercial and organisational effort, we are confident about achieving the targets set out in the Strategic Plan. In particular, the **result from operations, at € 1,995 million**, increased by 15.9% compared to € 1,722 million in 2020, thanks in part to the growth in net commissions (+15% compared to 2020). **Operating income increased by 8.6% to € 4,511 million** and this result led to an improvement in the **cost/income ratio to 55.8%** from 58.5% in 2020.

**The adjusted net profit** achieved in 2021 is the best result achieved since the Banco BPM Group was founded.

## MANAGEMENT MODEL



### PROFITABILITY AND CAPITAL STRENGTH

Planning of income and equity objectives and measurement and management control and results

### FINANCIAL STABILITY

Guarantee of solvency and stability and efficient management of financial assets

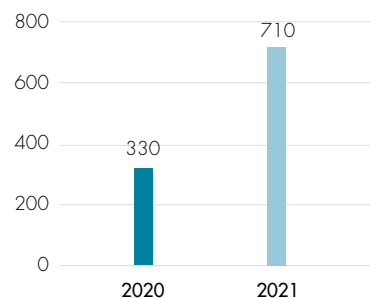
<sup>3</sup>The present data refer to the reclassified consolidated income statement. Further details on the economic, capital and financial management of the Group, as well as on the identification and management of the relative risks are available in the Annual Financial Report of the Banco BPM Group.

The adjusted net profit (net of non-recurring items<sup>4</sup>) increased to **€ 710 million** (€ 330 million in 2020), while the stated net profit stood at € 569 million (compared to € 21 million in 2020).

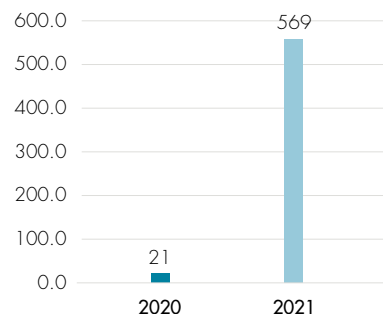
The Board of Directors will propose the distribution of a **dividend of € 19 cents** per share to the Shareholders' Meeting, totalling € 287.9 million.

<sup>4</sup>For information, see gruppo.bancobpm.it > Press&Media > CS: Results at 31-12-2021

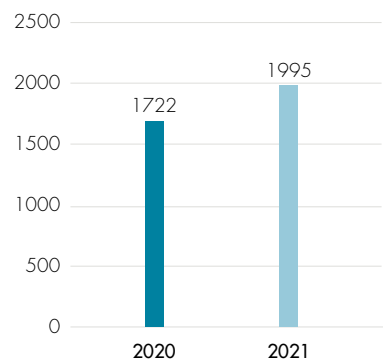
#### ADJ. NET PROFIT (IN € MILLION)



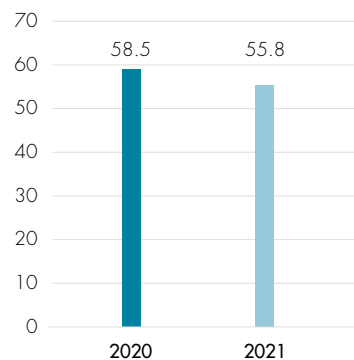
#### STATED NET PROFIT (IN € MILLION)



#### PROFIT (LOSS) FROM OPERATIONS (IN € MILLION)



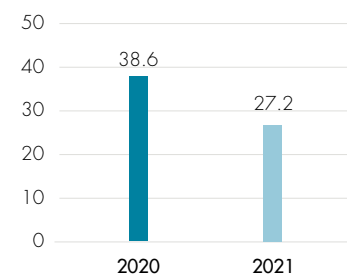
#### COST/INCOME (IN %)



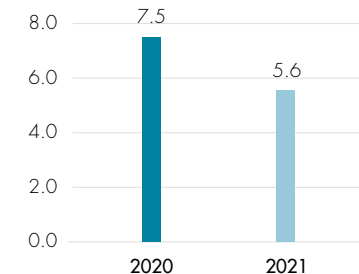
Regarding capital strength, the monitoring and strengthening of credit quality continued in 2021, **further accelerating the derisking process** through a plan to sell non-performing loans, which will also continue in the first half of 2022. Thanks to this strategy, we have improved the credit quality indicators. In particular:

- the **cost of credit** (ratio of net loan adjustments to net loans) **decreased to 81 b.p.** (also including adjustments for disposals to be completed in 2022);
- the **Texas Ratio** (ratio of net impaired loans to net tangible equity, excluding net income), **fell to 27.2%**;
- the **gross NPE Ratio** (ratio of gross impaired loans to gross loans) **decreased to 5.6%**. Taking into account the expected disposal of impaired loans in 2022, the NPE ratio would fall to 4.8%.

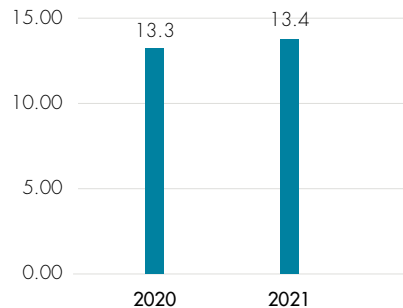
#### TEXAS RATIO (IN %)



#### NET NPE RATIO (IN %)



### CET 1 FULLY LOADED (IN %)



We have also continued to strengthen our capital, far exceeding the minimum capital requirements of the ECB. In fact, the **fully loaded CET1 Ratio** (ratio of paid-in Tier 1 ordinary capital to risk-weighted assets) is **13.4%** (13.3% in 2020), compared to 8.52%, the minimum level required by the ECB for 2021.

### FINANCIAL STABILITY

We ended 2021 in a sound liquidity position. Indeed, both the **Liquidity Coverage Ratio (LCR)** and the **Net Stable Funding Ratio (NSFR)**, which are **above 200% and 100% respectively**, are above the minimum requirements of the regulation (100%).

**LCR:** indicator identifying the resilience of the bank's liquidity risk in the short-term and ensuring that it has sufficient, high-quality liquid resources to overcome an acute stress situation lasting one month.

**NSFR:** indicator intending to favour longer-term resilience and incentivising the bank to finance its activities by drawing on more stable funding sources

### ANALYSTS THAT HEDGE THE STOCK

At the end of 2021, **our stock was 'covered' by 20 equity research houses:** Bank of America Merrill Lynch, Barclays, Bestinver, Citigroup, Deutsche Bank, Equita, Exane BNP Paribas, Goldman Sachs, HSBC, Intermonte, Intesa Sanpaolo, Jefferies, JP Morgan, KBW, Kepler Cheuvreux, Mediobanca, Morgan Stanley, Redburn, Societe Generale, UBS (of which 12 had positive recommendations, 8 neutral) with an average target price of € 3.46 and with which continuous dialogue was maintained throughout the year.

### CREDIT RATINGS ASSIGNED TO BANCO BPM AT 31 DECEMBER 2021

	TYPE OF RATING	31/12/2021	31/12/2020
Moody's Investors Service	Long Term on Senior Debt Unsecured and issuer rating / Outlook	Ba2/Stable Outlook	Ba2/Negative Outlook
	Long Term on Deposits	Baa3/Stable Outlook	Baa3/Negative Outlook
	Short-Term on Deposits	P-3	P-3
DBRS Morningstar	Long-Term Senior Debt and Long-term Issuer Rating / Trend	BBB (low)/Positive Trend	BBB (low)/Negative Trend
	Short-Term on Debt and Short-term Issuer Rating / Trend	R-2 (middle)/Positive Trend	R-2 (middle)/Negative Trend
	Long Term on Deposits	BBB/Positive Trend	BBB/Negative Trend
	Short-Term on Deposits	R-2 (high)/Positive Trend	R-2 (high)/Negative Trend

During the year 2021:

- On 12 May 2021, Moody's upgraded the Outlook for the long-term deposit rating from Negative to Stable, as well as the long-term Issuer and senior unsecured debt rating of Banco BPM.
- DBRS Morningstar (DBRS) revised Banco BPM's Trend from Negative to Positive on 19 November 2021

The same long-term and short-term ratings assigned by DBRS Morningstar to Banco BPM were also assigned to the subsidiary Banca Akros.

# IDENTITY

Can we be a large bank while remaining close to our local areas?

 **BIETTIVI**  
PER LO SVILUPPO  
SOSTENIBILE



We have a tradition of **supporting the local area** and **paying attention to people** and their needs. We want to grow while remaining faithful to the principles that have always inspired us, with the aim of creating **value to be shared** with our territories and the communities of which we are part, in a process of **shared growth**.

We aim for sustained and sustainable success through the full integration of the ESG strategy into the business model.

To do this, we effectively govern our activities through specific rules and organisational safeguards for a **correct and transparent relationship** with all our **stakeholders**.

#### ESG FIELDS



# Mission, identity and Group profile

**We are an Italian banking group, a business that is attentive to the local area, close to people and able to create value for the community.**

At a time of great change, we have designed a development strategy based on the distinctive features of our **identity**, a legacy of the popular bank tradition: our **roots** in the local area, **constant dialogue** with its main actors, and the **sharing of value** with the community.

## MISSION



### INNOVATION

Working and innovating to provide **customers**, people and businesses with the best possible services, operating correctly and transparently and contributing to the development of our country and of sustainable value over time.



### DEVELOPMENT

Growing with commitment and responsibility, maintaining adequate capital strength and profitability to meet our commitment to our **shareholders**.



### EMPOWERMENT

Optimising our **personnel** whose work and commitment contribute to achieving the Group's objectives.



### FOCUS

Continuing, as per tradition, to support initiatives aimed at promoting **social and environmental development in our reference regions**.

## TERRITORY AND ENVIRONMENT: AT THE HEART OF COMMON INTEREST

**For us, being a bank** means focusing **on common interest** and **cooperation** between all social actors.

We want to make a concrete contribution to the creation of a sustainable and responsible development model that promotes **inclusion** and **respect for the environment**. Our membership in the **UN Global Compact** also reinforces our commitment to this path.

With 8 **Regional Departments**, **9 Foundations** and **7 Local Committees**, we are able to intercept and listen to the needs of the communities, to implement initiatives and projects to enhance the local area.



### UN GLOBAL COMPACT: THE PACT FOR SUSTAINABLE DEVELOPMENT

Respect for human and labour rights, environmental protection and the fight against corruption: these are the inspiring principles of the **sustainable global economy** model promoted by the United Nations through the **Global Compact**.

It is a voluntary commitment and network that calls on governments, businesses and civil society to work together to build a sustainable and inclusive economic model. Since its launch in 2000, the Global Compact has been joined by **more than 18,000 companies** from **160 countries** around the world.

The Global Compact member companies are actively committed to contributing to the achievement of the goals of the UN's **2030 Agenda for Sustainable Development** by integrating the **17 Sustainable Development Goals** (SDGs) set out in September 2015 into their growth strategy and their daily activities.



## GROUP PROFILE

Banco BPM operates directly in commercial banking, also through eight Regional Departments, and through specialised companies, subsidiaries and associates, in all the main market segments: private and investment banking, bancassurance, leasing and factoring, consumer credit. Real estate companies support the business.

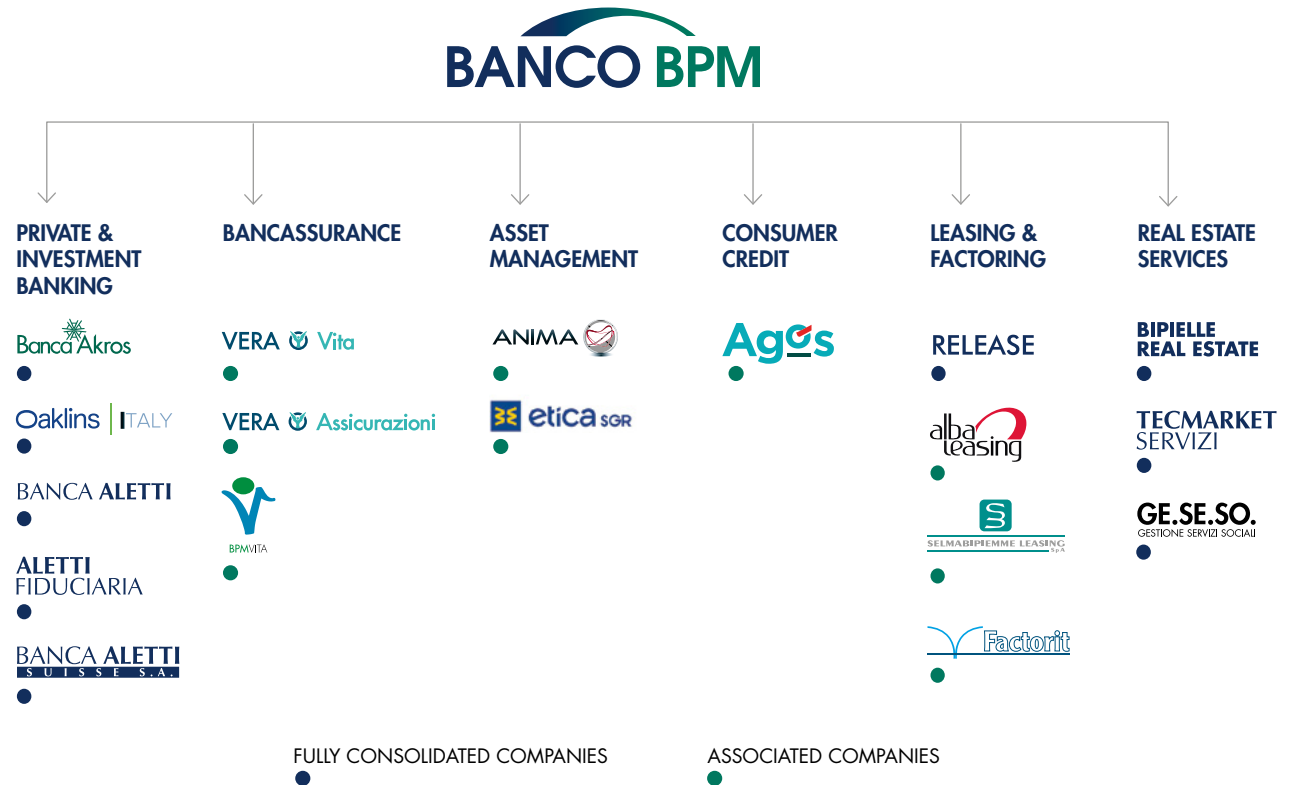
The diagram below shows the main companies consolidated on a line-by-line basis, associated companies and investee companies, organised by area.

During 2021, the rationalisation of the Banco BPM Group's corporate and operational structure continued. Specifically, in the consumer credit sector, Profamily was merged with Banco BPM with legal effect from 19 July 2021, while in the leasing sector, the project to incorporate Release spa into the Parent Company was launched. This transaction was completed with the merger taking legal effect on 21 February 2022.

Also, in the real estate sector, the project for the incorporation of Bipielle Real Estate spa into the Parent Company was launched, which was completed with legal, accounting and fiscal effect on 1.1.2022.

Finally, in the investment banking segment, Banca Akros acquired 100% of the capital of Oaklins Italy Srl with the aim of further strengthening its position in the M&A market and increasing its role as a reference point for Italian mid-caps in all areas of corporate and investment banking.

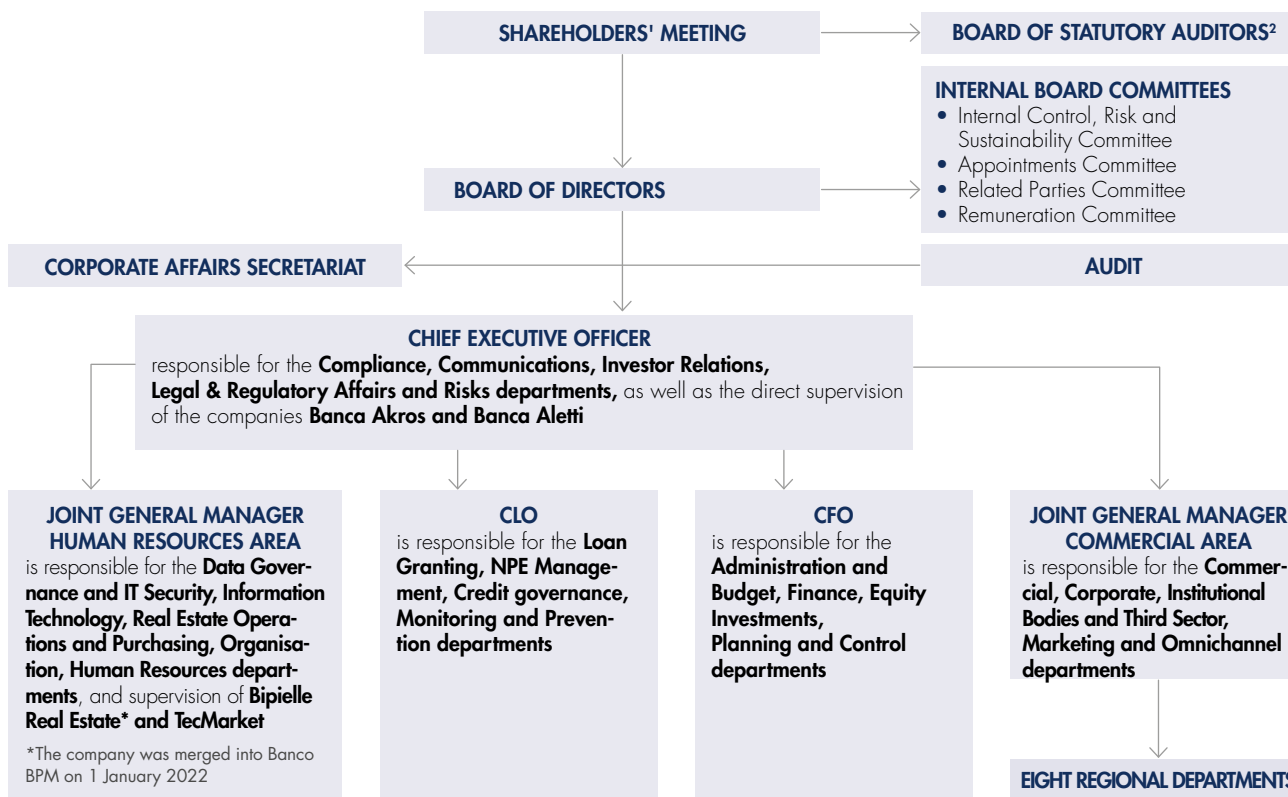
This Statement, in line with the Consolidated Financial Statements, refers to all fully consolidated companies except for the exclusions specified in the Note on methodology. Any reductions in the scope are reported within the chapters.



# Organisational and governance model

We adopt a traditional governance model<sup>1</sup> consisting of:

- **Shareholders' meeting:** responsible for appointing the Board of Directors (BoD) and the Board of Statutory Auditors and determining the remuneration; convened at least once a year and resolves, among other responsibilities, on the approval of the annual Financial Statements and the allocation and distribution of profits.
- **Board of Directors:** performs the duties of strategic supervision and company management.
- **Board of Statutory Auditors:** oversees auditing activities, monitoring, inter alia, the observance of legislation and the adequacy of the organisational and administrative/reporting company structure.



€ 7.1 BILLION  
Share Capital

~290,000<sup>3</sup>  
shareholders

## MAJOR PUBLICLY KNOWN SHAREHOLDERS<sup>4</sup>:

An analysis of the shareholding structure, based on public<sup>5</sup> and internal information, shows that the 'institutional' shareholders own 45.8% of the capital.

The main ones are<sup>6</sup>:  
Capital Group 4.99%

<sup>1</sup> Please refer to the Report on Corporate Governance and Ownership Structure ([gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Corporate Governance > Corporate Governance Reports), for information on the process for electing members of the Board of Directors, with particular reference to gender diversity, and their attendance at meetings, the functions of the CEO and the Chairman and the relationship between the two positions, the shareholders' right to vote on the remuneration policy and resignation of Board members, and the criteria for selecting potential candidates for the office of director.

<sup>2</sup> The Board of Statutory Auditors consists of five Standing Auditors, one of whom is between 30 and 50 years of age, and the remainder of whom are over 50 years old, and of whom two women and three men.

<sup>3</sup> Approximately 190,000 depositors with the Banco BPM Group as at 31/12/2021 and approximately 100,000 with other Intermediaries. This figure represents the situation on the date of the dividend payment (21 April 2021 - payment date).

<sup>4</sup> This figure includes the positions of foreign custodians (around 14%), for which the beneficial owners are not disclosed, which are attributable to institutional customers.

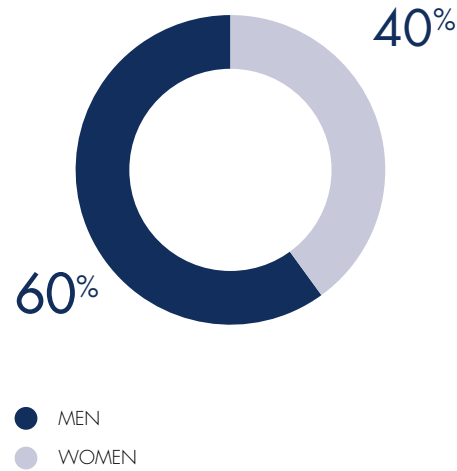
<sup>5</sup> Source: Processing of Bloomberg data (on information provided and updated on a discretionary basis by individual investors and publicly available as at 31/12/2021), 2021 Shareholders' Meeting and Consultation Agreement (entered into on 21 December 2020 and updated on 20 July 2021, which includes 6.17% of Banco BPM's share capital. For further details: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Investor Relations > Stock, shareholding and dividends.

<sup>6</sup> Source Consob.

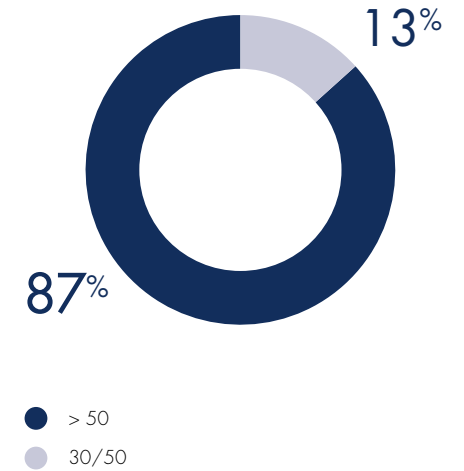
The Banco BPM **Board of Directors** was re-elected in the course of the Shareholders' Meeting of 4 April 2020 and consists of **15 individuals** with varying backgrounds to ensure a balanced combination of skills, experience and suitability to perform the required duties<sup>7</sup>. The composition of the Board of Directors, as established in the Articles of Association, ensures a balance between genders.

As part of the Board of Directors' **self-assessment process**<sup>8</sup>, the questionnaire submitted to its members has included a specific section on **sustainability** since 2020, asking them to assess how the Board handles ESG issues.

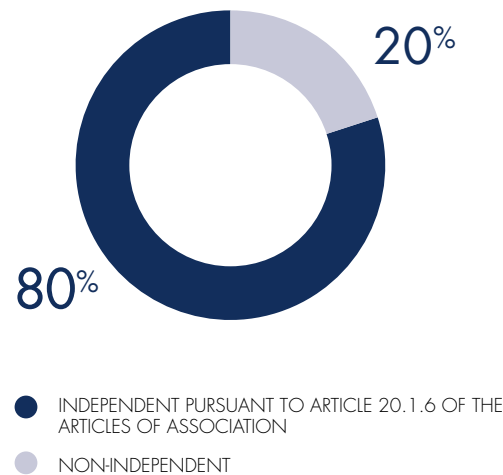
**DIRECTORS BY GENDER**



**DIRECTORS BY AGE**



**DIRECTORS BY INDEPENDENCE**



<sup>7</sup> According to the provisions of the law in force at the time and of the Articles of Association. In particular, the members of the BoD must meet requirements of professionalism, integrity and independence, and respect the criteria of competence, fairness and time commitment and the specific limits regarding multiple roles.

<sup>8</sup> For information on how the performance of Board members is assessed: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Corporate Governance > Corporate Governance Reports - Report on Corporate Governance and Ownership Structure

## COMPOSITION OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

	BANCO BPM BOARD OF DIRECTORS	INTERNAL CONTROL, RISK AND SUSTAINABILITY COMMITTEE	REMUNERATION COMMITTEE	APPOINTMENTS COMMITTEE	RELATED PARTIES COMMITTEE
<b>No. of Directors</b>	<b>15</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>3</b>
Of which executive	1	0	0	0	0
Of which non-executive	14	5	3	3	3
Of which independent pursuant to Article 20.1.6 of the Articles of Association <sup>9</sup>	12	4	3	2	3
Of which women	6	2	1	1	2
Of which men	9	3	2	2	1
Of which < 30 years	0	0	0	0	0
Of which 30-50 years	2	0	1	0	2
Of which > 50 years	13	5	2	3	1

DIRECTORS DIVIDED BY AREA OF EXPERTISE<sup>10</sup>

Banking and financial business		13
Other financial businesses		9
Legal-economic and/or accounting experience		7
Strategic planning, knowledge of corporate strategy guidelines or the industrial plans of banks and relative implementation		10
IT and Digital		3
Governance and organisational structures		7
Human Resources and remuneration systems		5
Risks and controls		13
Marketing and commercial		6

<sup>9</sup> Article 20.1.6 of the Articles of Association of Banco BPM contains a definition of independence which, on the one hand, considers the provisions of Article 148, paragraph 3 of the Consolidated Law on Finance and the recommendations contained in the Corporate Governance Code of Borsa Italiana and, on the other, fulfils the requirement to enable the straightforward certification of relevant situations (relating to decree of relationship, economic or professional relationships, etc.). Said statutory provision also makes reference to a board resolution regarding the identification of the quantitative and/or qualitative criteria used to determine the relevance of certain relationships in which the requirement of independence is deemed not to exist. The resolution was adopted by the Board of Directors at the meeting of 1 January 2017 and subsequently updated at its meeting of 8 April 2021.

<sup>10</sup> For more details on the names and specific responsibilities of the members of the BoD: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Corporate Governance > Corporate Bodies

## SUSTAINABILITY GOVERNANCE

To monitor ESG issues, which are increasingly integrated into the company's strategy, we have adopted an effective governance model that outlines clear and shared roles and responsibilities.

The **Board of Directors** defines the management and coordination policies regarding non-financial disclosure, the socio-environmental policies and annually approves the Consolidated Non-Financial Statement and the associated materiality analysis.

During 2021, to strengthen its role as strategic support for ESG activities, the Control and Risk Committee was renamed the **Control, Risk and Sustainability Committee**. This Committee, which also has a **Director as a contact person for ESG issues**, oversees the issues in the first instance, as well as the activities related to the preparation of the *Consolidated Non-Financial Statement*.

In the course of 2020, the **Environmental, Social and Governance Management Committee** (ESG Committee) was formed, chaired by the Chief Executive Officer and with the two Joint General Managers as well as nearly all top managers of the Bank as its permanent members. Its main tasks include evaluating the Group's positioning and coordinating all the activities required to achieve the strategic sustainability objectives.

The **ESG Operational Committee** was set up in 2021 and consists of the Project Management Officers and the heads of the seven fields launched with the aim of strengthening and implementing the integration of sustainability within the company's business, coordinating the various activities. It reports directly to the ESG Committee.

The **Sustainability structure** has the objective of overseeing and giving greater impetus to all the Group's ESG activities and ensuring their disclosure to all stakeholders.

## RELATIONSHIPS WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY

The relationship with shareholders and the national and international financial community (analysts, institutional investors, rating agencies) is fundamental for us to foster the transparent and timely communication of financial and non-financial data and Group strategies.

Almost all meetings with investors took place virtually, allowing constant and fruitful dialogue with stakeholders.

### EVENTS WITH A SPECIFIC ESG FOCUS

Of all the events in the year, five met for a total of 28 investors, with a **specific focus on ESG issues**.

In detail, Banco BPM, also involving the Sustainability team, took part in two ESG conferences (Borsa Italiana Sustainability *Digital Week* and the *Global Sustainable Finance Conference*) and held a virtual Roadshow as part of the presentation to the market of its Green, Social and Sustainability Bond Framework, as well as two other meetings with investors on ESG issues.

### IN CONTINUOUS DIALOGUE WITH STAKEHOLDERS

**Transparent communication of results and strategies**

**97** events organised in 2021

**453** investment companies and other institutional financial entities met by IR teams and top management

**5** webcast conferences to present results and the 21-24 Strategic Plan in 2021

**Meetings with shareholders: topics addressed in 2021**

- Economic and financial results
- Commercial performance
- Implementation of lending measures launched by the government to support businesses and households impacted by the Covid-19 crisis
- Strategic targets (following the approval and presentation of the new 2021-2024 Strategic Plan in early November)
- ESG results and strategy

## Remuneration policies

Consistent with the path taken with the Policy 2020, **Policy 2021 has expanded and strengthened the integration of ESG objectives in incentive plans** to highlight the importance of these aspects for efficiency, effectiveness and business continuity in the medium to long term, in the interest of all stakeholders and further enhancing our role in the sustainable and inclusive development of the country.

The remuneration of the Group's employees is divided into fixed and variable components. The **fixed component** of remuneration **reflects professional experience, organisational responsibilities and technical expertise**, according to a principle of equal opportunities and fair pay. The **variable component is performance-related** and allows staff to be valued, recognising their individual contribution to the achievement of results

### THE VARIABLE PART OF REMUNERATION: INCENTIVE SYSTEMS

The enhancement of personnel and, in particular, the recognition of the contribution of employees to the achievement of objectives, also take shape through an incentive system, which is an integral part of remuneration<sup>11</sup>.

Our remuneration policy includes both a Short-Term Incentive (STI) and a Long Term Incentive (LTI) Plan.

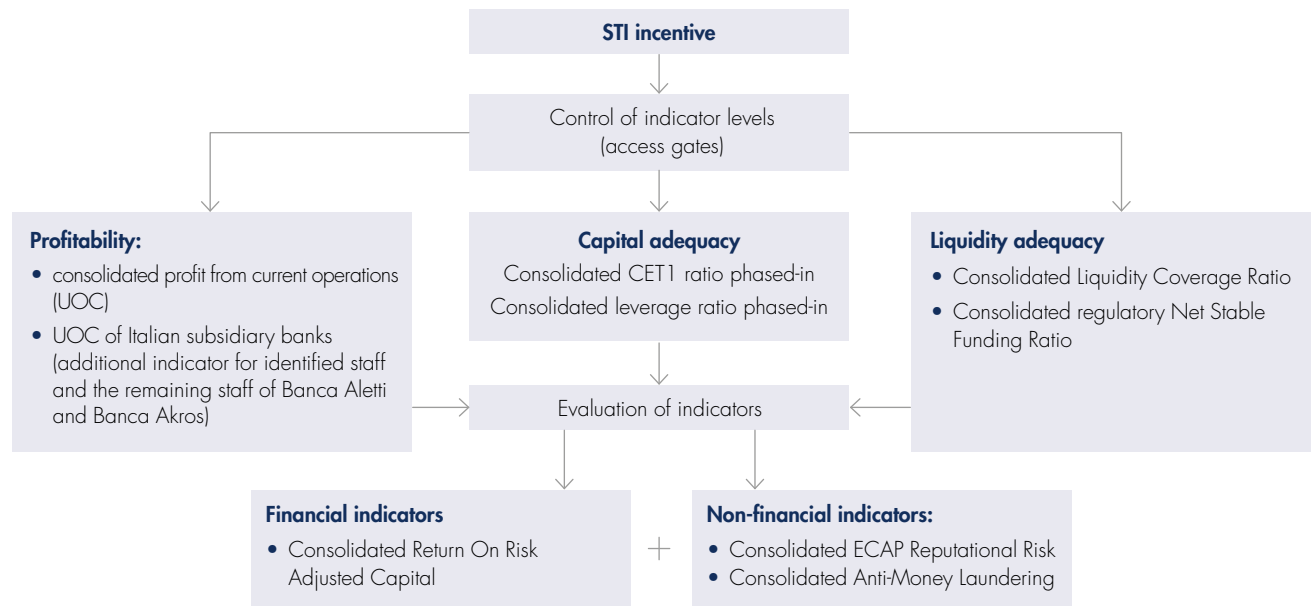
### GOVERNANCE AND OBJECTIVES OF THE REMUNERATION AND INCENTIVE POLICY

<p><b>GOVERNANCE</b></p>	<p><b>Drafting, preparation and control process (with the relative competence of each):</b></p> <p>Corporate bodies (BoD, CEO, Board committees), corporate departments and corporate control departments</p>	<p><b>Approval</b></p> <p>Shareholders' Meeting</p>
<p><b>OBJECTIVES</b></p>	<ul style="list-style-type: none"> <li>• Attraction and retention of professionals</li> <li>• Pursuing long-term strategies</li> <li>• Proper conduct</li> <li>• Interest of all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Correct risk management</li> <li>• Customer protection</li> <li>• Gender neutrality</li> <li>• Internal and external equity</li> </ul>

<sup>11</sup> For more information: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Corporate Governance > Remuneration policies

### SHORT-TERM INCENTIVE (STI)

The 2021 Policy establishes that the incentive linked to the achievement of the annual objectives of the **Short-Term Incentive Plan (STI)**<sup>12</sup> is recognised on the basis of the performance achieved if the objectives of profitability<sup>13</sup>, capital resources and liquidity levels (the so-called *access gates*) are reached; the economic resources actually available at the end of the year are determined on the basis of financial and **non-financial** indicators, the latter being indicators linked to **reputational risk** (ECAP Reputational Risk) and **Anti Money Laundering (AML)**<sup>14</sup>. The STI Plan is intended for both **identified staff**<sup>15</sup> and other staff.



<sup>12</sup> For more details, see section 6.5 of the Policy on remuneration report and payouts awarded 2021 (Section I)

<sup>13</sup> The award of the incentive to identified staff of departments with control tasks is not subject to profitability indicators, to avoid, as envisaged by the Bank of Italy Supervisory Regulations, that the same is linked to economic results.

<sup>14</sup> For more details, see sections 6.4.1 and 6.4.2 of the Policy on remuneration report and payouts awarded 2021 (Section I)

<sup>15</sup> Parties whose professional activity has or may have a significant impact on the Group's risk profile. These include, among others, the CEO, the General Manager (where appointed), the Joint General Managers and the Managers in the first line of management of the Parent Company, the CEO, the General Manager, the Joint General Manager and the Deputy General Manager (where present) of Banca Aletti, Banca Akros and ProFamily,

**The objectives set forth in the Short-Term Incentive plan also include those linked to ESG factors.** In fact, for the **Chief Executive Officer and executives with strategic responsibility at the Parent Company** (excluding those in departments with control tasks<sup>16</sup>), the issuance of green or social bonds and ESG lending<sup>17</sup> are included as ESG objectives.

Variable components are not planned for the members of the **Board of Directors** without individual contract.

<sup>16</sup> For more details, see section 6.5.2 of the Policy on remuneration report and payouts awarded 2021 (Section I)

<sup>17</sup> For more details, see section 6.5.1 of the Policy on remuneration report and payouts awarded 2021 (Section I)

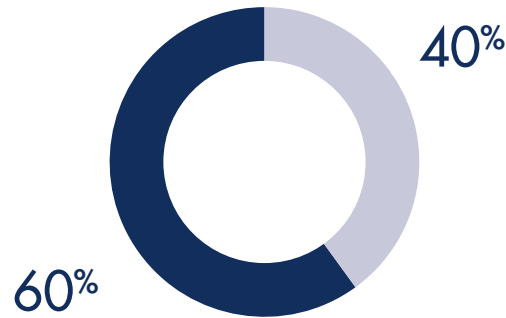
For the most significant staff receiving incentives and for specific figures in the Group's commercial networks, the incentive is assigned, at the start of the system through the assignment of an objectives form to be compared with the results achieved at the end of the year<sup>18</sup>.

For identified staff, the payment of the variable part of remuneration includes an **up-front instalment** and five or three **annual deferred instalments subject to the successful verification of future conditions**<sup>19</sup>.

<sup>18</sup> For more details, see section 6.5 of the Policy on remuneration report and payouts awarded 2021 (Section I)

<sup>19</sup> For more details, see section 6.6.2 of the Policy on remuneration report and payouts awarded 2021 (Section I)

**CEO STI INCENTIVE**



- **UP FRONT PORTION**  
50% SHARES | 50% MONETARY PORTION
- **PORTION DEFERRED IN FIVE ANNUAL INSTALMENTS**  
55% SHARES | 45% MONETARY PORTION

For the vested shares, a one-year **retention period** is envisaged for both up-front and deferred portions<sup>20</sup>.

For **employees** to whom no targets are assigned, the Short-Term Incentive plan is based on the assessment of the applicable structure manager with respect to the achievement of its qualitative/quantitative objectives.

<sup>20</sup> For more details, see section 6.6.2 of the Policy on remuneration report and payouts awarded 2021 (Section I)

**LONG TERM INCENTIVE (LTI)**

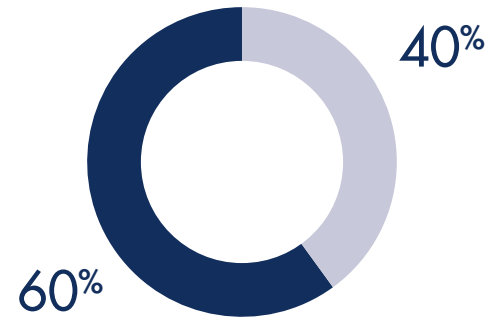
**In 2021, the Long Term Incentive Plan (LTI Plan)\* was activated.**

The incentive related to the LTI plan is paid in full in Banco BPM ordinary shares.

The shares recognised<sup>21</sup> are paid out over six or four years. Vested shares are subject to a one-year retention period.

\*On 1 March 2022, the BoD of Banco BPM approved the key terms of Banco BPM's share-based compensation plans. The Plans will be part of the Remuneration Policy that the Group will adopt for 2022 (subject to approval by the Shareholders' Meeting of 7 April 2022), to support the 2021-2024 Strategic Plan and align the interests of management and shareholders, remunerating the Group's strategic resources according to value creation in the medium-long term. With specific reference to long-term incentives, these plans have been aligned to the time horizon and objectives of the 2021-2024 Strategic Plan through the introduction of the 2022-2024 LTI plan, which is in addition to the 2021-2023 LTI plan launched in 2021, at no additional cost with respect to what was approved by the Shareholders' Meeting in 2021. The levels of achievement of certain objectives have been raised to align them with the more challenging objectives envisaged for 2023 in the 2021-2024 Strategic Plan (see the announcement made to the market on 1 March 2022).

**LTI<sup>21</sup> INCENTIVE, SPLIT INTO INSTALMENTS**



- **UP FRONT PORTION**
- **ANNUAL DEFERRED INSTALMENTS**

**RESTITUTION MECHANISMS IN CASE OF MISCONDUCT**

Regarding both the STI and the LTI<sup>22</sup>, when **misconduct** is identified, such as suspension measures or breaches of obligations imposed by provisions of law, regulations or the articles of association or non-compliant or fraudulent conduct resulting in significant harm to customers or a Group bank, the Board of Directors may activate mechanisms for returning incentives already accrued, from the time of their accrual and for the next five years.

**FROM CARING FOR THE ENVIRONMENT TO EMPOWERING FEMALE TALENT: MANAGERS ASSESSED AND VALUED ON SUSTAINABILITY PARAMETERS**

The **Long Term Incentive Plan (LTI plan)** linked to the performance to be achieved in the three-year period 2021-2023 focuses managers' attention not only on capital, liquidity and economic objectives, but **also on issues related to sustainability**: environmental issues, the empowerment of female talent, the creation of a culture of sustainable finance for all Group stakeholders and corporate volunteering in support of non-profit associations<sup>21</sup>.

<sup>21</sup> For more details, see section 6.8.2.2 of the Policy on remuneration report and payouts awarded 2021 (Section I)

<sup>22</sup> For more details, see section 6.7 and 6.8.2.4 of the Policy on remuneration report and payouts awarded 2021 (Section I)



# Financial and non-financial risk management

We have worked on sound financial risk management, which is essential for a banking company, accompanied by a strong focus on ESG risks<sup>23</sup>, especially climate and environmental risks, which have become and will become increasingly important.

## THE PROCESS OF IDENTIFYING RELEVANT RISKS

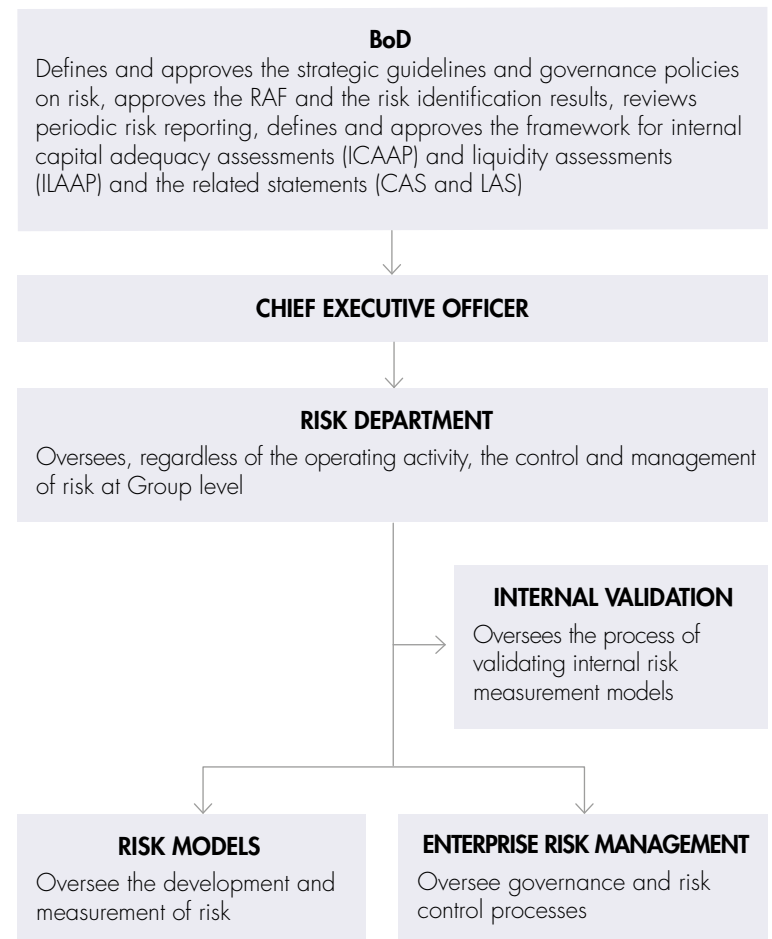
**Risk identification**<sup>24</sup> constitutes one of the fundamental information sources for feeding all the main strategic processes of the Group, including the Industrial Plan, Budget, RAF, ICAAP and ILAAP, Recovery Plan. This process is carried out at least once a year, involving some of the Group's key figures, and aims to **identify all the current and emerging risks** to which the Group is or could be exposed, both in normal and adverse scenario conditions, also from a forward-looking perspective (three years).

## ORGANISATIONAL MODEL

**BACKGROUND OF THE RISK MANAGER**  
Degree in Economics with many years of experience in management control and risk control gained in the industrial and banking sectors. After business experience in the consumer finance sector, he served as CRO and CFO

<sup>23</sup> For a detailed overview of the risk management system, refer to the relevant section of the Consolidated Financial Statements - Part E of the Notes

<sup>24</sup> As regards non-financial risks associated with the material topics, please refer to the individual chapters.



## SUSTAINABILITY, AN INCREASINGLY IMPORTANT SUBJECT

In this context, **sustainability issues** continue to grow in importance and in 2021 **environmental and climate risks**, among others, were fully formalised within the risk inventory<sup>25</sup>. In particular, we started the process of internal assessment with respect to ESG regulatory requirements, primarily using the 'Guide on climate-related and environmental risks'. In relation to **credit risk**, we are evaluating the potential integration of qualitative ESG elements in the attribution of counterparty creditworthiness in the medium to long term. Regarding **sustainability disclosure in the financial services sector** (SFDR<sup>26</sup>), we are increasingly working on integrating ESG principles into investment processes, consultancy, pre-contractual disclosures and remuneration policies.

## RISK MONITORING AND CULTURE

The risk objectives and limits identified taking into account the areas that emerged from the risk identification process are part of the **Risk Appetite Framework (RAF)** approved by the Board of Directors, through which the Group's risk appetite is defined every year.

**Continuous risk monitoring and control** is accompanied by a timely and periodic flow of information to the BoD and the organisational units involved in risk management, and by the continuous improvement of risk measurement models.

To **disseminate and promote a solid and robust risk culture**, training activities are carried out for the Board of Directors and the Group's employees concerning, for example, operational risks, compliance, safety, administrative liability of banks, Mifid regulations, anti-money laundering, health and safety at work and work-related stress, and finally training on ESG issues. During 2021, the Corporate Bodies were involved in risk induction initiatives with particular reference to the internal control system. Group employees are also actively involved in the identification and mitigation of risks as part of the risk identification and risk assessment processes.

As concerns the development and approval of products and services, the Risk department is a permanent member of the New Products and Markets Committee and expresses **prior technical opinions** on new products, also evaluating the reputational risk profile<sup>27</sup>.

<sup>27</sup> Monitoring is performed on specific areas of the company's reputation (Regulatory Affairs, perception of the financial markets, respect for the mission and ethics principles, disputes/sanctions and IT/services) based on qualitative/quantitative parameters, supplemented by the 'sentiment' component obtained from the web thanks to the use of artificial intelligence and machine learning tools. The estimation methodology adopted also includes the assessment of potential negative economic and financial impacts originating from a sudden deterioration of the Bank's image in relation to the possible occurrence of ESG risks.

<sup>25</sup> For more details, see the chapter 'Climate Change and Green Business'.

<sup>26</sup> Regulation (EU) 2019/2088 on Sustainability Disclosures in the financial services sector

# Business conduct

Aware of the internal and external impact of our activities, **we adopt sound and fair principles of conduct that apply to all relations with stakeholders.**

Through our commitment for transparent and sound business conduct, we help the **national system to function correctly and promote the development of a corporate model based on compliance with regulations and respect for human rights and the environment.**

Our role as operators in the financial system gives us important responsibilities **in preventing and combating corruption and money laundering**, illegal phenomena that damage the economic development of territories and **violate the human rights** of the people who live there, **limiting the growth of the entire social and productive fabric.**

To combat corruption and money laundering, we have adopted **particularly strict rules of conduct**, such as the definition of internal regulations **against active and passive corruption, including international ones**, which are not currently required by the regulations for the banking sector<sup>28</sup> and the application of the **anti-money laundering** regulations also to Group companies and to relations with counterparties not directly subject to the obligations set out in Italian Legislative Decree 231/07.

## ANTI-CORRUPTION

> **111,000**  
training hours

for  
~ **14,000**  
employees

**0** confirmed incidents and dismissals related to corruption events

## ANTI-MONEY LAUNDERING

> **88,500**  
training hours

for  
~ **13,000**  
employees

Automatic controls when entering and modifying data in the register prior to commencing continuous relationships, and continuous checks

<sup>28</sup>In particular, the legislation and the supervision of the sector seek to ensure the efficiency of the markets, to encourage competition, proper conduct, the integrity of company representatives, the transparency of ownership structures and of customer relations and the effectiveness of the organisational structure and the internal control system.

## THE CODE OF ETHICS: FUNCTION AND BASIC PRINCIPLES

The **Code of Ethics** identifies the principles and values that underpin our corporate culture and inspire the daily actions of everyone in our team.

Also provided to third parties with whom legal agreements are entered into, the document states that the Group and all of those that operate for it are committed to respecting **human rights, job protection, and the fight against corruption, organised crime and terrorism.**

Any behaviour, committed in the exercise of one's functions and contrary to these rules, shall be considered a violation of the Code of Ethics and as such may be punished internally.

### KEY PRINCIPLES OF THE CODE OF ETHICS



#### INTEGRITY AND HONESTY

**Compliance** with laws and internal regulations, respect of the professional ethics of personnel and of counterparties.



#### IMPARTIALITY

**Prohibition**, in both internal and external relations, to adopt any form of **discrimination** based on nationality, ethnicity, gender, age, physical or mental disability, sexual orientation, political opinions, membership of trade unions, philosophical opinions or religious beliefs.



#### PROFESSIONALISM, OPTIMISATION AND PROTECTION OF RESOURCES

**Demand and promotion of the utmost professionalism and know-how** among members of corporate bodies, employees and partners; recruitment according to objective criteria and equal opportunities; prevention policies and penalising measures for discriminatory behaviour; physical and mental health and safety of persons operating within the Group.



#### TRANSPARENCY AND COMPLETENESS

**Timely, truthful and comprehensible** financial and non-financial disclosure.



#### ENVIRONMENTAL PROTECTION

**Attention to the** direct and indirect environmental impact generated by the company's activities.

## MANAGEMENT MODEL<sup>29</sup>



### CODE OF ETHICS AND ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/01

**REGULATION AND** procedures governing Related Party transactions

**REGULATION**, procedures and policies to manage at-risk activities and conflicts of interest in relation to Related Parties

#### ANTI-CORRUPTION REGULATION

#### ANTI-MONEY LAUNDERING REGULATION

#### GUIDELINES REGARDING THE MANAGEMENT OF ENVIRONMENTAL AND ENERGY ISSUES AND THE FIGHT AGAINST CLIMATE CHANGE

**GUIDELINES ON THE INTEGRATION OF SUSTAINABILITY RISKS** in the provision of investment services

Taxation **REGULATION**

**Italian Legislative Decree 231/01** envisages a regime of administrative responsibility for companies for specifically identified crimes or unlawful acts, committed by its employees and/or contract workers in the interests of the companies in question.

For some time now our organisational, management and control system defines, for each one of our companies, the principles of control and conduct that must be adopted to prevent the risk of committing the crimes or unlawful acts envisaged by the decree in the performance of business activities and in relationships with counterparties. More specifically, it refers to active or passive corruption and to crimes relating to the violation of human and environmental rights.

As regards **active and passive corruption**, the model envisages the cases that could arise with relation to the company's activities. Also, **management autonomies and separations of roles, assignments of responsibility and information traceability are established, all measures that seek to prevent and intercept any episodes of corruption.**

**The company's operations are based on an approach that aims to safeguard relations with stakeholders and the community**, also because many of the regulations set forth in the organisational, management and control model pursuant to Italian Legislative Decree 231/01 refer to the contexts provided for by Italian Legislative Decree 254/2016 and refer to sustainability (see the table on the following page).

<sup>29</sup> For further details: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Corporate Governance > Corporate Documents  
 For the Anti-Money Laundering Regulations: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Anti-Money Laundering  
 For the guidelines on managing environmental, energy and climate change issues, the guidelines on integrating sustainability risks in the provision of investment services and the regulations on taxation: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Sustainability > Governance

## BUSINESS CONDUCT AND SUSTAINABILITY

AREAS OF SUSTAINABILITY	231 MODEL PREVENTIVE MEASURES
 <b>ENVIRONMENT</b>	<b>Environmental crimes</b>
 <b>COMPANY</b>	<b>Corporate Crimes</b> , tax offences, money laundering offences, self-laundering and terrorist financing, market abuse offences and all provisions of the Code of Ethics
 <b>PERSONNEL</b>	<b>Crimes relating to workplace safety</b>
 <b>HUMAN RIGHTS</b>	<b>Crimes against individuals including racism and xenophobia</b>
 <b>ANTI-CORRUPTION</b>	<b>Crimes committed against the Public Administration and between individuals</b>

## THE BUSINESS CONTROL SYSTEM

Any behaviour by employees in the performance of their professional roles that contrasts with said provisions, shall be considered a violation of the Code of Ethics and may be punished internally.

All our companies are obliged to adopt the envisaged system of regulations, including the organisational measures we have decided to adopt, adapting them to the specific nature of the activity performed.

Every individual person is responsible for adopting correct conduct, while the task of supervising this process is assigned, with increasing levels of responsibility, to the managers of the individual departments, the audit departments and the strategic supervision and control bodies.

**The system of integrated controls plays a fundamental role as it promotes a culture characterised by fairness, the awareness and oversight of risks, lawfulness and company values.**

The control of the functioning and observance of the organisational, management and control model of each Group company which has adopted the 231/01 model is the responsibility of the relative Supervisory Body, to which reports can be sent relating to the commission of crimes or of actions/behaviour that is not in line with the Code of Ethics, the organisational model and the underlying rules<sup>30</sup>.

In view of the increasing need to migrate from a control system implemented merely as a formal obligation to a system where **correct management is an integral part of 'good business' practices**, various training programmes have been launched for all staff levels, aimed at raising awareness about the importance of the internal control systems as a key driver in the achievement of performance and corporate compliance objectives necessary to safeguard costs, capital absorption and reputation.

Again in 2021, ad hoc training programmes continued for the Regional Division Audit Managers and Branch Audit Representatives, with the aim of building on the specific skills needed to monitor and guarantee the control system.

<sup>30</sup> Also pursuant to Italian Law 179 of 30 November 2017, 'Provisions for the protection of whistleblowers who report crimes or irregularities they have become aware of as part of a public or private employment relationship'.

## WHISTLEBLOWING SYSTEMS

Any conduct that does not comply with the rules can be reported through the violation reporting system, which as at 31/12/21 includes different access channels: a platform dedicated to users within the organisation (so-called **Whistleblowing**), and the **mailbox, both paper and digital**, of the Supervisory Body.

As regards internal reporting, the main channel is the Internal Violation Reporting System (so-called Whistleblowing), which enables any employee to report acts or events that may constitute a breach of the regulations governing banking activities through a web platform, guaranteeing the anonymity and protection of the persons involved. As at 1 July 2021, the new EQS Integrity Line Whistleblowing platform is operational, guaranteeing the complete anonymity of whistleblowers.

Three reports were received in 2021, which led to checks and investigations by the relevant structures. One of them has potential aspects related to anti-corruption, one to a potential workplace safety issue, while the third one has no features related to these categories.

The SB received a total of six reports in 2021, all via the mailbox. After ascertaining that the complaints were not related to the scope of Italian Legislative Decree 231/01, and therefore not relevant in relation to the control activities of the Supervisory Body, the Body nevertheless asked the competent departments to carry out the appropriate in-depth investigations, receiving specific feedback on a timely basis.

It should also be noted that the Internal Audit department has brought the results of an internal audit carried out following a communication sent by an employee to the attention of the Supervisory Body<sup>31</sup>. This communication alleged repeated irregularities in certain company structures. After having carried out the specific checks of which it constantly informed the Body, the Control department did not detect any critical profiles.

### WHISTLEBLOWING CHANNEL

### NUMBER OF REPORTS

### RESULT



SB mailbox

6

Issues not related to 231/01  
Investigations requested from specific departments



Whistleblowing Platform

3

- 1 case detects potential anti-corruption aspects
- 1 case detects potential occupational safety issues
- 1 case does not detect potentially relevant aspects

In 2021, we released the new EQS Integrity Line Whistleblowing **IT Platform** for anonymous reporting.

<sup>31</sup> The communication was not sent through either the whistleblowing platform or to the Supervisory Body's mailbox, so it is not a report and cannot be counted in either of the two categories of reports.

## TAXATION MANAGEMENT

With the awareness that **tax payments constitute an essential contribution for the economic and social development of the community**, we undertake:

- to respect national and international tax legislation, to prevent disputes and to ensure overall business that makes it possible to properly manage and minimise tax risk;
- the proper management of tax obligations, including through adequate organisational controls and the adoption of an internal control system to ensure the timely and complete fulfilment of such obligations;
- to effectively manage the Group's overall taxation;
- to properly determine the tax charge in compliance with provisions and what is legitimately allowed, without making recourse to transactions or activities intended exclusively or primarily to achieve tax savings and without offering products or transactions with such purposes to customers, personnel or third parties.

**Tax risk** is managed through a complex set of organisational controls, within the Administration and Budget department, and procedures that guarantee constant verification of the accuracy of data provided in tax returns, tax payments and communications to the tax authorities. The effectiveness and updating of the above-mentioned controls is periodically verified to enact the necessary mitigation actions and modifications, when required. The Compliance department also oversees the **risk of non-compliance with regulations, including on tax matters**, through a specialised control unit present in the Administration and Budget department, with which it collaborates for risk management and assessment activities and the preparation of information flows. In addition the Group adopted an efficient system in 2021 for the detection, measurement, management and control of tax risk (so-called Tax Control Framework).

In company processes for the approval of transactions, new products and services, the tax impacts and risks linked to such proposals are evaluated.

Any particularly relevant matters are promptly handled so as to eliminate or minimise the ensuing economic and reputational risk. To this end, the opinion of external professionals may be requested or the tax authorities may be asked for their advice through the procedures established by law (e.g., consultations).



**€ 454 MILLION**  
 economic value distributed to Public Administration

The organisational models prepared for the purposes of Italian Legislative Decree 231/01 envisage the possibility to **report alleged violations of tax laws to the Supervisory Bodies** through the reporting channels they oversee.

**We undertake to establish a relationship of full cooperation with the tax authorities**, responding to the requests received as quickly and transparently as possible and making sure to never adopt conducts that could, to any extent, hinder the tax authority’s audit activities or have the effect of concealing the beneficial owners of income flows.

**Overall, the economic value distributed to the Public Administration in 2021 amounted to roughly € 454 million.**

**MAIN RISKS**

**MANAGEMENT METHODS / POLICIES ADOPTED**



**NON-COMPLIANCE WITH LEGISLATIVE AND REGULATORY PROVISIONS**

- Organisational measures to monitor external legislation and update/adapt internal regulations
- Organisational measures to monitor the correct application of legislation
- Personnel training and information
- Internal disciplinary and sanctioning system
- Internal whistleblowing system



**NON-COMPLIANCE WITH COMPANY VALUES AND RELATIVE SELF-REGULATION RULES**

- Organisational measures to update the regulations
- Personnel training and information
- Monitoring the correct application of the regulations and the disciplinary and sanctioning system
- Internal whistleblowing system



**RISK OF MISCONDUCT TOWARDS CUSTOMERS**

- Structured product governance process with decision-making reserved for a specific management committee (New Products and Markets Committee)
- Strengthening (and evolution) of the management model pursuant to Italian Legislative Decree 231/01
- Appropriate training for colleagues

# CUSTOMERS

Can we offer our customers more sustainable finance?

STAKEHOLDERS  
Customers



## OBIETTIVI PER LO SVILUPPO SOSTENIBILE



We want to be a **cornerstone** for our **customers** who have embarked on or are planning to embark on a **path to sustainability**. We have integrated ESG elements into our credit policies and offered products and services to **help** our customers make more sustainable choices and projects. Thanks to our partners in asset and wealth management, we are able to offer **financial products** that promote sustainability-oriented investments.

#### ESG FIELDS



## Snapshots of 2021

**14%**

of corporate bonds are ESG out of the total corporate bonds in portfolios

**> € 8 BILLION**

ESG bond issues backed by Banca Akros

**€ 500 MILLION**

in social bonds issued to help SMEs cope with the Covid emergency

**€ 22.7 BILLION**

in new credit to customers

**80%**

of business banking transactions and **85%** of household banking transactions are carried out through **non-branch channels**

## What we want to offer our customers

- Lending to the real economy to **support recovery and provide liquidity** to companies and individuals in need
- Support for companies wishing to undertake a **transition to a sustainable business model**
- Managing relations by focusing on an **effective commercial offer** and monitoring the **quality of the relationship**
- Adequate **level of IT security and privacy protection**

## What we propose to do

- **Sustainable investment-oriented ceilings**, ESG investment and service offerings, fundraising, dissemination of sustainable culture
- **Customer relationship activities**, analysis of complaints to evolve the product and service offer
- **Facilitated finance measures**, credit to kick-start recovery
- **Investments in IT and data governance**
- **Customer education tools**
- **Data protection** measures and actions

## Transition to a sustainable economy and finance

We are aware of our importance as a financial intermediary in **directing the flow of capital towards sustainable activities** and of our role as promoters of this change in the areas where we operate. We offer financing, services, investment products and dissemination initiatives to be a driving force for all activities that contribute to the **diffusion of a sustainable economic model**.



### SUSTAINABLE FINANCE ACCORDING TO EUROPE

The European Commission defines sustainable finance as finance that takes proper account of environmental and social factors in the investment decision-making process<sup>1</sup>. It thus becomes a tool for directing capital towards activities which, in addition to generating a positive economic return, are useful to society and the environment and thus contribute to creating long-term value.

The transition process requires significant investments not only from the public sector, but also from the private sector, with the strong involvement of financial intermediaries, businesses and citizens.

**The European Union** has created a legislative framework in recent years to encourage the development of sustainable finance and avoid green washing initiatives. The key elements of this legislation are **the Taxonomy**, a dictionary of eco-sustainable activities, and the **Financial Services Sustainability Disclosure Regulation**

, which aims to increase transparency on ESG investments by introducing standards for reporting and disclosing information on sustainable investments<sup>2</sup>.

<sup>1</sup> eur-lex.europa.eu - Action plan to finance sustainable growth, European Commission

<sup>2</sup> EU Regulation 2019/2088 on the sustainability disclosure of financial services (SFDR for short)

### MANAGEMENT MODEL



#### FINANCING ENTERPRISES

to make the business model sustainable

#### ESG INVESTMENT PRODUCTS AND SERVICES

to meet the needs of investors which are increasingly oriented towards products linked to sustainable development

#### COLLECTION OF INVESTMENT BANKING RESOURCES AND SERVICES

linked to initiatives with social and environmental impacts

#### SPREADING ESG CULTURE AND FINANCIAL EDUCATION

## FINANCING ENTERPRISES

In response to the growing attention of business to ESG issues, we created the **2020-2023 Sustainable Investment Ceiling** in 2020.

We are working on increasing the amount and extending the maturity of this funding to align it with the ambitious objectives set out in the new Strategic Plan.



### THE 'SUSTAINABLE INVESTMENTS' CEILING

€ **5 BILLION**  
resources allocated

**2023**

expiry of the plan  
validity

**Purpose of the funding granted:**  
the enhancement of projects with ESG objectives

In 2021, most of the operations concerned environmental and infrastructural interventions. However, there was no shortage of funding whose pricing was also linked to the achievement of social and governance KPIs. Some examples:

### SOCIAL AND GOVERNANCE KPI S

- **Female recruitment with STEM (science, technology, engineering and mathematics) degrees**
- **Improving working conditions**
- **Supporting the community**
- **Improved ESG rating**

Also in the context of **Project Finance**, the operations undertaken mainly concerned projects of an environmental nature, aimed at improving the ecological footprint and developing the circular economy<sup>3</sup>.

<sup>3</sup> Please refer to the chapter Climate change and green business for more details on the financing of environmental projects

## ESG INVESTMENT PRODUCTS AND SERVICES

**Asset management** is one of our core activities, which is why we provide our customers with organisational structures, a specialist company, a diversified product range and personalised advice to meet all their needs.

### PRODUCT TRANSPARENCY: AN INDISPENSABLE PRINCIPLE

Our commitment to providing customers with the most in-depth, detailed and transparent information possible on the products and services we offer is officially enshrined in the **Code of Ethics**: *'The products and services offered to customers must meet their real needs and the use of elusive, vexatious practices or, in any case, practices tending to force their judgement or behaviour is not allowed. Customers must be given clear and comprehensive information on the products and services offered and the relative conditions applied, to facilitate understanding and promote sound decisions'*.

As required by the SFDR, we have published the '**Guidelines on the integration of sustainability risks in the provision of investment services**<sup>4</sup>' on our website.

**Banca Aletti SpA**, the Group's investment centre for asset management, is aware of the importance of the correct and responsible allocation of resources, and therefore works to direct resources towards investments that combine a return on capital with the objective of sustainability.

In 2021, the **service and advisory model** saw the introduction of a number of innovations concerning the three pillars on which the model rests.

## NEW FEATURES OF BANCA ALETTI'S SERVICE AND ADVISORY MODEL



Alongside the traditional model, the BA<sup>3</sup> advisory and service model for private customers was introduced in 2020, which integrates the principles of behavioural finance into the investment process to propose investment solutions that are consistent with the different financial needs and personalities of individuals.

Our commitment to 'sustainable' savings has also been reflected in the integration of ESG factors in the provision of advisory and asset management services, which takes the form, for the qualitative component, of an **evaluation model for UCIs** (*Collective Investment Undertakings*). Through a Due Diligence questionnaire, this model collects information relating to the strategies, policies, processes and investment products of the asset managers with whom the Group has partnerships. The analysis on the integration of quantitative ESG data into investment processes is also being developed.

Growing investor interest in ESG products and the introduction of the SFDR regulation have led to a process of product innovation and an expansion of the offering by all asset managers with which we have distribution agreements.

<sup>4</sup> gruppo.bancobpm.it > Sustainability > Sustainability governance



## PRODUCTS PROMOTING INVESTMENTS IN ESG-CONSCIOUS COMPANIES (PURSUANT TO ARTICLE 8 SFDR<sup>5</sup>)

- Close collaboration continued with **Anima Sgr**, whose offering within the **ESaloGo** system (a system of funds with a particular focus on ESG areas) was enhanced during the year with **Fondo Prudente**, a mixed bond fund
- The new **Comunitam** fund system has been launched which, in addition to attention to ESG factors, integrates the criteria dictated by the **Italian Episcopal Conference**
- The following were placed: the **Anima PrimoPasso ESG 2024** maturity fund, which integrates the analysis of ESG factors into the investment process in a structured manner and excludes controversial sectors (e.g., tobacco, gambling, weapons, etc.), the **Anima Investimento Gender Equality 2026** fund aimed at portfolios which intend to gradually build a presentation towards an equity index linked to companies which value gender equality and the **Patrimonio Crescita Sostenibile** fund, the only fund under art. 8 of the **Patrimonio Personal** System (which offers four different management strategies for portfolio composition)
- **Vera Financial Unit-Linked Sustainable Future 2.0 Policy**, of **Vera Financial**

<sup>5</sup> Products that promote, among other characteristics, environmental and/or social ones, or a combination thereof, as long as the companies in which the investments are made follow good governance practices

<sup>6</sup> No comparison is made with 2020, as from 2021 the products are classified under art. 8 and 9 of the SFDR

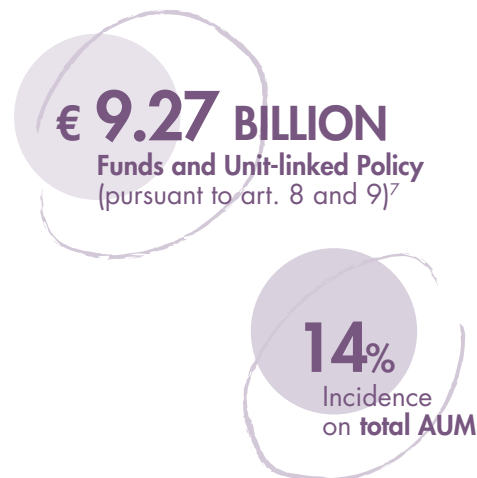
<sup>7</sup> For products managed by asset managers with whom Banco BPM has a relationship, the definition of instruments with sustainability and risk management features is taken on board by the asset managers themselves

<sup>8</sup> Throughout 2021, Banca Aletti received from Nummus.Info, the Portfolio Certification Body complying with the guidelines issued by the Italian Episcopal Conference (CEI), the confirmation of the certification of compliance with the principles and investment guidelines set forth in the document 'The Catholic Church and the management of financial resources with ethical criteria of social, environmental and governance responsibility'

The partnership with **Etica Sgr**, an asset management company with a focus on ethical funds, in which we also have a 19.44% shareholding, has continued since its foundation.

The number of asset managers with whom we work has been expanded and whose offering also includes **SFDR Article 9** funds, i.e., funds that 'have a sustainable investment objective'. During the year, the distribution of UCIs began by **Robeco**, an asset manager recognised for its expertise and experience in sustainability.

## ESG ASSETS MANAGED\*<sup>6</sup>



Within the offer of services, **individual management mandates** are in place for institutional customers that follow exclusion criteria according to principles consistent with Catholicism. These selection restrictions are aligned with customer customisation requests, and respected through a particular focus by the advisor during the portfolio monitoring phase. At 31/12/2021 these mandates, which are not investments under Art. 8 and 9 SFDR, totalled € 276 million<sup>8</sup>.

During 2021, driven by an increasing focus on sustainability, the portion of the **proprietary portfolio** invested in ESG bonds (government and corporate bonds) more than doubled to € 756 million at year-end. Regarding the non-government portfolio alone, ESG bonds amounting to € 594 million represent around 14% of the total. The goal for 2022 is to further increase this share, in line with what is envisaged in the 2021-2024 Strategic Plan. In the Alternative Investments and funds portfolio, ESG considerations are also integrated into the choice of **funds** in which the Bank directly invests its own resources.

In particular, during the product due diligence step, the management company and its governance, strategy, fund regulation, team and track record are all analysed.



## COLLECTION OF INVESTMENT BANKING RESOURCES AND SERVICES

In July 2021, we issued our first **Social Bond** (Senior Preferred) maturing on 15 July 2026.

### ESG APPROACH AND ELIGIBILITY CRITERIA: THE GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

In the **Green, Social and Sustainability Bond Framework**, a document aligned with the ICMA (International Capital Market Association)<sup>9</sup> principles, we describe our ESG approach and the eligibility criteria for assets and projects to be financed with the proceeds of the issues.

We have obtained Second Party Opinion (SPO) certification on the Framework from the Institutional Shareholder Services companies group (ISS) as an independent body with expertise in environmental, social and sustainability issues<sup>10</sup>.

To ensure transparency on the allocation of the proceeds of the issue and the social benefits aimed at safeguarding the jobs of SMEs affected by the health emergency, we will publish an annual report throughout the life of the bond.

<sup>9</sup>There are four ICMA principles, which can be summarised as follows: use of proceeds, project selection, management of proceeds and reporting

<sup>10</sup>For the document relating to SPO: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Sustainability > Green Social & Sustainability Bonds Framework > Banco BPM SPO

## ELIGIBILITY CRITERIA OF ASSETS AND PROJECTS

### GREEN BONDS

- **Green building and transport**
- **Renewables**
- **Energy efficiency**
- **Pollution prevention and control**
- **Sustainable water infrastructure**

### SOCIAL BONDS

- **Support to SMEs** (job creation, initiatives to reduce social or gender inequalities or to combat the pandemic)
- **Third Sector**
- **Public health**

### SUSTAINABILITY BOND

- Funding **Green projects** and **Social Projects**

For further information: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Sustainability > Green Social & Sustainability Bonds Framework



### OUR FIRST SOCIAL BOND

Issued within the sphere of the **Green, Social and Sustainability Bond Framework**, the bond financed a selected portfolio of SMEs that have been granted disbursements covered by the public guarantee envisaged by the Liquidity Decree to address the Covid-19 emergency.

Placed on the market at	Maturing	Value
JULY 2021	15 JULY 2026	€ 500 MILLION

Among the sustainable growth solutions to support businesses, in 2021 **Banca Akros**, the Group's Corporate and Investment Bank, participated in the placement of:

- **FIVE ESG bond issues**, for a total value of **€ 8.3 billion**. In particular, it participated as joint bookrunner in the placement of the 'EU Sustainability Bond', 'Sustainability-linked bond', 'Green Notes' (Telecom Italia, Enel, Terna, ASTM) and participated as joint lead manager in the placement of the 'Social Senior Preferred Fixed Bond' of Banco BPM;
- **next Generation EU bond** (NGEU) issued by the European Commission for a value of approximately € 225 million.

Also, it restructured and issued approximately € 4.5 million in **Investment Certificates** with underlying ESG indices.

## SPREADING ESG CULTURE AND FINANCIAL EDUCATION

We are strongly committed to spreading the culture of sustainability.

The most important training initiatives include the launch of the third edition of 'Banca Akros and Banco BPM Elite Lounge', with a focus on sustainability and ESG issues.

**Banca Aletti** has participated in and organised forums and conferences.

In particular:

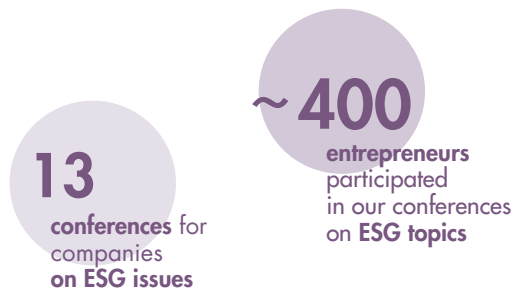
- it spoke at the 17th Italian Private Banking Forum with an interview on the role and approaches of sustainable finance;
- it organised a meeting with the customers of the Tuscany Territorial District in which topics related to business strategy and sustainability were discussed.

To develop internal expertise and enrich analyses on sustainability issues, Banca Aletti, in partnership with a Raiffeisen Capital Management and a major university, has set up an **ESG Scientific Committee** aimed at furthering the relationship between ESG Metrics and the performance of listed companies.

To increase the information content of its equity research on the sustainability aspects of the companies covered, Banca Akros has introduced a new section in its corporate studies dedicated to ESG aspects.

It also participated:

- as an organiser and/or partner at road shows, conferences and seminars where sustainability issues were addressed;
- as Premium Sponsor at Italian Sustainability Week 2021 and as co-organising broker at the Italian Sustainability Partnership.



### MAIN RISKS

### MANAGEMENT METHODS / POLICIES ADOPTED

<p><b>INCORRECT INVESTMENT DECISIONS AND LITTLE FINANCIAL KNOWLEDGE ON THE PART OF CUSTOMERS</b></p>	<p>Financial education initiatives for customers and in communities, also involving employees</p>
<p><b>STRATEGIC RISK RELATED TO FAILURE TO EMBRACE CHANGE</b></p>	<ul style="list-style-type: none"> <li>• Innovation in products and services</li> <li>• Verification of customer preferences</li> <li>• Extension of the range of ESG products</li> </ul>
<p><b>MISSELLING FINANCIAL PRODUCTS</b></p>	<p>Evaluation of effective needs, objectives and risk appetite of customers before the proposal and sale of financial products</p>
<p><b>LACK OF TRANSPARENCY IN REPORTING</b></p>	<p>Code of Ethics, Guidelines and SFDR Regulation</p>

# Customer Relationship

The pandemic has had a major impact on customer habits and the way we work: **the digital sphere is now widely used** for transactions that can easily be carried out remotely; **the local branch remains the reference channel for complex operations**, where the human relationship remains an added value. Accelerated by necessity in 2020, the use of technology now represents a major opportunity.

We intend to continue to build mutually satisfactory and lasting relationships with our customers, following '**criteria of proactivity, courtesy, transparency, collaboration and listening, providing adequate, complete and prompt information**' and managing any complaints with sensitivity, as they constitute an opportunity for improvement, to overcome conflict and boost trust and customer satisfaction<sup>11</sup>.

## MANAGEMENT MODEL

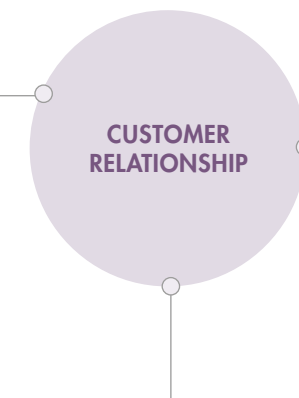


### VALUABLE SOLUTIONS AND EXPERIENCES

Effective commercial offer including services that can add value to the customer relationship

### EFFECTIVE RELATIONAL MODEL

Omnichannel service model that guarantees continuous supervision and efficiency



### MONITORING AND ENRICHING RELATIONS

Monitoring customer relations to implement improvement actions

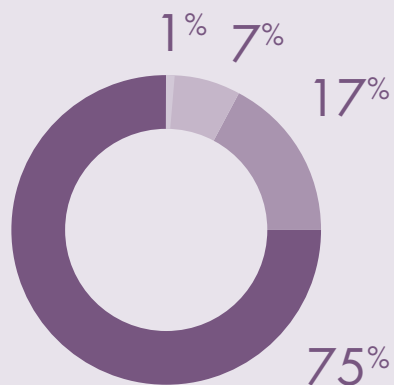
<sup>11</sup> Source: Banco BPM Code of Ethics

## WHO ARE OUR CUSTOMERS?

> **3.7** million customers

### CUSTOMERS BY LOCATION

- **37%** in Lombardy
- **12%** in Veneto
- **10%** in Piedmont
- **9%** in Emilia-Romagna



- NORTH
- CENTRE
- SOUTH AND ISLANDS
- ABROAD

### INDIVIDUALS



- **50%** women
- **12%** only with an online account
- **2 out of 3** customers between 26 and 65 years
- **32%** under 46 years
- **56%** customers for more than 10 years
- **27%** customers for more than 20 years
- **8%** are of foreign origin

<sup>12</sup> This refers to private retail customers. The total number of natural person customers is more than 3.3 million

<sup>13</sup> Performing loans are considered

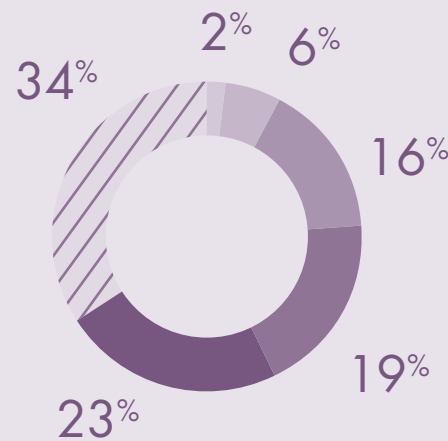
### COMPANIES



- **90%** have a turnover of up to € 2.5 million
- **15%** work in the manufacturing sector
- **81%** of businesses with online channel access are actual users
- **44%** customers for more than 10 years
- **18%** customers for more than 20 years

<sup>14</sup> Does not include the over 109,000 legal entity customers not classified as businesses and the customers of Banca Akros

<sup>15</sup> Performing loans are considered



- /// SERVICES
- TRADE
- CONSTRUCTION AND REAL ESTATE ACTIVITIES
- MANUFACTURING AND MINING ACTIVITIES
- AGRICULTURE, FORESTRY AND FISHING
- PUBLIC ADMINISTRATION AND OTHER

### NON-PROFIT ORGANISATIONS



- **45%** associations
- **34%** entities
- **13%** religious organisations
- **36%** customers for more than 10 years

<sup>16</sup> Does not include customers belonging to the public sector (municipalities, schools, local public entities, etc.)

## VALUABLE SOLUTIONS AND EXPERIENCES

### ACTIONS TO ADDRESS THE CONTINUING EMERGENCY

Again in 2021, from time to time we have consolidated and adapted measures to ensure business continuity and the protection of health, continuing to inform customers and further promoting the use of alternative channels to the branch.

We have made it possible for companies to act via email for many types of transactions as well as access smart lending for the rapid granting of loans with the guarantee of the Guarantee Fund for Small and Medium-sized Enterprises, the suspension of loan instalments and the extension of short-term debts.

In the course of 2022, all commercial operations aimed at supporting the liquidity of companies in the short-term will also be available remotely.

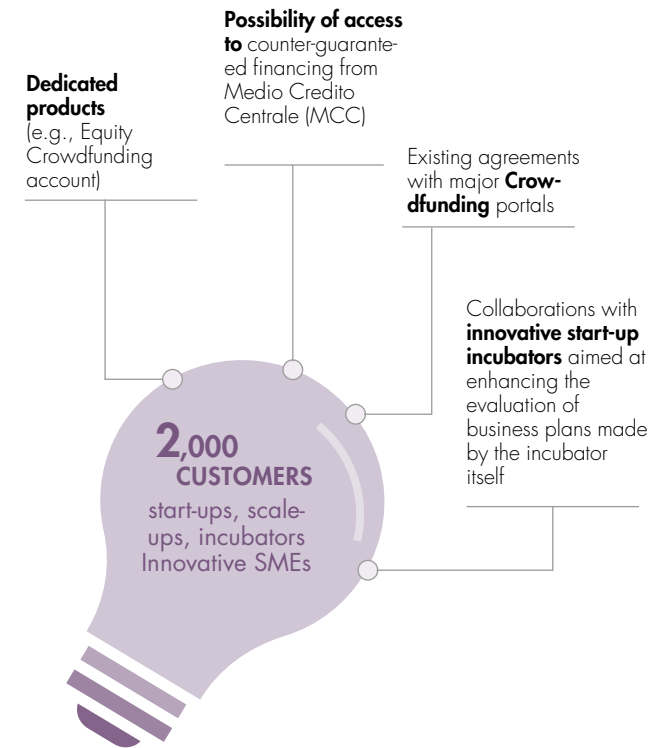
### YOUTH AND START-UPS

We have chosen to extend the benefits established by law to **young people under 36 who decide to buy their first home**, providing subsidised interest rates and eliminating the costs of investigations and instalment collection fees. Thanks to the CONSAP guarantee<sup>17</sup>, up to 100% of the property value can be financed.

We also offer a **loan** (guaranteed by the Youth Credit Fund up to 70% of the amount) **specifically for students** between 18 and 40 who intend to enrol in a bachelor's degree, university master's degree, postgraduate course, PhD abroad or language course.

Our partner Agos also offers a dedicated loan for young people under 36 on favourable terms, which also includes the possibility of deferring the payment of the first instalment for up to 90 days.

### SUPPORTING YOUTH ENTREPRENEURSHIP IN 2021



<sup>17</sup> Public Insurance Services Concessionaire

### NON-PROFIT ORGANISATIONS

We extended the 'bilateral' moratorium towards the Third Sector and Religious Entities excluded from the moratorium with a public guarantee linked to the Covid-19 emergency to suspend the payment of mortgage instalments, and in some cases existing loans were rescheduled and new resources granted for projects with social impact.

In this context, several investee companies of the Public Administration were faced with a drop in revenue flows and an extension of collection times; for them, especially customers in the water and waste cycle sectors, the Bank granted **loans to support short-term needs**.

From 2022 onwards, we will collect information on the impact of the new funding granted to the Third Sector.

Among the initiatives aimed at facilitating the matching of supply and demand for financial resources, mention should be made of participation in the third edition of CANTIERI VICEVERSA, a workshop organised for this purpose by the National Forum of the Third Sector<sup>18</sup>.

To assess the impact of funding to the Third Sector, in partnership with Tiresia-Polytechnic Institute of Milan we carried out a survey of a representative sample of customers.

<sup>18</sup>For more details: [forumterzosettore.it](http://forumterzosettore.it) > Cantieri Viceversa

### ENTERPRISES

Even in the current difficult situation, thanks to our experience and presence in the area, we are a reference partner for companies thanks to our solutions, skills and centres of excellence for any business need.

### ORGANISATION OF THE MAIN BUSINESS SERVICES



GROWTH MAINLY THROUGH BANK LOANS



GROWTH MAINLY THROUGH THE CAPITAL MARKET

#### IDENTIFICATION OF OPPORTUNITIES FOR DEVELOPMENT

**Diversified range** of both traditional commercial banking and non-financial products and services, as well as solutions for international markets

**Network of partners** to offer investment banking services to medium and large enterprises

#### FINANCIAL SOLUTIONS FOR DEVELOPMENT AND EXTRAORDINARY ACTIVITIES

**Analysis of trends**, sector dynamics and financial business structures

**Range of loans** and structured finance solutions with certified operators and institutions (private equity funds, real estate agents, etc.)

**Extraordinary financial transactions**, particularly for SMEs, such as Stock Market trading, capital increases, public purchase offers, SPAC, bond issues, buybacks, private placements, syndication, M&A, spin-offs and securitisations

**Structure** and distribution of instruments to hedge and manage financial risks

**Brokerage activities**, equity research and corporate brokering

#### ACTIVITIES WITH OTHER COUNTRIES

**Range of international products and services**, innovative trade finance activities, partnerships with foreign banks

**Structure** and distribution of instruments to hedge and manage currency risks

#### CULTURE OF GROWTH

Communities to seize **business opportunities** in Italy and abroad

**Management and financial training** tools and programmes aimed at stimulating innovation and business development

## ALONGSIDE COMPANIES



## SUPPORT

- Coping with liquidity shortages (SACE's Italy Guarantee)
- Supporting economic recovery



## RELAUNCHING BUSINESS

- Supporting investments for environmental climate risk mitigation
- Support for rebuilding raw material stocks and opportunities related to the recovery of foreign trade



## SUSTAINABILITY

- € 5 billion *sustainability investment ceiling 2020-2023*
- Supporting the issuance of financial instruments with ESG characteristics



## SUPPORT FOR THE AGRI-FOOD SECTOR

**The Italian agri-food sector represents excellence and an important component of the GDP.**

By the end of 2021, almost 10% of our loans will be to agri-food companies, to which we are dedicating a team of 15 specialists to support the commercial network. During the year we continued to support our businesses, including through subsidised finance initiatives:

- **a product mix** that can respond to and support the investments required under the rural development programme (Semina catalogue);
- **funding dedicated to supply chain projects** and to the agri-food sector in general (including resources specifically dedicated to young farmers and the climate).

As part of the **managerial growth paths** we offer our corporate customers, the **third Banca Akros and BANCO BPM ELITE Lounge** was launched in June 2021, with many companies from different regions and sectors participating in a highly educational path. The purpose is to accompany **the transformation of their visions of growth into sustainable strategic plans and real results**, boosting development potential, promoting ESG projects and facilitating their access to available forms of funding, including public and private capital markets.



It is essential to share skills and experience to more effectively identify solutions to complex needs; in this vein, **a commercial interaction platform 'Sales4Change'**, is fully operational: a community where colleagues share their know-how and collaboratively develop the best solutions to propose to companies.



### SERVICES FOR GROWING BUSINESS ABROAD

2021 saw a **strong recovery in international trade** after the standstill experienced during the first year of the pandemic. Our priority was therefore to help our customer companies to seize the opportunities linked to both new orders and orders that were blocked during the most critical months.

We have taken steps to further improve the **range of information**, services and networks that are essential for doing business abroad:

- **YouWorld** is a platform that provides access to a constantly updated set of information on foreign trade and potential foreign suppliers or buyers. Around 1,000 companies use the service
- **YouLounge** is the B2B platform that allows almost 1,600 participating corporate customers to promote their products/services through a virtual display window. In 2021, YouLounge was enriched with the 'Opportunities' feature, which allows importing companies to search for certain products/services by specifying their characteristics

- **YouTrade Finance**, on the other hand, allows goods operations to be managed electronically, simplifying and optimising the bank-customer relationship and ensuring maximum security through guided procedures.

In 2021, the new **Trade and Export Finance** department was created, which groups all export finance activities with SACE/SIMEST, the Group's international structured finance operations and trade finance operations such as supplier's credit, issue of guarantees and confirmation of credit letters with SACE coverage.

We accompany the growth of our companies also through the **support of Banca Akros**, the Group's Corporate and Investment Bank which, taking up the challenge of sustainability, has participated in 'sustainable' bond issues, in the structuring of investment certificates with underlying ESG indices and in equity research that includes ESG analysis.

Also, as part of the initiatives aimed at **facilitating meetings between listed companies and investors**, both domestic and international, Banca Akros has participated as organiser and/or partner in over 80 road shows, conferences and seminars with Italian and foreign listed companies.

## EFFECTIVE RELATIONAL MODEL

Despite the continuation of the rationalisation of the commercial network with the closure of 300 branches by 2021, **our service model manages to combine economic sustainability with adequate territorial coverage** through branches and specialist centres that address customers with specific needs.

## SERVICE CHANNELS

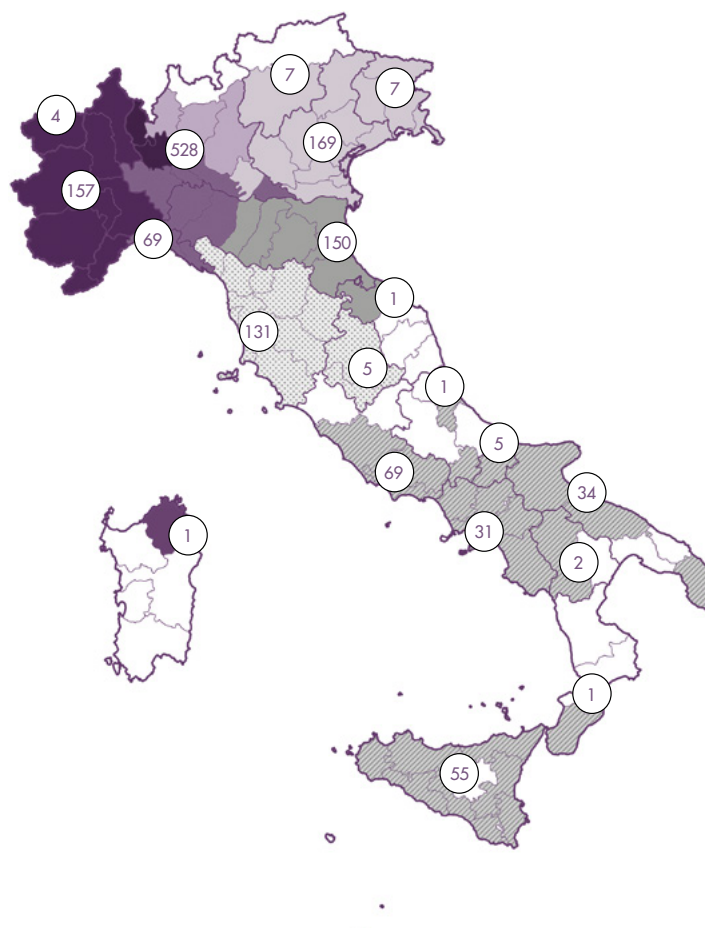
**DIGITAL CHANNEL** Access through **internet banking and the APP** throughout the country

**RETAIL NETWORK** **1,427 Banco BPM branches** divided into **45 areas** in turn divided into **8 Regional Departments**

## SPECIALIST CENTRES

- **18 centres** for businesses with a turnover > € 75 million
- **1 business centre** with a turnover of over € 1 billion
- **1 central department** for non-profit and public sector customers
- **3 centres** with advisors dedicated to institutional customers
- **Banca Akros** offers businesses a corporate and investment banking service
- **Banca Aletti** has 55 units dedicated to customers with large assets
- **1 virtual Webbank branch** for 'pure digital' customers
- **18 branches dedicated** to the partnership with Azimut

## THE REGIONAL DEPARTMENTS OF THE RETAIL NETWORK



## GROUP BRANCHES

No. of branches	
LOMBARDY	528
VENETO	169
PIEDMONT	157
EMILIA ROMAGNA	150
TUSCANY	131
LAZIO	69
LIGURIA	69
SICILY	55
PUGLIA	34
CAMPANIA	31
FRIULI VENEZIA GIULIA	7
TRENTINO ALTO ADIGE	7
MOLISE	5
UMBRIA	5
VALLE D'AOSTA	4
BASILICATA	2
ABRUZZO	1
CALABRIA	1
MARCHE	1
SARDINIA	1



The roll-out of window stickers with the Banco BPM logo continued in 2021, but the branches still retain the signs with the historical brands:



- Banco Popolare Siciliano
- Banca Popolare di Milano
- Banca Popolare di Lodi
- Banca Popolare di Verona
- Cassa di Risparmio di Lucca Pisa Livorno
- Banco S. Geminiano e S. Prospero
- Banca Popolare di Crema
- Cassa di Risparmio di Imola
- Banca Popolare di Cremona
- Banca Popolare del Trentino
- Credito Bergamasco
- Banco S. Marco
- Banca Popolare di Novara

### CONSTANTLY IMPROVING THE DIGITAL EXPERIENCE

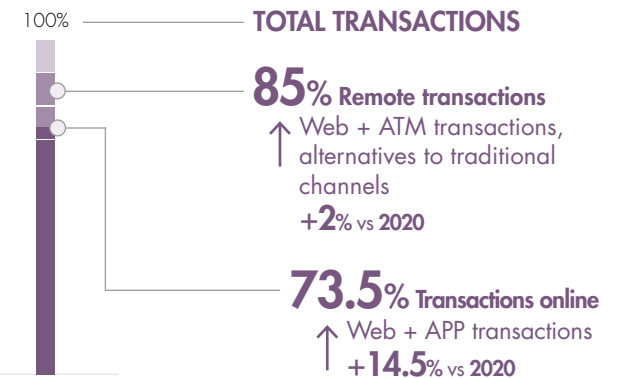
The closure of some branches in Italy took into account considerations of economic and operational sustainability. **Digital transformation** has enabled us to effectively accompany this transition, embracing the new needs and habits of customers, and not only the younger ones.



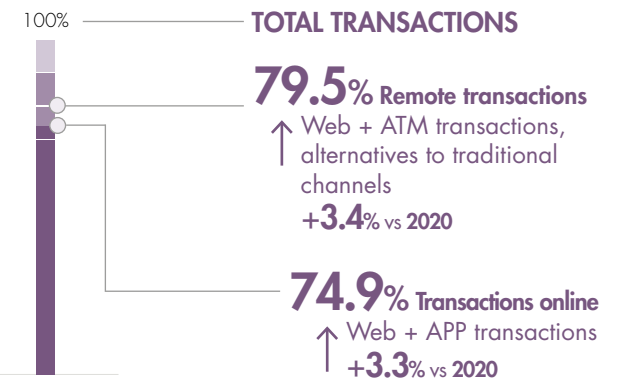
### THE GROWTH OF DIGITAL OPERATIONS IN 2021

The new pandemic context has accelerated the digital transformation and its use and has shown an increase in online operations compared to the previous year for both private and corporate customers. Mobile transactions now account for 57.3% (+5.6% from 2020) of individuals' digital transactions.

#### PRIVATE



#### COMPANIES



### THE NEW APP AND DIGITAL IDENTITY DRIVE MOBILE OPERATIONS AND DEMATERIALISATION

The **growing weight of mobile operations** in total online transactions is also the result of the gradual spread of the new APP, which has been the subject of new feature releases including:

- **for private individuals**, the evolution of the virtual assistant and voice commands, telephone re-contact booking and the mortgage simulator;
- **for companies**, the internal configuration of the most frequently used operations on the web platform, and the release over the next few months of the first version of YouBusiness APP, which will be completed in the coming months with the introduction of the software token to access and authorise the main provisions.

**From March 2021, a digital identity will also be available for the entire network for private customers**, which is a key element for operating in paperless and digital mode, in branches and through the online channels.

~ 380,000

digital identities  
subscribed from March  
to December 2021

>90%\*

of customers  
carries out **online  
transactions** with  
payment cards

The digital identity is a prerequisite for access to the new remote offering process, which from September 2022 will also be available for the financial advisory service through a new document exchange and signature section accessible online. This allows to avoid printing a large part of the forms, optimise costs and execution times and maintain an adequate level of security.

**The new services for companies** enabled on the YouBusiness Web platform includes the **BFM (Business Financial Management) service**, which provides access to important new functions such as the categorisation of transactions, the automatic reconciliation of invoices, the forecasting of future income and expenditure, the management of recurrent movements and the budget allocated to company projects. This allows customers to manage their cash flow autonomously, freeing up resources and time for higher value-added activities. Also, in partnership with TeamSystem, the user experience for the invoice import service from TeamSystem has been improved, making it easier to pay and/or finance invoices.

Personalised suggestions are sent to users on the APP for four different categories of transactions: products, expenses, transaction list and recurring transactions. Furthermore, the **payment account aggregation** service (AISP) is being progressively released, allowing the display of financial situation overviews, an analysis of spending habits and future financial needs.

### DIRECT LINE TO CUSTOMERS: A NEW NEWSLETTER TO KEEP IN TOUCH

Proximity also means **sharing useful content** through our communication tools, which since the end of 2020 include the new **newsletter 'Three minutes with Banco BPM'**. The newsletter allows our customers to benefit, in the language the same customers use at home, from financial education content, advice on topics such as safety, nutrition, health and prevention, as well as being kept up-to-date on news related to the Bank.

\*Customers with K cards (prepaid cards and prepaid cards with IBAN) who make online transactions with PSD2 compliant tokens.

## MONITORING AND ENRICHING RELATIONS

Not only do we aim to have good relationships with our customers, we also intend to maintain and enrich them over time **by monitoring the quality of the relationship and identifying areas for improvement** through satisfaction surveys, listening and complaint analyses.

~187,000

customers involved in customer satisfaction surveys in 2021

15

research projects on various topics, including the user experience of our digital platforms

68

TRI\*M index detected (+1 vs 2020)

~2,100

mystery shopping visits to branches confirm good service levels

In 2021, we further strengthened the tools available for **active listening and experience monitoring**, in particular by optimising the Customer Feedback Management (CFM) platform, which has collected **instant feedback on products, services and processes** since 2020 (around 160,000 instant feedback reports collected up to the end of 2021).

To make the responses to customer needs more effective, a pilot project on companies was launched in 2021 which includes direct contact within a maximum of 48 hours of receiving a request via the YouBusiness Web platform.

### SURVEYS ON ESG ISSUES AND IMPROVING THE OFFER

We have carried out several surveys on **ESG issues**, on the **development of new products and services and the improvement of existing ones**. In addition to specific customer targets, the surveys also involved the 'Insquadra' Panel Community: a group of around 2,000 private customers and 500 corporate customers which have been our benchmark for ongoing customer listening since 2019.

The main evidence of customer experience is shared internally and represents a starting point for continuously improving relations as well as a careful analysis of complaints.

COMPLAINTS AGAINST THE GROUP	2021	2020	CHANGE
<b>Complaints received</b>	<b>7,418</b>	<b>9,088</b>	<b>-18.4%</b>
- of which relating to banking	6,673	7,914	-15.7%
- of which relating to investment	581	811	-28.4%
- of which relating to insurance	164	363	n.s. <sup>19</sup>
<b>Complaints processed</b>	<b>8,188</b>	<b>8,371</b>	<b>-2.2%</b>
- accepted	2,175	2,762	-21.3%
- partially accepted	1,944	2,186	-11.1%
- rejected	4,069	3,423	18.9%
<b>Processing times (average no. of days)</b>			
- for banking services	29	24	20.8%
- for investment products	34	36	-5.6%
- for insurance products	22	25	-12.0%

<sup>19</sup> n.s.: insignificant percentage deviation considering the number of insurance complaints in relation to the total

**During the year, we saw a reduction in the number of complaints received<sup>20</sup> in all the categories analysed,** including bank complaints, which had seen a significant increase in 2020, mainly due to disruptions linked to the health emergency.

Among the significant issues that marked the trend in complaints in 2021, in addition to overcoming the problems strictly related to the pandemic, there was a slight increase in complaints relating to credit/debit cards; the emergence of new types of complaints related to the disavowals of payment transactions and assignment of salary-backed loans; a slowdown in complaints relating to financial products and especially insurance products. The analysis of complaints is shared internally to define and implement the necessary improvement actions.

## MAIN RISKS

## MANAGEMENT METHODS / POLICIES ADOPTED

### NEGATIVE IMPACTS OF THE PANDEMIC EMERGENCY ON CUSTOMERS

Continuation of actions aimed at supporting customer liquidity by facilitating financing requests through the digital channel

### POSSIBLE DETERIORATION OF RELATIONS WITH CUSTOMERS

Offer comprehensive solutions, continuous monitoring of the quality of customer relations and involvement of customers when developing products and services and in actions for improvement

### FAILURE TO SEIZE THE OPPORTUNITIES OFFERED BY DIGITALISATION

Actions, organisational supervision, investment and training that seek to manage customer relations, work procedures and tools effectively

<sup>20</sup> The figures on complaints do not consider those relating to reporting to Intermarket Diamond Business S.p.A. by customers interested in purchasing diamonds. At 31/12/2021, a total of 24,211 submissions were received, 565 of which relating to 2021, of which 20,607 subject to settlement agreements formalised with customers (equal to 85.1% of complaints received). For further details, please refer to the Annual Financial Report. Also, the disavowals were removed from the 2020 figures, as they were not considered *complaints*. The reduction in complaints handled correlates with the trend in complaints received.

## Credit for the country's recovery

2021 was a year of economic growth for the country, but this did not affect all sectors equally.

**This context required us to provide different answers to different customer needs:**

- **support** to those who found themselves in persistent economic difficulties;
- **support** to those who have managed to catch up;
- **advice** to seize the opportunities offered by the resources allocated in the NRRP.

### MANAGEMENT MODEL



### LENDING POLICIES

Policies oriented towards business sustainability, with a view to optimising the risk/return ratio while also taking into account assessments on environmental sustainability and more generally on ESG aspects

### MONITORING CREDIT AND IMPROVEMENT ACTIONS

Continuous monitoring of credit quality and adequate corrective actions

### LENDING TO REAL PEOPLE AND THE ECONOMY

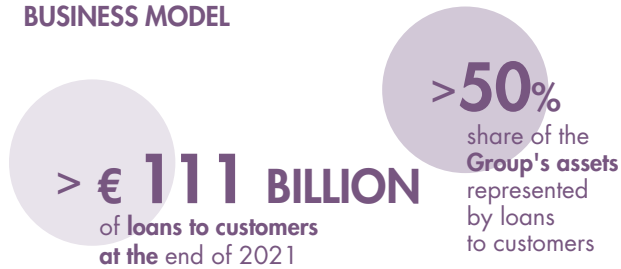
### GRANTING LOANS

Granting loans to individuals and the real economy in both ordinary and subsidised form

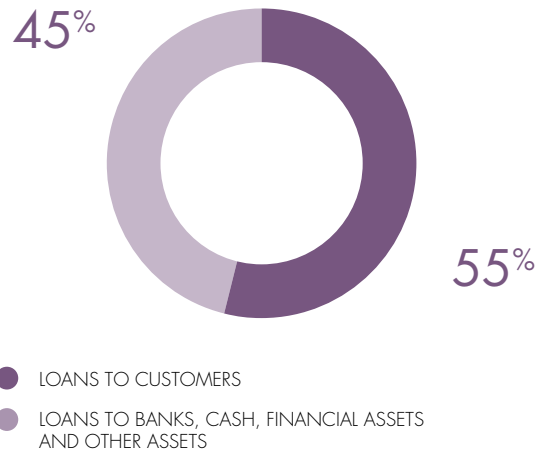


## LENDING POLICIES

### A STRONGLY CREDIT-ORIENTED BUSINESS MODEL



### GROUP ASSETS\*



- LOANS TO CUSTOMERS
- LOANS TO BANKS, CASH, FINANCIAL ASSETS AND OTHER ASSETS

\*Data as at 31/12/2021. The data of loans to customers refer to gross performing cash and unsecured loans, excluding senior notes relating to own securitisations.

## LENDING POLICIES

The goal of our **lending policies** is to guide lending growth with a view to optimising the risk/return ratio and limiting the cost of prospective risk, while supporting the development of sectors and businesses with positive economic and financial outlooks.

### SUPPORTING SECTORS IN DIFFICULTY

With the state guarantees, in 2021 we supported the sectors most affected by the economic crisis.

### THE MOST SUPPORTED SECTORS IN 2021

- Tourism
- Catering
- Clothing
- Transport means
- Construction

Furthermore, taking into account the European Banking Authority (EBA) guidelines on credit origination and monitoring, **we refined the procedure for analysing financial sustainability in the definition of the credit strategy**, which was previously carried out directly by the deliberator.

### THE AGRI-FOOD SECTOR AND SPECIFIC LENDING POLICIES

Also, **specific policies have been implemented for the agri-food sector**, a significant sector considering the presence of agricultural and food companies in our areas, integrating the components that contribute to the definition of the lending strategy (sector outlook, company positioning, financial sustainability) with the completion of a specific questionnaire that explores the reference context, the characteristic aspects of production (agricultural or industrial) and environmental sustainability.

• The new 2022 lending policies will see the **integration of ESG assessments and** will value those companies that **have or will invest in sustainability projects**<sup>21</sup>.

<sup>21</sup> For more details, see the chapter 'Climate change and green business'



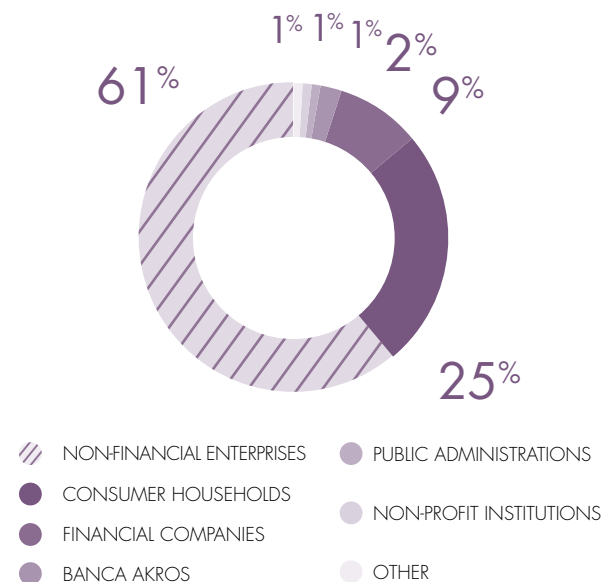
## GRANTING LOANS

During 2021, **new loan disbursements to households and enterprises** amounted to **€ 22.7 billion**.

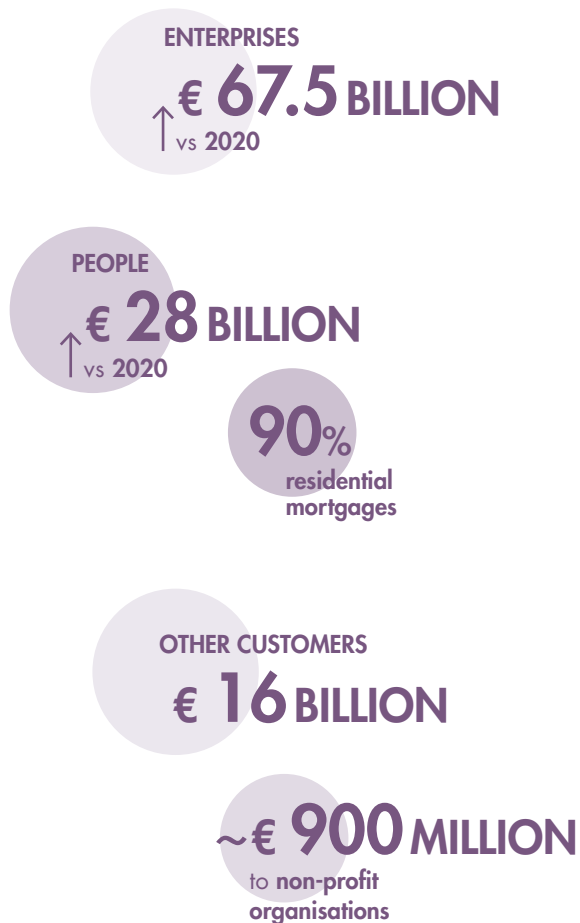
### LOANS GRANTED IN 2021



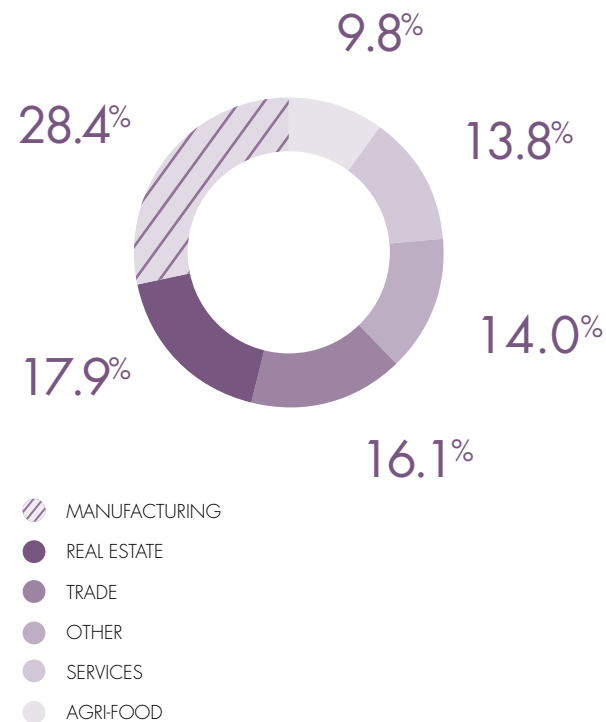
### PERFORMING LOANS AT THE END OF 2021



### STOCK OF LOANS\* (PERFORMING) AT THE END OF 2021



### LOANS TO COMPANIES BY MACRO SECTOR (PERFORMING)



\*Also includes signature loans

### OUR POLICY ON FINANCING THE WEAPONS SECTOR

Regarding controversial sectors, in particular **weapons, we have internal regulations and appropriate organisational safeguards to guide our operations**. Indeed, in the current context, while hoping for the affirmation of a society based on dialogue, respect and civil coexistence, it seems difficult to imagine a total absence of weapons, considering the needs in terms of national security and international balances.

### FINANCING THE WEAPONS AND DEFENCE SECTOR

When dealing with operators in the weapons and defence sector, we operate in compliance with the provisions of Italian Law 185/90 'Bank transactions and financing related to arms trade'.

### WEAPONS TRANSACTIONS 2021

During 2021, transactions relating to collections and payments under Italian Law 185/90 involved six customers and amounted to a total of 616 transactions for a value of approximately € 220 million. Out of total transactions for about 83.6 billion, the share of this sector is 0.26%. No loans were disbursed during the year, the stock at 2021 is € 93 million and refers to loans disbursed in previous years.

### FUNDING GUIDELINES

#### OK

Execution of **transactions or loans to counterparties entered in the National Business Register** in possession of the specific ministerial authorisations and in **compliance with the rules defined by Italian Law 185 of 9 July 1990 and subsequent amendments**

#### NO TRANSACTION

- **Weapons that are controversial** or banned by international treaties
- With counterparts from **countries under** total or partial embargo of arms supplies by the European Union, the United Nations
- With counterparts whose governments have been found responsible for **serious violations of international human rights conventions** by the European Union, the United Nations and the Council of Europe

### THE NATIONAL RECOVERY AND RESILIENCE PLAN (NRRP)

During 2021, we planned a programme of initiatives to support our customers in accessing the European funds allocated to the **NRRP** (see the chapter *New challenges and opportunities* for more details), in addition to establishing of an organisational unit within the commercial area which will be responsible for coordinating activities over a multi-year period, directing **three dedicated fields for the Enterprise, Corporate and Public Administration** segments.

With the launch of the programme, we focused on **internal communication** through the launch of a section on the company intranet to inform and train colleagues, and **external** communication through meetings and Local Committees dedicated to NRRP issues.

The opening of the first calls for tenders in the final months of 2021 was an opportunity to launch an investment clustering analysis, with relative prioritisation of areas, to effectively seize the opportunities that will arise for our customers.

## FACILITATED FINANCE INITIATIVES

We implement **subsidised finance** initiatives through public guarantees or the use of funds on favourable terms to:

- facilitate access to loans or to reduce the credit risk for SMEs and thinly capitalised enterprises;
- support customers affected by extraordinary/calamitous events and specific types of customers (e.g., young people).



## RESEARCH AND BUSINESS SUPPORT: SUBSIDISED FINANCE FOR ENTERPRISES

At the end of 2021, there were almost 164,000 subsidised finance operations in place for businesses (compared to around 131,000 in 2020) for a stock of almost € 25 billion (around € 18 billion at the end of 2020).

The most facilitated finance transactions include:

- thanks to European Investment Bank (EIB) funding, we have provided **€ 500 million to support customers' investment programmes**, of which € 100 million for the agricultural sector with a particular focus on young farmers and climate action;
- **more than € 1.5 billion was disbursed for liquidity and investment needs geared towards research and development and/or technological innovation.** (European Investment Fund - EIF and SACE).

## OUR COMMITMENT TO THE COVID-19 EMERGENCY

~ € **7 BILLION**  
disbursed against  
a state guarantee  
in 2021

~ € **3.6 BILLION**  
value of arrears to customers  
at the end of 2021 (suspension  
and extension of loans)\*

~ € **17 BILLION**  
stock disbursements  
under state guarantee  
at the end of 2021

\*Since the start of the Covid 19 pandemic, we have granted our customers moratoria under the ABI and Government protocol. These positions were eliminated at the beginning of 2022.

In 2021, we maintained our partnerships with various **Anti-usury Foundations**, which guarantee up to 100% of the amount of the loan disbursed (generally no higher than € 30,000) usually designed to support the most important needs (e.g., payment of utility bills, rent arrears, tax bills, etc.).

### SUPPORT MEASURES FOR PEOPLE AND BUSINESSES AT THE END OF 2021

At the end of 2021, the stock value of state-guaranteed loans, moratoria (loan suspensions and extensions) and other forbearance measures is about **€ 25 billion, 88% of which is with companies.**

**88%**

on facilitation measures for enterprises

**~ € 25 BILLION**  
value of relief measures granted to customers

As regards non-performing loans, we are committed to finding win-win solutions with customers in difficulty, avoiding the instigation of legal proceedings for the enforcement of loan guarantees. At Group level, the **stock of non-performing loans fell from approximately € 8.6 billion at the end of 2020 to around € 6.4 billion at the end of 2021**, thanks to the sale of loans without recourse (approximately € 1.5 billion total) and management and recovery conducted through mediation activities.



#### ANTI-USURY FOUNDATIONS WE WORK WITH

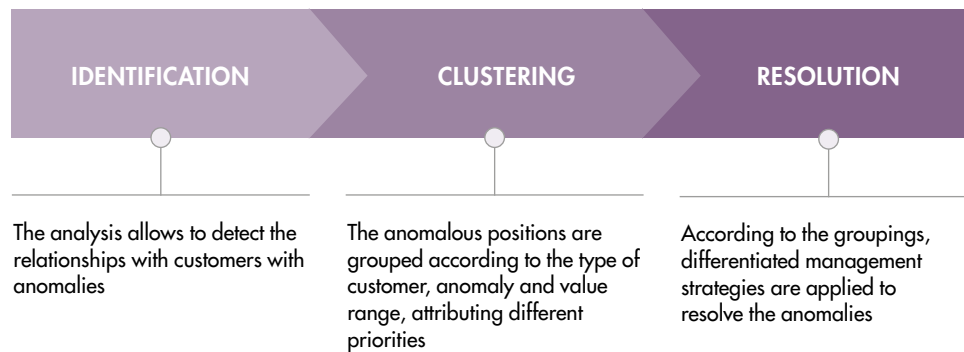
- Adventum Onlus
- Fondazione Beato G. Tovini
- Associazione Baccarato Antiusura Onlus
- Ambulatorio Antiusura Onlus
- Adiconsum
- Fondazione Salus Populi Romani
- Fondazione San Giuseppe Moscati
- Fondazione Wanda Vecchi Onlus

During the year, we carried out **167 transactions** for a total of € 2.4 million and at the end of 2021 there were 652 secured transactions with an outstanding debt of € 8.6 million.

## MONITORING CREDIT AND IMPROVEMENT ACTIONS

**Credit monitoring** is a key activity for catching the early signs of anomalies in customer relations. Its effective implementation makes it possible to activate prevention strategies and to avoid further degradation and restore normal conditions.

### THE CREDIT MONITORING PROCESS



### MAIN RISKS

### MANAGEMENT METHODS / POLICIES ADOPTED

#### CREDIT AND OVER INDEBTEDNESS

- Assessment of creditworthiness and the risks of the loan granting process, and the clear distinction of the roles of loan proposer and decision-maker
- Verification of the customer's capacity to repay the debt
- Monitoring of credit and mediation initiatives to enable customers in temporary financial difficulty to meet their commitments

#### ERRORS MADE BY COMMERCIAL PERSONNEL AND OPERATING RISKS

- Rules of conduct set forth in the Code of Ethics and internal regulations relating to the conduct of personnel towards internal and external counterparties and in commercial operations
- Definition, within the new network model, of new specific roles of regional departments and branches as an integral part of the control process to monitor operating risks

#### INSOLVENCY OF THE REAL ECONOMY AND HOUSEHOLDS

- Ordinary and extraordinary measures to support the financial commitments of customers, including through guarantees

# Business Continuity, Cybersecurity and Privacy

Awareness of operating in an essential economic sector drives us to innovate and update how we work to ensure the highest levels of service and safety.

MANAGEMENT  
MODEL



DATA  
GOVERNANCE  
AND IT SECURITY  
Data and information  
management and  
security, business  
continuity

BUSINESS  
CONTINUITY,  
CYBERSECURITY  
AND PRIVACY

PRIVACY  
Protection of the IT  
assets available to the  
Group

## DATA GOVERNANCE AND IT SECURITY

The **Digital Transformation** which began years ago and was accelerated by the needs that arose with the pandemic emergency has improved interactions, autonomy and flexibility and required - at the same time - greater attention to be paid to the management of risks linked to the world of online banking, such as digital malfeasance and fraud.

### INFORMATION SECURITY REGULATIONS

In our day-to-day business and in defining service innovation strategies, **we carefully and scrupulously follow national and international security directives and policies:**

- Regulation on IT security
- Regulation on cyber risk
- Guidelines on computer incidents
- Methodological manual on cyber risk analysis
- Methodological manual for the development of secure J2EE software (Java 2 Enterprise Edition)
- Methodological manual for assessing the gravity of a personal data breach
- Process standards on cyber risk management and cyber fraud prevention and management

## HOW WE BUILD A SAFER DIGITAL ENVIRONMENT

### TOOLS FOR BUILDING NEW WAYS OF WORKING

- Extending the use of Open Banking solutions
- Evolving data architecture using Advanced Analytics techniques
- Participation in blockchain-related projects
- Activation of a new generation SIEM (*Security Information and Event Management*) system, based on UEBA (*User and Entity Behaviour Analytics*) behavioural mechanisms

OUR AIM IS TO  
GUARANTEE  
THE SECURITY  
OF DATA AND  
OPERATIONS

### NEW TOOLS FOR CUSTOMER OPERATIONS

- Introduction of dual authentication systems in the APP
- Use of Strong Customer Authentication for online card payments

### EDUCATIONAL ACTIVITIES

We provide information primarily to customers on all communication channels (APP, web, email, SMS, ATM, social) to mitigate the risk of fraud due to fraudulent emails (phishing), fraudulent SMS messages (smishing) and phone scams (vishing)

## BUSINESS IMPACT ANALYSIS AND BUSINESS CONTINUITY

The **business impact analysis** identifies potential risks that may hamper business activities and develops appropriate strategies to minimise them. As a result of these achievements, the **Business Continuity Plan** ensures the Group's **business continuity** by defining the principles, procedures and resources required to manage business continuity. It also manages crisis situations with different levels of severity affecting the Group itself or its relevant counterparts.

To deal with the different scenarios defined by the regulations, the Business Continuity Plan is divided into specific plans such as the **disaster recovery** plan which, to cope with events such as large-scale cyber-attacks, identifies alternative sites to those of production to allow the operation of relevant IT procedures. The Business Continuity Plan undergoes organisational and technological adequacy tests at least once a year, and the results are submitted to the Board of Directors of the Parent Company and the other companies involved in the plan.

### PARTNERSHIPS TO PREVENT AND COMBAT CYBER CRIME

We participate in **CERTFin** (Italian Financial CERT), a public/private cooperative initiative meant to boost the capacity of banking and financial operators to manage cyber risks and increase the *cyber resilience* of the Italian financial system. Furthermore, as part of the **OF2CEN** (Online Fraud Cyber Centre Expert Network) project, we collaborate with the State Police to exchange information in real time for the prevention and limitation of bank fraud.

### SECURITY MANAGEMENT

Regarding the **Security Plan**, we regularly carry out assessments in line with the standard NIST Cybersecurity Framework and in cooperation with qualified partners (such as Accenture and BIP Business Integration Partners). As far as the **company's information system** is concerned, we comply with external accreditations (PCI-DSS, SWIFT CSP, etc.) and the European and Italian standards, which are mandatory for the financial system and guarantee a high level of security and integrity.

### INFORMATION SECURITY

Our IT system is audited according to Bank of Italy regulations, with a frequency related to critical issues and needs.

**ISO 27001**  
standard followed by the Group's safety management system

The company also has certifications for other standards (Lead auditor 27001, CBCI, Cobit 5 Foundation, etc.)

### CYBER INCIDENTS AND CRISIS MANAGEMENT

To intervene promptly on **cyber incidents**, a *Security Operation Centre* service is constantly operational, guaranteeing that all cyber security incidents are dealt with and triaged. Following their identification, action is taken to contain and resolve the incident, involving the relevant corporate structures and, depending on the level of seriousness, through escalation activities, also towards senior functions.

**0** serious IT security incidents in 2021

Serious incidents are part of the **crisis management** process, which defines company strategies and who should be involved in the event of a crisis. For major cases, the incident is reported to supervisory authorities such as the Bank of Italy.

**No serious IT security incidents were identified in 2021** which would require reporting to the Bank of Italy. The only significant event, which was below the regulatory reporting thresholds, was an unauthorised access to a company email account that led to fraud of approximately € 650,000 against the Bank.

### Insurance coverage

We have taken out two insurance policies to completely cover any IT incidents:

POLICY	WHAT DOES IT COVER?
CYBER	<ul style="list-style-type: none"> <li>• Breaches of security and confidentiality of personal data</li> <li>• Group damage (business interruption, costs and expenses, protection of personal data, defence costs and penalties resulting from an investigation, cyber extortion)</li> <li>• Third-party claims and media liability</li> </ul>
IT	<ul style="list-style-type: none"> <li>• Direct material damage (hardware, software)</li> <li>• Damage due to theft of Group or third-party property</li> <li>• Damage resulting from the reconstitution of archives</li> </ul>



## PRIVACY

Over the years, **data protection issues have become increasingly important to us** because of the large amount of information to be protected.

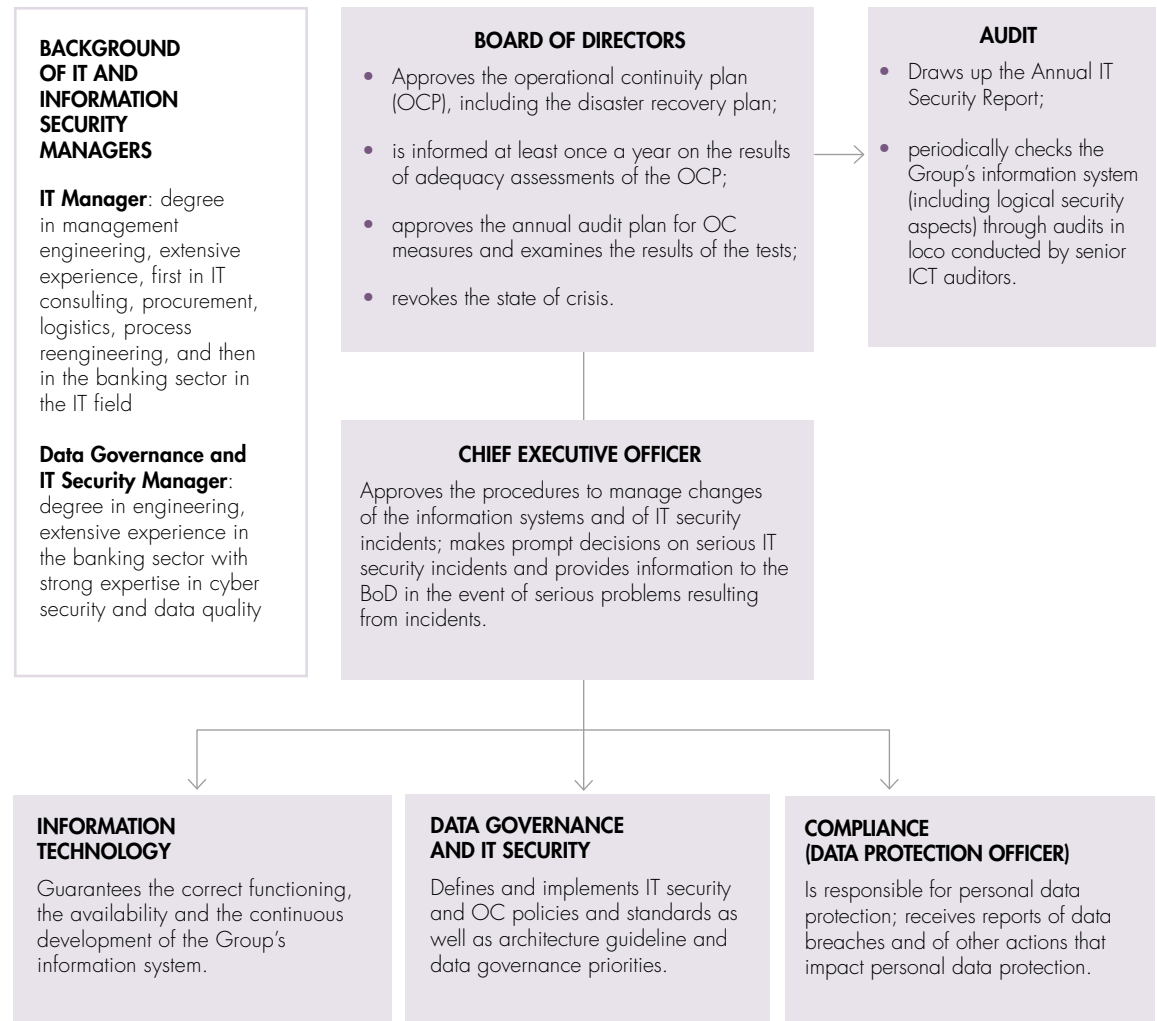
Procedures and regulations are constantly enriched and updated, in line with the *General Data Protection Regulation* (GDPR) and all legislation<sup>22</sup>, followed by the **Data Protection Officer** (DPO, identified as the Compliance department manager) supported by a dedicated organisational unit. Leveraging the IT solutions in use and in the process of being implemented, the DPO also manages a mailbox ([protezionedati@bancobpm.it](mailto:protezionedati@bancobpm.it)) dedicated to the collection of personal data requests from data subjects.

The DPO also assesses new products and services, including the numerous initiatives undertaken by the Group towards digital evolution. These include an initiative to exploit the opportunities offered by digital channels to facilitate the exercise of personal data rights by data subjects.

**0** losses of data or unauthorised access in 2021

In 2021, **no significant episodes of data loss or unauthorised access occurred** that required notification to the Data Protection Authority or to the interested parties and no sanctions in this regard were made.

## INFORMATION SECURITY AND PRIVACY CONTROLS



<sup>22</sup> For more information: [www.bancobpm.it](http://www.bancobpm.it) > Privacy

### BUILDING AWARENESS OF SECURITY ISSUES AND PRIVACY

To **raise awareness** of security and privacy issues, in 2021 we again implemented **training initiatives** through interactive virtual classroom lessons, distance learning courses, suggestions and recommendations conveyed to customers and colleagues via our website, social channels and corporate intranet.

### THE RANGE OF THEMES INCLUDES

- **GDPR regulations**
- **Cybersecurity and privacy and general awareness-raising on these subjects**
- **Targeted training for new recruits focused on cybersecurity and business continuity aspects**

A **simulated phishing** scheme involving emails pretending to be computer fraud was also set up among colleagues to raise awareness of these risks.

### MAIN RISKS

**COMPUTER INCIDENTS, CYBERCRIMES, DATA BREACHES**

**ONLINE AND TELEPHONE SCAMS, MALWARE ATTACKS**

### MANAGEMENT METHODS / POLICIES ADOPTED

Investment, supervision, regulations and technical and organisational measures to guarantee operational continuity, protect personal data, mitigate the effects of cyber-attacks

Awareness initiatives through training courses for customers and colleagues

## Targets by 2024

**> 65%**  
of **new disbursements**  
**in green** and low-risk  
transition sectors

**€ 12.5 BILLION**  
ESG bond issues backed  
by **Banca Akros**

**> 30%**  
of **corporate bonds**  
**are ESG** out of the total  
corporate bonds in portfolios

**€ 2.5 BILLION**  
of **green and social**  
**bonds** issued

**> € 120 BILLION**  
stock of net loans to  
customers

**> 90%**  
of **operations**  
**performed remotely**

# PEOPLE

Can we contribute to the well-being of our people?

## OBIETTIVI PER LO SVILUPPO SOSTENIBILE



## STAKEHOLDERS

People

The **people** who work in our company are a fundamental resource, which is why we want to establish a **lasting relationship** with them and invest in professional **growth** and **development**. We strive to create an **inclusive** working environment and provide solutions that contribute to the **safety** and **well-being** of our people and their families.

#### ESG FIELDS



## Snapshots of 2021

**> 20,400**  
**PEOPLE**  
nearly all with  
a **permanent**  
contract

**23.4%**  
women in  
**managerial**  
positions

**> 1,000,000**  
training hours  
**~ € 6 MILLION**  
invested

Certification confirmed  
**UNI ISO 45001:2018**  
for the occupational  
health and safety  
management system

**~ 6,000**  
**PEOPLE**  
in **agile working**  
mode

**52**  
people appointed  
**ESG Ambassadors**

**467**  
**HIRES**

**85%**  
under 30  
years

**~ 105,300**  
**ESG training hours**

## What we offer our people

- **plural and inclusive working environment, based on** listening, empathy, reciprocity and fair collaboration
- **enhancement of acquired skills,** experience, potential and professional aspirations
- **attractive welfare system** covering health, safety, well-being, family and leisure
- **an engaging working environment in which** each person can feel like part of a vision and strategy and can identify with our values

## What we propose to do

- **pathway for empowering female talent**
- **identification of ESG contact persons** for a widespread culture and effective integration of sustainability
- **adoption of agile working arrangements** to reconcile personal and work needs
- **attract young talents** to enrich skills and foster renewal

# Management, development, diversity and inclusion

The **people management policy is based on a model that places people at the centre of the company's strategy** by listening to them, making the most of their skills, experience, potential and professional aspirations, planning personalised growth paths and seeking the utmost consistency between the Group's objectives and the needs of individuals.

In line with our recent membership to the **UN Global Compact**, we are committed to promoting and respecting universally recognised human rights and eliminating all forms of discrimination in employment and occupation.

In line with our Code of Ethics, 'respect for the personality and dignity of each employee, the fair treatment of all'<sup>1</sup> are the **values** that characterise **our people management**.

We encourage a respectful, listening, empathetic and reciprocal climate, with the appreciation of each other's differences and talents, and fair cooperation.

Furthermore, the Code of Ethics states that 'no form of work that does not comply with labour law is tolerated', and in line with the principles of the Global Compact, **the rights of all workers are guaranteed**, applying all the protections established by law, by the National Collective Labour Agreement and by the specific supplementary company agreements<sup>1</sup>.

## MANAGEMENT MODEL



### GENERATIONAL CHANGE

Attracting, developing and retaining young people and managing resignations responsibly

### ACQUIRING SKILLS THROUGH TRAINING

Continuous investment in training to accompany people's professional growth and the acquisition of new skills

### ASSESSMENT AND GROWTH OF PEOPLE

Measuring skills, assessing achievements and personalised development paths

### DIVERSITY & INCLUSION

Culture and policy of inclusion of various forms of diversity

<sup>1</sup> All employees of the Group banks are covered by the National Collective Agreement for the Credit Sector signed with the trade unions



**Internal disputes can be considered negligible:** in 2021, 23 appeals were filed by workers/former workers against the Group (down from 25 in the previous year) and six passive disputes concerned appeals against dismissals for just cause (of which three disputes were definitively closed). Also, four of the five disputes initiated in 2020 for the sale of business units (NPL) ended with a favourable ruling for the Group; while one is still pending.



### ADAPTIVE RESILIENCE

**2021 was characterised by complexity and uncertainty** due to the continuing state of emergency caused by the Covid-19 pandemic. To safeguard everyone's health and ensure the conduct of work in safe conditions, we confirmed the extension of **agile working** (around **6,000 people** involved), the flexibility of entry and exit times, the possibility of reducing the length of lunch breaks and receiving customers by appointment during the most critical periods. To support family needs, the option to take periods of voluntary leave from work and the possibility of using parental leave to manage quarantines for school-age children, as envisaged by the law, have also been reiterated. Also, we extended full-time agile working mode until the end of the emergency state for employees with serious illnesses/health conditions.

Proposed within the emergency context, agile working was an **opportunity to reflect on mobility and a different balance between professional life and personal needs**, and prompted us to include this issue within the 2021-2024 Strategic Plan.

## OUR PEOPLE



Our Group counts around **20,400** people, nearly all with a permanent contracts<sup>2</sup>, with average seniority of about 22 years and an average age of around 49. 96% of our employees work at Banco BPM and nearly 2/3 work in the commercial network. About 700 people work in the specialist banks, Banca Aletti and Banca Akros.

<sup>2</sup>There are no temporary contracts. The data on employees differ from the workforce as there are also five contract workers, 17 interns/apprentices and one person on secondment

## THE IDENTIKIT OF OUR PEOPLE

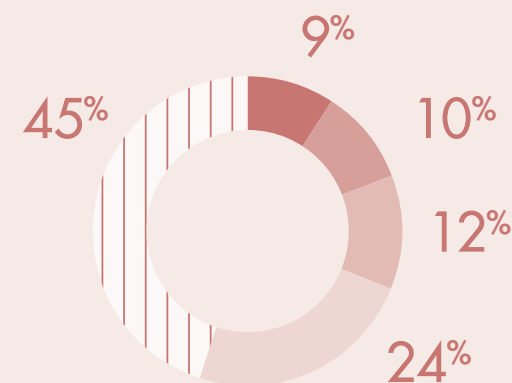


The table shows a reduction in Group employees and a slight increase in people choosing to work fewer hours (16.7% of the total compared to 16.4% in 2020).

The most common form of employment contract for new entrants is **professional apprenticeship** (479 people have this type of contract in 2021).

GROUP EMPLOYEES	2021	2020
<b>Total employees</b>	<b>20,436</b>	<b>21,662</b>
<b>Employees on permanent contracts</b>	<b>19,957</b>	<b>21,511</b>
of which women	45.3%	45%
of which men	54.7%	55%
<b>Employees on apprenticeships</b>	<b>479</b>	<b>151</b>
of which women	55.5%	52.3%
of which men	44.5%	47.7%
<b>Part-time employees</b>	<b>3,413</b>	<b>3,546</b>
of which women	93.8%	94.3%
of which men	6.2%	5.7%
<b>Full-time employees</b>	<b>17,023</b>	<b>18,116</b>
of which women	35.9%	35.5%
of which men	64.1%	64.5%

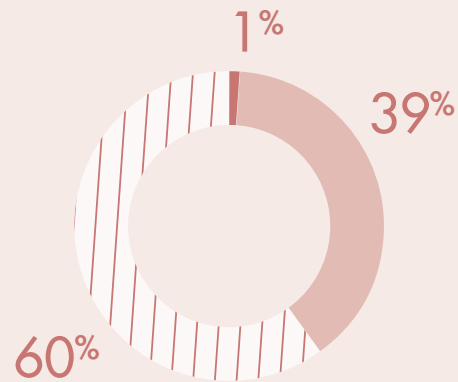
## EMPLOYEES BY LOCATION



- ||| Lombardy
- Rest of Italy and abroad
- Veneto
- Piedmont
- Emilia Romagna

The distribution of employees by **location** reflects that of 2020 and shows that the majority of our people are concentrated in Northern Italian regions, in line with the geographical distribution of our branches.

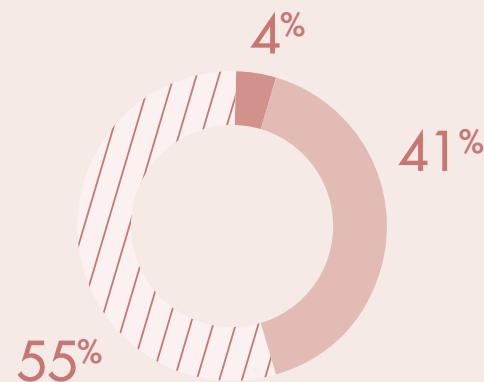
**EMPLOYEES BY CONTRACTUAL CATEGORY**



- ||| Professional areas / other personnel
- Middle Managers
- Executives

The snapshot of employees by **classification** shows no differences compared to 2020: 6 out of 10 employees belong to professional areas.

**EMPLOYEES BY EDUCATIONAL QUALIFICATION**



- ||| Upper secondary school
- Degree
- Lower secondary school

As regards the **level of education**, almost all employees have a medium to high level of education, with an increase in employees with a university degree or higher (41% compared to 38% in 2020).

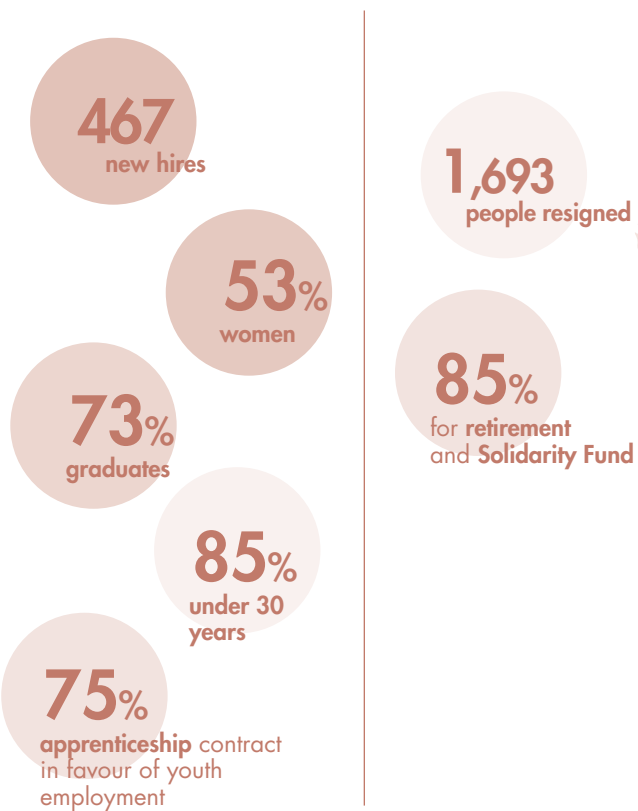
	Professional areas and other employees	Middle Managers	Executives
under 30 years	5.4%	/	/
30-50 years	54.6%	29.2%	16.2%
over 50 years	40.0%	70.8%	83.8%
<b>total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
women	55.2%	31.4%	13.1%
men	44.8%	68.6%	86.9%
<b>total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
belonging to protected categories/ disabled	8.4%	4%	/
not belonging to protected categories/ disabled	91.6%	96%	100%
<b>total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
part time	24.2%	5.5%	/
full-time	75.8%	94.5%	100%
<b>total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Compared to the previous year, there is a higher share of people under 30 in the professional areas as a result of the ongoing generational change.

## GENERATIONAL CHANGE

As stipulated in the Code of Ethics, 'personnel search and selection is carried out on the basis of objective criteria of competence and professionalism, guaranteeing equal opportunities for all'.

### THE GENERATIONAL CHANGE OF OUR PEOPLE IN 2021



In partnership with universities and leading business schools, **employer branding** activities continued with initiatives aimed at recruiting and attracting young talent and promoting the corporate image. 35 students were involved in internships, 12 of whom were directly hired by the Group. In total, in 2021 we hired almost **400** young people **under the age of 30**.

The turnover rate for hires increased to **2.28%** (**2.66%** for women, compared to **1.96%** for men and 0.4% overall in 2020) as did the turnover rate for terminations, which increased significantly to **8.3%** in 2021 (**7.60%** for women and **8.90%** for men) compared to 1.7% in 2020 due to the high number of resignations.

Furthermore, in 2021, the **Key People and Talents** structure was set up with the aim of attracting, enhancing and retaining talent within the Group, thanks to personalised development programmes and partnerships with universities.

## ACQUIRING SKILLS THROUGH TRAINING

In the context of the **people strategy**, training is a fundamental lever for **accompanying professional growth and the acquisition of the skills** necessary to be competitive in a continuously transforming labour market.

In this changed context, training activities increasingly exploit the potential of digital technology (e-learning and mobile learning) and redesign the learning experience: in 2021, almost all training was delivered virtually.

### TRAINING ACTIVITIES IN 2021

Each employee benefited from an average of **50 hours of training** (a significant increase from 41 hours in 2020) and there were no particular differences between men and women.

**~ € 6 MILLION**  
invested in training in 2021

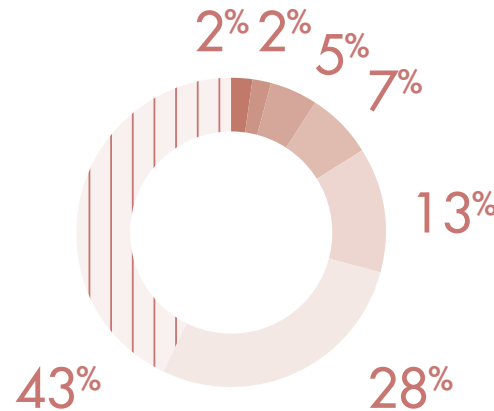
**> 1 MILLION**  
hours of training provided

**50** average training hours per capita

**+ 15%**  
hours of training provided vs 2020

**74%**  
training hours with internal teachers

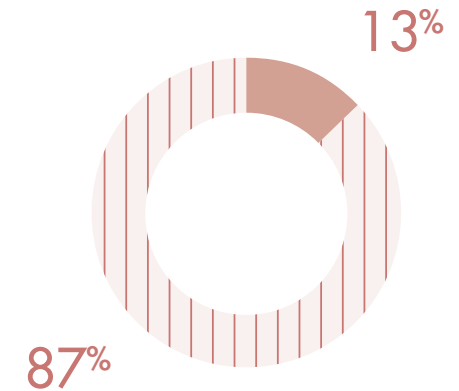
### TRAINING BY TYPE



- ||| Qualifying Technical Professional (e.g., MIFID, IVASS)
- Technical professional
- Mandatory
- Commercial
- Cross-cutting technical professional (e.g., language and IT training)
- Managerial
- Soft skills and skills development

**More than three quarters (76.5%) of the training provided related to technical and professional knowledge**, most of which was of an enabling nature for roles in the commercial network. Cross-cutting vocational training covers general culture topics regarding the networks and central functions. Furthermore, 314 employees participated in 153 specialised external seminars for a total of 4,450 hours.

### MANDATORY TRAINING



- ||| Discretionary training
- Mandatory training

## MAIN TRAINING INITIATIVES

### BUSINESS-ORIENTED TRAINING

**Retail and Corporate Network:** managerial training to orient colleagues towards working methods and customer approaches in line with the needs of people and business customers.

**Retail Sales Network role paths and Corporate Network initiatives** to accompany professional growth in Retail Sales Network roles and ensure ongoing training on specialist and in-depth topics for colleagues dealing with large companies.

**Fondo Nuove Competenze - ANPAL for commercial reorganisation** aimed at developing the cross-cutting, digital and technical skills of 300 colleagues involved in the network rationalisation process.

**Control Functions Programme:** training programme dedicated to developing specialist knowledge for employees in the Audit, Compliance and Risk departments.

**Skills programme for risk prevention and control** focusing on risk management and prevention (mandatory and qualifying training).

**Credit culture** to disseminate and consolidate the culture of credit and related risks in line with EBA guidelines, in particular with regard to the assessment of companies' business plans, the management of agricultural credit operations and customer classification rules.

**Sales4Change project** to increase synergies between the different structures operating in the field of sales, particularly for businesses.

**CIB Cross Selling Development,** initiatives dedicated to Investment Banking, Corporate Networks, Enterprises, Banca Aletti and Banca Akros to share information and commercial experiences.

**Banca Aletti Training:** training courses on applied behavioural finance, taxation in Private Banking and the preparation course for the EFPA/ESG Advisor exam aimed at obtaining ESG certification.

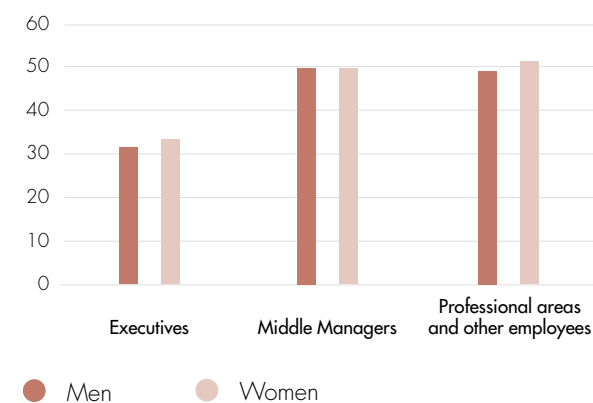
**Banca Akros training:** training courses on Financial Modelling and preparation for the EFPA/ESG Advisor exam aimed at obtaining ESG certification.



A **survey of internal skills** is at the base of all the targeted training courses we offer our people.

As part of the credit culture in 2021, a survey of the technical knowledge associated with the Loan Origination & Monitoring project was also launched, which aims to realign the model for granting, managing and monitoring loans with the requirements of the EBA Guidelines. The initiative involved about 3,300 people from the network and central departments (more than 90% of the employees in the departments concerned) and will be used to launch targeted training courses in 2022, consistent with the results obtained, to close skill gaps.

### AVERAGE HOURS OF TRAINING BY GENDER AND PROFESSIONAL LEVEL



## DEDICATED HORIZONTAL TRAINING

**#Respect programme:** aimed at managerial roles to foster a culture of respect within the company and to promote the dissemination of respectful managerial behaviour and practices, including through initiatives focussing on reflections involving colleagues with different roles, gender, etc.

**'Circles of value':** aimed at second-line managers to promote a new managerial style, improve problem solving processes, empathic communication, positive vision to adopt a widespread, shared and identity-based leadership based on responsibility and agility.

**ESG Programme:** to develop ESG issues related to the topics addressed in the different fields of the ESG Programme.

**Digital Transformation Programme:** to facilitate the knowledge, informed adoption and promotion of the services, products and language created under the .DOT Programme.

**IT Transformation and Data Quality:** to support IT transformation and strengthen skills in Data Quality and Information Security.

## ESG TRAINING

To accompany our colleagues involved in the ambitious ESG programme, we have developed training courses both to spread the culture of sustainability within the company and to provide the skills needed to best meet the challenges of the ESG Programme: from green awareness and corporate energy upgrading to sustainable finance, from sustainable investments to responsible savings management. Also, we have started training **ESG Ambassadors, 52 people** who act as focal points for ESG issues within their own departments and support the Sustainability department in monitoring ESG KPIs.

In total, more than **17,500 people** have been involved in about **105,300 hours of training**.

## ASSESSMENT AND GROWTH OF PEOPLE

The **staff development model** we adopt is aimed at promoting professional growth while respecting people's characteristics. To initiate personalised development paths that are consistent with the company's needs, the model considers different information about each person, integrating skills, potential, experience and professional ambitions

The application of the model supported the **managerial turnover process**, which included mapping growth requirements, gathering information, conducting an assessment (172 people from the commercial network were involved) and setting up customised development and training actions.

98%

of vacancies filled internally through customised development paths

**In the next few years, development programmes will significantly involve managers, talents and young people**, with paths dedicated to strengthening

skills also through mentoring, coaching, specialised training, participation in cross-functional projects and inter-company initiatives, job rotation, etc.

Among the initiatives, particular attention will be paid to the **development of female talent** (Gender Programme): in 2021, 110 female colleagues have already been involved in an empowerment process aimed at enhancing their self-confidence, working on personal effectiveness, the power of influence and individual assertiveness.

## ASSESSMENT

The **performance assessment** system aims to recognise individual results according to principles of **fairness** and **merit**, promoting a leadership style focused on listening to and valuing employees.

The quality of conduct in respective roles (according to an effectiveness scale that considers the level of completeness, frequency and complexity of the action) is summarised in a final assessment followed by an interview for sharing the results and preparing an action plan for the future.

In 2021, about **19,800** people (about 97% of employees)<sup>3</sup> were assessed.

Discussions between managers and employees were formalised in a final interview and a coherent development plan was subsequently drawn up.

Upon the conclusion of this process, each employee was able to express an opinion on the assessment received.

**Top management is involved in a special assessment system which was integrated with assessment elements in 2021 that take the Group's ESG objectives into account.**

<sup>3</sup> Equal to 100% of the entitled persons. In particular, 96% of women were assessed and 97.6% of men, 99% of Executives, 99.6% of Managers and 95.1% of the Professional Areas and remaining employees.

## DIVERSITY&INCLUSION

Diversity management aims to change the organisational culture and **promote all diversities** with a view to creating an **inclusive working environment** as well as improving efficiency and productivity. Through inclusiveness, company diversity is transformed into added value and a key factor for corporate success.

To promote and support a **culture and policy of inclusion of the various forms of diversity** (e.g., disability, ethnicity, age, gender, emotional and sexual orientation, religion, nationality, language, socio-economic status, etc.), in November 2021 we set up the new Inclusion, Diversity and Social organisational structure to enrich our People Strategy.

The department supports the goals of the 2030 Agenda and is in line with the Group's new ESG strategy with a commitment to:

- respect and listen to people;
- recognise and value individual differences and talents;
- promote fairness and equal opportunities;
- achieve an inclusive and respectful environment;
- work for organisational well-being and social support.

During 2021, we involved around 1,900 Group managers (97% of the total) in the **#Respect Programme**, which focuses on the value of respecting people in the company; we consider this one of the key and enabling factors of the inclusion and diversity strategy. In the coming years, the **#Respect Programme** will be extended to the entire company population through various internal and local information and training initiatives.



We entered the **Bloomberg Gender Equality Index** for the first time, which is the international index that measures companies' commitment to promoting and supporting gender equality policies within the company and the communities in which it operates, and includes 418 companies based in 45 countries. We achieved a score of 73.9, well above the minimum entry threshold of 60, the financial sector average of 72.6 and with the highest attributable marks for the breadth and level of data transparency.

The proportion of **women in management** is 20.1% in head office structures and 24.3% in the commercial network. In this regard, we have launched a programme to **develop female talent** with a commitment to reach at least 30% of women in management positions by 2024. Already in 2021, the number of women in management increased by 12% compared to 2020 and the share of women managers was 23.4% overall at the end of 2021, compared to 20.8% at the end of 2020.

**RATIO OF AVERAGE REMUNERATION OF MEN/WOMEN BY PROFESSIONAL LEVEL (EXCLUDING PART-TIME)**



Some differences in **gender pay with respect to contractual classification** emerged again in 2021.

We are working on an analysis with a major consultancy firm to detect the **gender pay gap** with respect to similar roles and profiles to propose possible mitigation actions and close the detected pay gaps.

**MAIN RISKS**

**MANAGEMENT METHODS / POLICIES ADOPTED**

**UNSUITABLE PROFILES AND LOSS OF KEY RESOURCES**

Selection of people with adequate levels of education/skills; competitive remuneration system and better conditions than those of the National Labour Bargaining Agreement, continuous investment in training, also in relation to professional retraining needs, sharing of professional expectations, proper performance appraisal and adequate recognition, plan for filling positions of responsibility (in addition to the succession plans established by the regulations)

**CONFLICT AND RESISTANCE TO ORGANISATIONAL CHANGE**

Involvement of trade unions, accompanying employees involved in the change also through training

# Welfare, Work-Life Balance and Well-being

The focus on well-being, safety and involvement is the cornerstone of our People Strategy. We seek to align the Group's objectives and the needs of its employees as much as possible.



## MANAGEMENT MODEL



### WELL-BEING OF PEOPLE

Responsibility, protection, safeguarding people's health and safety and attention to the multiple dimensions of well-being

### ENGAGEMENT AND CORPORATE CULTURE

Sharing information, involving people and disseminating the corporate culture to strengthen the sense of belonging and team spirit.



### WORKPLACE HEALTH AND SAFETY: INTERNATIONAL REGULATIONS AND CODE OF ETHICS

As mentioned in the Code of Ethics, 'personnel, whose physical safety and moral integrity are considered primary values of the Group, are guaranteed a working environment that complies with current health and safety regulations by monitoring, managing and preventing risks related to the performance of professional activities, as well as **working conditions that respect personal dignity, in suitable working environments**'.

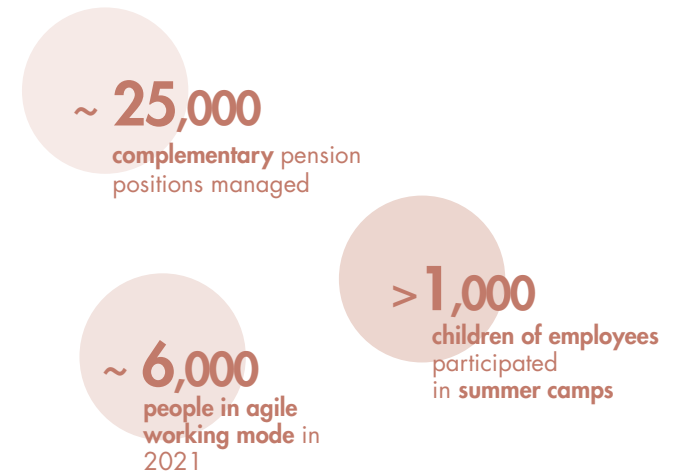
In drafting the guidelines on workplace health and safety, we were inspired by the main international treaties on the protection of human rights, in particular the UN Declaration of Human Rights (Articles 3 and 23), the International Labour Organisation's Convention C155 on Workers' Health and Safety, the principles of the UN Global Compact and the UN Sustainable Development Goals.

## WELL-BEING OF PEOPLE

### OUR INTEGRATED WELFARE SYSTEM

The range of social benefits<sup>4</sup> covering health, safety, welfare, family and leisure is at the heart of our welfare model, which aims to increase the well-being of our people.

The Group also promotes prevention and care services related to the health and well-being of employees and their families through the various forms of healthcare support available within the Group, as well as through the use of supplementary pension schemes for its employees.



<sup>4</sup>The company provides benefits to all Group bank employees, at times limiting certain benefits to only permanent employees or recalibrating benefits on the basis of working hours (e.g., welfare budget)

## HEALTH AND PEACE OF MIND

**MEDICAL EXPENSES COVERAGE** for current, former and retired employees, including their dependants for a total of approximately 66,000 people

**SUPPLEMENTARY PENSION ARRANGEMENTS** with company contribution (approx. **25,000** positions managed) and additional pension contribution (roughly 4,000 former employees retired)

**INSURANCE POLICIES** coverage in the event of occupational and non-occupational accidents and in the event of invalidity resulting from illness, also for those in the Solidarity Fund (for non-occupational accidents only)

**DISABILITY MANAGEMENT:** socio-occupational integration of people with disabilities starting from the selection phase (**32** selection interviews and **83** personalised projects aimed at promoting **occupational inclusion**). Also, a project was launched in 2021 to **enhance diversity in terms of inclusiveness**.

**PERSONAL LISTENING SERVICE** managed by internal specialist profiles who offer listening and psychological support to people in difficult situations or victims of traumatic events (e.g., post robbery). About **1,300 support meetings** were managed in 2021.

In relation to our signing the **Joint Declaration on gender-based workplace harassment and violence**, a specific reporting process has been defined for reporting incidents and assistance and psychological support are guaranteed.

Particularly with regard to the Welfare Plan, a **welfare budget** is provided to all non-executive employees, with an economic contribution (€ 950 in 2021) for the acquisition of goods and services dedicated to the family, mobility, free time, assistance or supplementary pension plans. In 2021, the traditional services offered were again joined by dedicated support to employees and their family members, also usable during the pandemic period.

**W@W - Well-being at Work Project** to promote and disseminate healthy and sustainable lifestyles. The contents of the different thematic areas (nutrition, exercise, ageing, sleep, etc.) are provided through articles and mini-videos on the dedicated page of the company intranet. In partnership with the AIRC Foundation, the 'SFUMIAMO' communication campaign on the risks of smoking continued in 2021: the training activity (66 sessions in online mode) increased the number of participants to around 1,300. Also, we have launched the 'Esserci' project in partnership with the San Raffaele Hospital in Milan, a path dedicated to the people most affected by Covid-19 when they return to work, supporting their return (almost 1,200 people returned to work), also thanks to the advice of qualified experts.

## FAMILY AND FREE TIME

**WORK LIFE BALANCE:** gradual return to the **ordinary management** of agile working with alternating days on-site and working from home. We maintained the possibility of agile working for a total of more than **6,000 people** who continued working remotely in 2021, given the continuing health emergency, to reconcile work and family commitments. Also, more than 3,400 people are part-time.

**PARENTHOOD:** 11 editions of **Welcome Back Mom**, which involved **108 new mothers** returning to work after maternity leave. This virtual meeting is managed by an internal team to listen, reflect and exchange the experiences and needs of those who have to balance work and family needs on a daily basis. For each new mother, a cocoa tree will be planted in the **Banco BPM Mamma Insieme Forest in Cameroon**, which now has about **300** trees.

### INITIATIVES FOR CHILDREN

- **64** summer camps for employees' children aged between 6 and 16, attended by **1,071 children/young people**
- the company crèche 'Il giardino di Bez' (also open to external users) includes pedagogical support, the teaching of English and a focus on nutrition
- a dedicated budget for the purchase of a Christmas gift for children aged 0-12 for more than **8,300 children**
- Jingle Bank, a Christmas event for the children of colleagues, involved **3,500 children** up to the age of 10 in a 'plastic free' environmental sustainability awareness project.

**INCENTIVES TO STUDY** for employees and their children through contributions that increase as their marks improve.

**AGREEMENTS AND FAVOURABLE CONDITIONS** for the purchase of goods and services also through CRAL (company recreation groups) and the Welfare Plan.

**BANKING AND INSURANCE SERVICES** at favourable conditions for employees and family members.

## HEALTH AND SAFETY

> 45,000

hours of health and safety training

~ 7,400

employees involved in health and safety training

In line with what is defined in the Code of Ethics, the workplace health and safety guidelines and the international standards that inspire them, **we believe that the protection of people's health and safety and well-being in the workplace are fundamental.**

As the epidemiological framework related to the Covid-19 health emergency evolved in 2021, we took appropriate measures to ensure the continuation of services to support the economy and families, while ensuring the essential protection of the health and safety of employees.

The monitoring of workers' health and safety and of the related Management System is entrusted to an organisational structure that contributes to monitoring all the aspects established by the regulations, including health surveillance activities.

In line with the **ESG objectives** of the 2021-2024 Strategic Plan, the Group has confirmed its certification for the international standard UNI ISO 45001:2018 for the **Occupational Health and Safety Management System (OHSMS)** for all employees and properties related to the Group's business<sup>5</sup>.

The OHSMS represents the fundamental tool for monitoring and improving both ordinary and extraordinary aspects related to health emergencies, and the audit process was conducted by Bureau Veritas for the second year running.

We have implemented behaviours that prevent accidents, injuries or any risks arising from environmental, logistical or health impact events to which employees or third parties might be exposed, assessing and mitigating possible hazards, as well as by ensuring that effective measures are taken to protect the premises and branches and any other corporate space open to the public.

In support of these actions, we have an **annual improvement plan** in place to monitor risks relating to health and safety, as well as to prevent accidents and any non-conformities.

In the course of 2021, for the purpose of **updating and maintaining the OHSMS**, a supplement to the risk and opportunity assessment was carried out, which revealed the need for further implementations of the system. In particular, **innovations have been introduced** in the IT area to achieve:

- a specific application for the management of First Aid boxes;
- a *tool* dedicated to reporting and managing 'near misses', which includes a special procedure that allows to report this type of event, thereby enabling the identification of any shortcomings and determining the adequacy of the measures envisaged.

As part of **internal audit** activities, considering the pandemic situation in 2021, a **self-assessment questionnaire** was also developed and submitted to some branches, providing an initial assessment of the adequacy of the facilities, which was followed by a subsequent control.

Regarding the **external audit** activities conducted by Bureau Veritas for the maintenance of the certification, interviews, field observations, control of processes and activities and review of the documentation required by law, these were carried out on a sample of instrumental properties.

Aside from a central oversight structure, there are also **company physicians** covering the entire country, one of which collaborates actively as coordinator in risk assessments and the implementation of measures to protect the health and mental/physical integrity of employees.

During 2021, in addition to the regular health surveillance required by law, all workers were given the opportunity to request the activation of **'exceptional' Covid-19 health surveillance measures (so-called 'fragile' workers)**.

A total of **1,940 visits and 67 inspections** were carried out at the workplace of employees undergoing health surveillance.

Integration, dialogue and cooperation between the various figures in the OHSMS, as well as the involvement and active participation of workers and their representatives (workers' safety representative) has always distinguished Banco BPM's approach to topics of health and safety. The circulation of information, facilitated by specific procedures and dedicated channels, is a central element which over time has guaranteed adequate levels of knowledge and contributed to spreading the corporate culture on such matters.

Furthermore, all **employees are invited to report any sources of risk and situations that could have an impact on the OHSMS** to the dedicated email address:

sistemidigestione.iso@bancobpm.it or  
servizioprevenzioneprotezione@bancobpm.it.

<sup>5</sup> The certification does not regard the company Ge.Se.So. Srl, Oaklins Italy Srl, Banca Aletti & C Suisse, Terme Ioniche Srl, Terme Ioniche società agricola Srl, Sagim società agricola Srl, which involve less than 0.3% of the Group's staff.

We have invested in training again in 2021 through a specific OHSMS awareness course dedicated to the supervisors of the agencies subject to surveillance visits, in addition to the mandatory training. Overall, **more than 45,000 training hours were provided on health and safety to around 7,400 employees.**

INJURIES 2021 <sup>6</sup>	MEN	WOMEN	TOTAL
<b>in the workplace</b>	<b>12</b>	<b>22</b>	<b>34</b>
<b>in transit</b>	<b>69</b>	<b>78</b>	<b>147</b>
of which in Northern Italy	77.8%	76%	76.8%
of which in Central Italy	14.8%	20%	17.7%
of which in Southern Italy and Islands	7.4%	4%	5.5%
<b>Injury rate</b> (frequency rate) <sup>7</sup>	<b>4.46</b>	<b>7.29</b>	<b>5.67</b>
<b>Severity rate<sup>8</sup></b>	<b>0.20</b>	<b>0.23</b>	<b>0.21</b>

**There were no occupational fatalities** during the year, confirming the relative safety of the banking environment.

However, **181 injuries** were recorded (up 9.7% from **165** in 2020), of which **147** were commuting accidents (81% vs 74% in 2020). These episodes led to a worsening of the injury rate-frequency index (5.67 in 2021 vs 4.86 in 2020), accompanied by more days lost due to injuries (6,931, of which 54% related to men, in 2020 6,243, of which 52% related to men) and a slight worsening of the severity index (which was 0.21 vs 0.18 in 2020).

There were no significant differences in the geographic distribution of accidents compared to 2020.

The main cause of personnel absence continues to be illness, which represents 81% of total absences, followed by permits under Italian Law 104/92 and trade union permits. The absenteeism rate is 4.63% (5.2% in 2020), slightly higher for women (5%) compared to men (4%).

<sup>6</sup>The injury figures do not include foreign Group companies (Aletti Suisse), figures for Ge.Se.So. (4 injuries, 2 to women and 2 to men, 3 of which at work) as the business activity differs from the Group's core business. Furthermore, the data do not include the companies whose administrative management is outsourced (Oaklins Italy, Tecmarket, Terme Ioniche Srl, Terme Ioniche società agricola Srl and Sagim Srl). The injury and severity rates are calculated taking into account total workable hours equal to 31,872,772 in 2021.

<sup>7</sup>Number of injuries/workable hours x 1,000,000

<sup>8</sup>Days lost due to injury/total workable hours x 1,000

## ENGAGEMENT AND CORPORATE CULTURE

The Code of Ethics emphasises that: 'The Group recognises the importance of **internal corporate communication** as a means of sharing institutional information and as a motivational vehicle for staff.'

Internal communication has continued to play an important role in sharing the Group's vision, strategy and identity values, promoting projects and initiatives to support people and providing information to support the network's commercial activities.

It was essential to accompany the activities of colleagues during the emergency in 2021 as well, providing all the operational guidance to be adopted through the **dedicated 'Covid-19' Section**, among the most visited, and the publication of periodic **Information Notes**.

- **The Intranet and Corporate TV** are the chosen channels for communicating all the Group's initiatives. The total views of the **company's intranet** were **4,337,062** (up from 3,922,000 in 2020) and the thematic sections dedicated to the **NRRP** and **Superbonus 110%** were the new features introduced during 2021.

> **4.3 MILLION**  
views on the company  
intranet

+ **415,062**  
views vs 2020

The promotion of initiatives and contests continued to support the various corporate departments, as well as the production of numerous videos aimed at updating colleagues on the regulatory and process changes taking place in the company and on product innovations. During 2021, many of these activities focused on sustainability issues such as the video 'the 7 ESG Programme Fields', 'Sustainable Finance Disclosure Regulation' and 'Green Mortgages'.

Initiatives also continued for spreading the **culture of sustainability** among our people and to support the business, providing information on the availability and characteristics of new 'green' products and services.

All the content relating to the ESG sphere was the subject of strong interest, in particular the themes of well-being, work life balance and corporate welfare, solidarity (e.g., volunteer projects) and social initiatives (e.g., International Day for the Elimination of Violence against Women - red bench).

We continued to raise internal awareness on economic and financial issues, in particular:

- the webinar series '**Money from a woman's perspective**', with **270** colleagues participating;
- the **financial education** meetings where the Brand Ambassadors participated as tutors for meetings in primary and secondary schools.

The **Brand Ambassadors** were also involved in activities to support the business (focus on offer, services, projects), to foster employee engagement and to consolidate the company's values and culture both inside and outside the Group.

Finally, institutional publications continued to be published on an ongoing basis to share the Group's achievements and report on the many conferences and workshops in which we were involved.



### MOMENTS FOR SHARING AND PARTICIPATION

We facilitated digital meetings with Top Management to shorten distances and strengthen the sense of belonging to the corporate community even during the emergency context.

The '**In Teams with the CEO**' event provided the opportunity for colleagues to meet our CEO: **8 meetings** to discuss, exchange ideas and suggestions.

The first management line also met with the internal community to share strategies and business objectives. About **25** meetings were organised during the year: from easy commercial meetings to Management events (e.g., Banca Aletti event), to workshops organised for the commercial network in partnership with our partners (e.g., Agos). The internal workshops involved about **5,300 colleagues** this year.



### MAIN RISKS

**INADEQUATE LEVELS OF MOTIVATION AND RETENTION**

**HEALTH AND SAFETY (PHYSICAL AND PSYCHOLOGICAL)**

### MANAGEMENT METHODS / POLICIES ADOPTED

Integrated and competitive welfare system, continuous information and involvement

Organisational oversight, psychological support, health check-ups for employees exposed to specific risks, training and awareness on health and safety issues. Again in 2021, as a result of the pandemic emergency, we enacted specific Covid-19 actions to limit contagion risk for Group employees, customers and suppliers (for further information, please refer to the dedicated chapters).

## Targets by 2024

**> 30%**  
share of women  
in managerial  
positions

**> 100**  
ESG ambassadors

**> 90%**  
share of new hires  
young people  
aged 20-30\*

**500,000**  
Smart working days

**400,000**  
training hours for employees  
on ESG issues

\*In the context of the generational turnover plan involving 800 new hires between 2021 and 2023.

# COMMUNITY

Can we have  
an active social  
role in our  
communities?

**STAKEHOLDERS**  
Community, Suppliers





We share the challenges of **people, businesses** and our **local areas**. We believe that success is also linked to the ability to **participate** in building **a solid, fair and inclusive community model** with our skills and economic resources.

We consider it impossible to be a bank and do banking without a vision of the future shared with those who **trust** us.

#### ESG FIELDS



## Snapshots of 2021

~ **€ 3.7 MILLION**  
donations and sponsorships  
for **social and environmental projects**

~ **5,000 RESEARCHERS**  
supported under  
the **partnership with AIRC**

**129 SOCIAL INITIATIVES**  
for local communities, schools  
and students

> **3,000 HOURS**  
of corporate  
volunteering

~ **1,300 SUPPLIERS** **99%**  
in Italy  
**€ 700 MILLION**  
in turnover

> **4,000 HOURS**  
of financial education and  
ESG awareness

## What we want to offer our communities

- **Economic support** for projects of social and environmental value
- **Sharing of resources** (spaces, skills, artistic heritage, etc.) to support local initiatives
- **Active participation in** disseminating ideas and promoting social responsibility initiatives

## What we propose to do

- **Continue to support the development of the social fabric of our local areas** by enhancing their specific features
- Increasingly **support schools and scientific research**
- Promote a culture of sustainability also through the implementation of **environmental and social initiatives**
- Cultivate **partnerships with organisations that share our values and sustainability goals**

# Corporate Citizenship

We participate in the country's social and environmental challenges through a **Citizenship model<sup>1</sup> based on economic support, sharing of knowledge and resources and membership in local associations and international initiatives.**

## MANAGEMENT MODEL



**ECONOMIC SUPPORT**  
 Liberal donations and sponsorships dedicated to community projects and initiatives in our local areas

**SHARING KNOWLEDGE AND RESOURCES**  
 Meetings, conferences, partnerships with universities, corporate volunteering and the availability of our artistic heritage.

**CORPORATE CITIZENSHIP**

**PARTNERSHIPS**  
 Active participation through associations and organisations to disseminate ideas and promote social responsibility initiatives

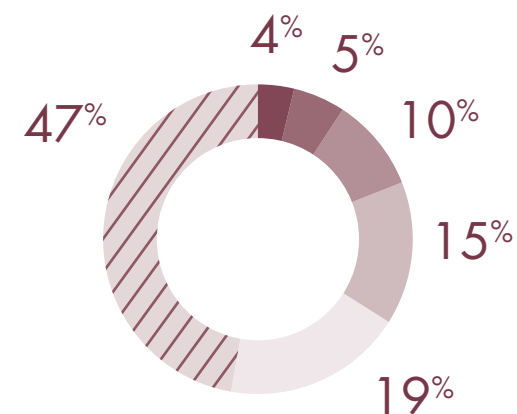
## ECONOMIC SUPPORT

As the pandemic continued in 2021, we continued along the lines set out in 2020: working in **synergy** with **our reference communities** to understand their needs and develop appropriate intervention tools.

We supported **129 social and environmental projects** with an economic contribution of **€ 2 million**. Also, we have allocated approximately **€ 1.7 million** to the Group's Foundations<sup>2</sup>.

<sup>2</sup> The Articles of Association of Banco BPM, in continuity with its previous tradition as a cooperative bank, envisages the possibility to devolve a share, not exceeding 2.5%, of net profit to aid, charitable causes and initiatives in the public interest in the regions where it is most present, allocating a certain share to each of these, directly or through its statutory Foundations.

## CONTRIBUTION TO THE COMMUNITY BY FIELD OF ACTIVITY



- RESEARCH AND HEALTH
- ART AND CULTURE
- SOLIDARITY AND SOCIAL
- EDUCATION AND TRAINING
- ENVIRONMENT AND LOCAL AREA
- SPORT

<sup>1</sup> This chapter reports on the activities performed by the Banco BPM Group for the community. A page at the end of the chapter has been dedicated to the work of the Foundations, which do not fall within the scope of the Non-financial statement.

€ 2 MILLION

earmarked  
to support

**129**  
social and  
environmental  
projects

~ € 1.7 MILLION

for the activities of our  
**Foundations**

## HOW DO WE HELP COMMUNITIES AND THE COUNTRY?



### SOCIAL AND SOLIDARITY

- Initiatives to help weaker groups in the population
- Support for disability
- Childcare support



### RESEARCH AND HEALTH

- Support for research projects, structures and associations
- Purchase of medical equipment
- Support for prevention initiatives



### TRAINING AND EDUCATION

- Support for schools
- School drop-out programmes
- Scholarships



### ENVIRONMENT AND LOCAL AREA

- Initiatives to raise awareness of environmental issues



### ART AND CULTURE

- Support for literature, theatre and art initiatives



### SPORT

- Support for local associations to spread sporting values among young people

## PROJECTS WE BELIEVE IN



### SOCIAL AND SOLIDARITY

We have supported **initiatives to help weaker groups in the population**. Among the many contributions, we would like to mention the distribution of about 16,000 packages of food throughout the country and the participation in the opening of two solidarity emporiums in the Vicenza area.

The focus was on the **world of disability**, making a contribution to the purchase of dedicated means of transport (in Lucca and the province of Foggia), to a start-up for the construction of innovative wheelchairs, and participating in the creation of facilities for autistic children in the Modena area.

We also supported the **world of childhood**, contributing to several projects for care, treatment and research in Rome.



### ENVIRONMENT AND LOCAL AREA

Among the various initiatives, we worked with Legambiente's **'We clean up'** with **a contribution to the organisation of 13 events throughout Italy to clean beaches and public parks**, in which around 300 colleagues participated as part of corporate volunteering.

The sponsorship in Bergamo of the 'Bike Up' event dedicated to sustainable mobility also deserves mention, as does the conference 'Sustainable rebirth, oceans and development', the Genoa leg of the 'Salone CSR 2021'. Also, we supported the project **'We are born to walk'** which has promoted the ecological awareness of children and their families in primary schools in Milan and Verona; the initiative has involved over 120,000 children over the last 10 years.



### RESEARCH AND HEALTH

In continuity with previous years, the following continued:

- **support for the Biological Bank** of Sacco Hospital and the University of Milan, which collects biological materials for the study of Covid-related diagnoses and therapies;
- **partnership with the Italian Association for Cancer Research** - AIRC - to which we make an annual contribution to support over 700 projects and around 5,000 researchers. In 2021 we also participated in the traditional fundraising campaigns - 'The Oranges of Health', 'Research Chocolates' and 'The Research Azalea' - and involved our corporate customers in funding a research grant;
- **Support for projects to purchase medical equipment and the maintenance of medical facilities and for prevention initiatives, also in small settings.**



### ART AND CULTURE

**We have confirmed our traditional commitment by supporting initiatives and projects in the fields of theatre, literature and art**, such as the 73rd Estate Teatrale Veronese, the programme of the Teatro Filarmonico in Verona, the 2021 summer season of the Globe Theatre in Villa Borghese in Rome and the Teatro Stabile in Genoa, the national literary prize 'Wondy sono io', dedicated to the current theme of resilience in literature and the restoration of Sant'Elena Church in Caserta, a jewel of the 17th century. Also, this year's 'Invito a Palazzo' (20th edition) was held again in partnership with ABI, which gave the opportunity to visit our prestigious historical premises in Piazza Meda in Milan, Palazzo Scarpa in Verona and Palazzo Bellini in Novara.



### TRAINING AND EDUCATION

We consider **schools** to be of crucial importance for the country and we continue to be **committed to them**. The **'School Project'** launched in 2018 **focused on supporting 268 public institutions in 41 different municipalities** to improve distance learning, implement material and electronic connections, increase protective equipment and upgrade common spaces to maintain social distancing. We are also involved in **School 4 Life**, a new **programme to combat leaving school early throughout Italy**, promoted by the Elis Consortium.

Aware of the importance of women in STEM (science, technology, engineering and mathematics) fields, we supported the Girls@Polimi project, with the aim of awarding a scholarship to a female student from the Faculty of Engineering at the Milan Polytechnic Institute.



### SPORT

We consider sport as a vehicle for inclusion and support for the social fabric. For this reason, **we mainly support local associations active in spreading sporting values among young people**, such as ASD Rugby Milano, in activities dedicated to juvenile detainees, and those dealing with differently abled people such as the Paralympic swimming teams Verona Swimming Team and Polha Varese. The sponsorship for the fourth-category football team Reggiana Calcio has been renewed, while the collaboration with the 'Ness 1 Escluso' Association that organises free multidisciplinary sports activities for children with cognitive disabilities is new.

With the meeting 'Gender equality in sport' at the Garbagnate Milanese high school and with the participation of 120 young people, the project 'All the colours of sport' was launched in partnership with AC Milan, which will address social and environmental issues in sport.

## SHARING KNOWLEDGE AND RESOURCES

**THE sharing of knowledge and resources continued** through meetings dedicated to financial awareness and education, conferences, initiatives, employer branding proposals with universities, social initiatives with the support or direct participation of colleagues.

**> 6,000 HOURS**  
of meetings to disseminate financial education

**30**  
continuous collaborations with Universities, Associations and Business Schools

**> 3,000 HOURS**  
of corporate volunteering

**79**  
works of art restored

## HOW DO WE MAKE OUR EXPERTISE AVAILABLE TO THE COMMUNITY?



### FINANCIAL EDUCATION, CONVENTIONS AND INITIATIVES

- Spreading financial awareness also among the younger generations
- Education on ESG issues in the business environment
- Implementation of conferences and initiatives to share knowledge and culture, including financial



### EMPLOYER BRANDING

- Supporting young people in career orientation



### CORPORATE VOLUNTEERING AND SOCIAL INITIATIVES

- Direct support for initiatives of social value
- Social initiatives to raise awareness



### ARTISTIC ASSETS

- Enhancing and offering our artistic heritage
- Restoration of artwork

## PROJECTS WE BELIEVE IN



### AWARENESS AND FINANCIAL EDUCATION

**Financial awareness and education** meetings were held for the third consecutive year, with the aim of increasing the knowledge of customers and others, as well as young people, on the topics of finance, savings management, digital payments and the creation of a business plan.

**48 conferences on financial awareness** were held, of which 19 focused on women with the cycle of meetings 'Money from women's eyes', with over 3,700 participants. **13 financial education meetings in schools** with the participation of around 1,200 students.

Also, **13 conferences were organised with customer companies on ESG issues** in the business and corporate context.

### CONFERENCES AND INITIATIVES

**Despite the particular context, we organised guided tours for our customers and others**, of exhibitions and museums in Milan, Rome, Venice, Bologna, Lucca, Verona, Novara and Gallarate, involving over 600 participants.

Four **digital events** were organised by Banca Aletti and Banca Akros dedicated to market trends (Outlook), ESG factors and the challenge of sustainable corporate growth.

**We have contributed to the dissemination of culture on the subject of diversity and inclusion** by organising conferences or by actively participating through speeches and testimonials by our managers; for example, the organisation of the conference at Palazzo Altieri in Rome 'Gender=Equality': competence as a determining factor in ESG' and our participation for the second year running in 'The time of women' at the Milan Triennale.

Services, deserves mention as well. The Centre has been carrying out studies and promoting research on the dynamics of strategic and organisational change in the financial, banking and insurance sectors since 1990.

We also contributed **to the 2021 edition of the Executive Master's Degree in Finance at Bocconi University, with a focus on Sustainability** 'Sustainable Investing & ESG Criteria in Finance'.



### EMPLOYER BRANDING

**We have supported young students in their orientation to the world of work and made the know-how of business professionals available to increase competence and awareness in their future choices.**

The initiatives represent an important channel for the research, guidance, training and recruitment of new talents who are entering the world of work for the first time, as the bearers of the skills needed today for emerging professions.

About 60 career guidance activities, career days, testimonials and projects are carried out in cooperation with universities. In total, we have partnerships with 30 universities, associations and business schools throughout the country.

The initiatives were carried out remotely and involved a total of about **2,000 young people** and **38 colleagues** in cooperation with 14 institutions.

Also, **35 internships were set up for young university students and recent graduates**, hosted during the year with the aim of testing the knowledge acquired during their studies.

Our **participation in the Steering Committee of CeTIF**, the Research Centre on Technologies, Innovation and Financial





## CORPORATE VOLUNTEERING AND SOCIAL INITIATIVES



**VolontariAmo** continued in a mainly virtual mode, with the initiatives #LeggiPerMe in partnership with the **Centro Nazionale del Libro Parlato** for the production of audio books for blind and visually impaired people, and **'Map For Future'**, in partnership with the cultural association Una Quantum Inc. for a geographical mapping of areas in developing countries and changes in the Italy for sustainable development.



Colleagues also took part in **initiatives with Legambiente to clean up beaches, city parks and protected oases** as part of the **'RipuliAmo'** project, of which we are also sponsors.

### AVIS

Our partnership with AVIS also continued and **six days were organised in Milan and two in Rome, during which 150 colleagues were able to donate a total of 122 bags of blood.**

### NO.W! NOWASTE

Thanks to the agreement signed by Banco BPM with Think About, colleagues have been able to use the ethical business platform No.W! NoWaste since March 2021. The platform allows to buy food products at favourable prices that would have been disposed of due to packaging defects or short expiry dates: **2,552 people joined and bought 4650 kg of food products, avoiding the emission of 1,870 kg of CO<sub>2</sub> eq. into the environment.**

### Red bench project

On 25 November, on the occasion of the International Day for the Elimination of Violence against Women, Group colleagues were involved in an awareness-raising initiative which included sharing a photo of the 'red bench', an icon of the fight against violence against women, on the company intranet. The three winners were then interviewed on the subject.

### Food Bank

Our partnership with the Food Bank Foundation continued, which from January 2020 to April 2021 allowed **126 tonnes of products to be distributed and 6,800 people and organisations to be assisted.**



## ARTISTIC ASSETS

**19,500**

Total works  
of the artistic assets

With the reopening of the museums, our **Artistic Assets** started to be exhibited again: **14 works of art were placed in five Italian museums and one French museum.**

The year was filled with news for the Artistic Assets website as well, which has been completely revamped and made interactive: its release to the public is planned for 2022.

Restoration activities also continued: 43 paintings and sculptures, 6 picture frames, 8 pieces of furniture and 22 valuable carpets for a total of **79 restored works.**

Furthermore, the 'fair value' valuation of the Group's Artistic Assets continued, which will lead to the determination of the overall value of the valuable assets, including furniture: although not yet completed, the **state-of-the-art value of € 50,099,700** was included in the balance sheet as at 31/12/2021.



'Leandro da Ponte [Bassano], January, 1590-1600, oil on canvas, 141.5 x 207 cm, Banco BPM Collection, conservation restoration'

## PARTNERSHIPS

> € 4.6 MILLION

earmarked for contributions to trade associations, organisations involved in financial activity and training, culture and promotion of social responsibility.

### HOW DO WE ACTIVELY PARTICIPATE IN PROMOTING SOCIAL RESPONSIBILITY?



#### ASSOCIATION

Membership in Organisations that share our values

### THE CHALLENGES WE SHARE WITH OTHERS

Membership in  
**UNGC**  
and **TCFD**

Our participation in two major international initiatives at the end of 2021 - United Nation Global Compact (UNGC) and the Task Force on Climate-related Financial Disclosures (TCFD) - confirms our commitment to promoting and reporting to stakeholders on the impacts of our business.

Key ESG partnerships include:

**FONDAZIONE CUOA:** training and development of entrepreneurial culture and incubator of ideas.

**CETIF - UNIVERSITÀ CATTOLICA DEL SACRO CUORE:** has conducted studies and research on strategic and organisational change in the financial, banking and insurance sectors since 1990.

**EUROMOBILITY:** promotes and disseminates new forms of sustainable mobility by providing specialised services to companies such as training, monitoring centres and regulatory updating.

**FAI - FONDO AMBIENTE ITALIANO:** Foundation whose purpose is to protect, safeguard and enhance artistic and natural heritage and to promote the care of the landscape and cultural assets in Italy.

**ISPI - ISTITUTO PER GLI STUDI DI POLITICA INTERNAZIONALE:** institute that supports research on risks and opportunities at world level for enterprise and Institutions, as well as training and dissemination.

**Fondazione Artistica POLDI PEZZOLI:** the non-profit organisation that has managed the museum and the Poldi Pezzoli collection since 1881. One of its formal purposes is the education and teaching of the public.

**SOCIAL IMPACT AGENDA for Italy:** promotes social impact investments with the aim of demonstrating the creation of a new economy that integrates economic sustainability and positive social impact.

**TCFD - Task Force on Climate-related Financial Disclosures:** an international organisation which aims to encourage companies to be more transparent on the financial risks and opportunities associated with climate change.

**UNGC - A Global Compact:** a voluntary initiative to adhere to 10 Principles that promote the values of sustainability in the areas of human rights, labour standards, environmental protection and anti-corruption.

**VALORE D:** promotes diversity, talent and female leadership through action plans focused on welfare, inclusion policies, fair leadership and governance models, and training programmes to overcome gender stereotypes.

## MAIN RISKS

**REPUTATIONAL DAMAGE, UNRELIABLE COUNTERPARTY, CONFLICTS OF INTEREST AND CORRUPTION**

## MANAGEMENT METHODS / POLICIES ADOPTED

Internal regulations on sponsorships: the initiatives sustained must also consider the reliability of the applicants and their link with the Group, the creation of positive and long-lasting value for the Group, the support of progress and the well-being of the local areas.

Anti-money laundering and Anti-corruption regulations Sharing of objectives and KPIs within sponsorship contracts

## OUR FOUNDATIONS

Although they do not fall within the Banco BPM Group's reporting scope, we dedicate a space to our Foundations, which contribute to strengthening the connection with local areas and represent an important driving force for the common good.



### BBANCA POPOLARE DI LODI FOUNDATION<sup>3</sup>

*It pursues public benefit purposes in the areas of Lodi, Cremona, Pavia, Mantua, Eastern Liguria, Piacenza and Parma.*

The Foundation has continued to support projects in the fields of education, social and health care, as well as art and culture, worship, sport and recreation; it also reconfirmed its contribution to the *Centro Servizi Volontaria-to Lombardia Sud*, the *Associazione Amici del Cuore Roberto Malusardi Onlus*, and the *Rete di Sostegno alle Fragilità Familiari* in the fields of Food, Housing, Work and Training.



### BANCA POPOLARE DI MILANO FOUNDATION

*It supports initiatives in education, training, social assistance and healthcare with regard to the most disadvantaged segments of our society. It works in the areas of the former BPM Group, particularly in Milan, Legnano and Alessandria.*

The Foundation resolved to support the *Connetti la scuola - accendi il futuro!* project of the Municipality of Milan and contributed to the *Corner In Farmacia per i Bambini* projects of the *Rava Foundation - N.P.H. Italia Onlus*, in Baranzate (Milan) and that of the *Consultorio gratuito* promoted by *Il Minotauro*, which offers free psychological assistance to young people.



### BANCA POPOLARE DI NOVARA FOUNDATION

*It is committed to being a driving force in the Piedmont, Valle d'Aosta and Western Liguria regions.*

The Foundation reconfirmed its support for the *Cooperativa Sociale Gerico*, established with the aim of carrying out activities and social integration; in addition, a contribution was given to the *Liberazione e Speranza Società Cooperativa Sociale* for its activities to raise awareness and combat discrimination and violence against women.



### BANCO SAN GEMINIANO E SAN PROSPERO FOUNDATION

*It supports and promotes solidarity activities primarily in the Emilia-Romagna area.*

In 2021, the Foundation supported the *Archdiocese of Modena-Nonantola e Carpi* by participating in the *Nessuno Escluso - Oratori Estivi 2021* di Reggio Emilia project, as well as promoting the 7th edition of *CON MERITO*, which awarded 60 scholarships worth € 500 each.



### BANCA POPOLARE DI VERONA FOUNDATION

*It implements and promotes assistance, education, research and cultural activities in the Triveneto area.*

The Foundation supported several initiatives in 2021, including the *Fondazione Arena di Verona's 67 columns for the Arena di Verona* project, the *Cooperativa Sociale Vita Down Onlus*, an accommodation facility created for the work placement of young people with disabilities, and the *Associazione Alzheimer Verona ODV* in support of two socio-rehabilitation centres for people with Alzheimer's disease.



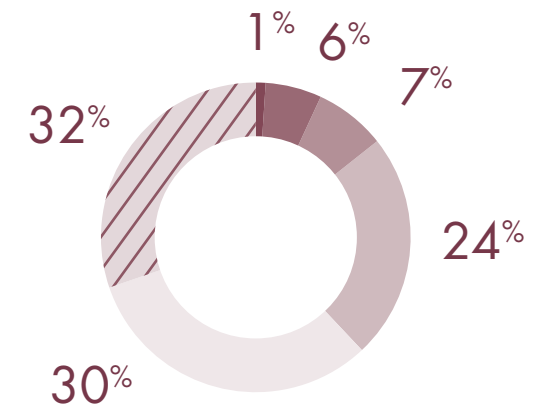
### CREDITO BERGAMASCO FOUNDATION

*It promotes civil, cultural, scientific and social progress in the areas of Bergamo, Brescia, Como and Lecco.*

The Foundation reconfirmed its support for the *Papa Giovanni XXIII Hospital* in Bergamo, as well as for *LILT Sezione di Bergamo Onlus* and numerous parishes and organisations in the area. The usability of the *Palazzo Storico Creberg* and the usual exhibition venues, impacted by COVID, led to the creation of initiatives in virtual mode.

<sup>3</sup> According to the Articles of Association of the BPL Foundation, it devolves 1/8 of its share to the BP Cremona Foundation and the *Associazione Popolare Crema per il territorio*.

## CONTRIBUTION OF THE FOUNDATIONS TO THE COMMUNITY BY AREA OF ACTIVITY



-  SOCIAL AND SOLIDARITY
-  ART AND CULTURE
-  EDUCATION AND TRAINING
-  OTHER (ASSET PROTECTION)
-  RESEARCH AND HEALTH
-  SPORT

## Responsible supply chain management

**We share a commitment with our suppliers to the consolidation of a sustainable economic model** through a working system that generates shared value, maximising positive impacts on society and the environment. We recognise and reward good behaviour to mitigate risks throughout the value chain.

**We build a relationship with our suppliers that is both cost-effective and sustainable, while complying with company rules and regulations.** Lasting partnerships that ensure mutual economic satisfaction, the exchange of experience and continuous improvement over time, following the principles of transparency, fairness and competition. Qualifying factors including having appropriate technical and professional requirements, as well as the reliability and honour of the candidates. Aware of how important it is to give value back to the areas where we are present, almost all of our suppliers are national.

### MANAGEMENT MODEL



The interaction with suppliers is managed by the Purchasing Department, through specialised buyers divided into macro-categories (Technological Products, Consumer Goods and Services Supply, Real Estate Products), adopting uniform supply policies, criteria and methods throughout the Group.

**A fundamental tool for governing relations with suppliers, ensuring transparency and traceability of relationships, is the Supplier Register:** a complete archive of information but also a management, evaluation and monitoring application.



#### APPLICATION

Businesses and professionals are invited to sign up (or to update their details) by connecting to the portal online.



#### SELECTION

The supplier completes a specific online form and provides a series of mandatory documents for a full and accurate assessment.



#### REGISTRATION IN THE SUPPLIER REGISTER

Dependent on fulfilment of the integrity, professionalism, technical and reputational requirements and any other aspect considered useful.



#### TENDERS/BIDS

Bids and competitive tenders are the best way to identify the service with the most advantageous quality-price ratio.

Thanks also to a series of automatic controls distributed over time, the **Supplier Register** ensures control over supply chain risks.

The first point of contact of the potential supplier with the Group takes place through the supplier **qualification portal**.

## ITALY

## NORTH-WEST

- 59% suppliers
- 68% turnover

## ITALY

## NORTH-EAST

- 18% suppliers
- 12% turnover

## ITALY

## SOUTH

- 3% suppliers
- 1% turnover

## CENTRAL ITALY

- 17% suppliers
- 18% turnover

## ITALY ISLANDS

- 2% suppliers
- 0.6% turnover

ABROAD  
(EU + NON-EU)

- 1% suppliers
- 0.6% turnover



In addition to general, technical, organisational and financial data, during the qualification phase all suppliers are asked to provide information on the **Quality, Environmental and Energy Certifications** they hold, which allows us to make a more careful selection in relation to the commitment of those with whom we work.

To date, the types of environmental certification most frequently surveyed are as follows:

**ECOLABEL:** European Union ecolabel for products and services with a reduced environmental impact throughout their life cycle;

**EMAS:** *Eco-Management and Audit Scheme* is a voluntary tool created by the European Community to assess and improve environmental performance and publish information on environmental management;

**ISO 14001:** standard setting out the requirements for an environmental management system;

**PEFC:** *Programme for Endorsement of Forest Certification schemes*, certification for sustainable forest management.

Lastly, to enter into any working relationship, all suppliers are required at the qualification stage:

- **to know the organisational, management and control model and the Code of Ethics** and to adopt conduct that complies with the content of said documents;
- **to act in strict compliance with the applicable labour laws** and regulations as well as social security, accident prevention and insurance provisions;
- **to operate in full compliance with the legislation and regulations in force regarding health and safety** in the workplace, environmental protection, anti-money laundering and anti-corruption.

We do not have any relationships with individuals who are involved in illegal activities or who, directly or indirectly, violate human rights by failing to comply with applicable labour, health, safety and environmental legislation.

In fact, we use specific contractual standards that include clauses for contract termination if policies are adopted that conflict with these regulations.

Due to the continuing health emergency caused by the spread of Covid-19, suppliers' access to company premises continues to be appropriately regulated with the exception of particular essential services or activities.

### NEW SUPPLY CHAIN 'ESG RATING'

Environmental, social and governance factors have become increasingly important in recent times, and to keep abreast of the latest developments in this area, the Purchasing Department, together with all the other departments of the Bank concerned with ESG issues, participates on an **ongoing** basis in the **ESG strategic activities** working groups.

In this regard, a working group was set up on an experimental basis with the ABC Consortium, of which we are a member together with other banks and leading companies. A scoring questionnaire was developed and validated and submitted to a sample of our suppliers to simulate the **ESG rating** levels that can be achieved.

Further studies will be carried out in the course of 2022. Since our supply chain is mostly made up of small and medium-sized enterprises, the questions in the questionnaire and the resulting assessment can be adapted to suit different economic realities and product sectors.

We are also considering other solutions already on the market.

~ 1,280  
suppliers

who received  
nearly  
€ 702  
MILLION

In 2021, we worked with 1,279 suppliers to whom we allocated almost € 702 million (a decrease of -4.7% compared to 2020, partly due to a process of streamlining expenditure in the continuing health emergency).

TOTAL TURNOVER BY CATEGORY	2021	2020
SERVICES	38%	40%
REAL ESTATE	16%	16%
TECHNOLOGIES	46%	44%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

### MAIN RISKS

### MANAGEMENT METHODS / POLICIES ADOPTED

#### COMPLIANCE, LABOUR LAW AND SOCIAL AFFAIRS

Monitoring of contracts  
Systematic controls on anti-money laundering, Related Parties and Connected Persons  
Checks regarding legislative obligations in terms of occupational health and safety  
Checks on compliance with current labour legislation and acquisition of the single contribution regularity document

#### ENVIRONMENTAL CRIMES

Verification of compliance with environmental legislation  
Request for environmental certifications held

#### UNRELIABLE COUNTERPARTY

Monitoring of the prerequisites of integrity, professionalism, expertise and reputation  
Checks of quality and environmental certifications  
Monitoring of the level of professional development  
Monitoring of economic and financial stability

## Targets by 2024

~ **€10 MILLION**  
donations and sponsorships  
for **social and environmental  
projects**

Continued  
support for **5,000**  
**RESEARCHERS**  
under the **partnership with  
AIRC**

> **300**  
**SOCIAL  
INITIATIVES**  
for **local communities,  
schools and students**

> **10,000**  
**HOURS**  
of **financial education and  
ESG awareness**

# ENVIRONMENT

Can we contribute to the transition to a greener economy and work in an environmentally friendly way?

**STAKEHOLDERS**  
Environment



**BIETTIVI  
PER LO SVILUPPO  
SOSTENIBILE**





We want to support our customers in the fight against climate change, and have developed **green products and services** and organised **training sessions** for the local area to do so. We are integrating **environmental and climate factors** into all our **governance levers**, including our credit policies and risk management system.

At the same time, and with the same **commitment**, we are working to continuously **reduce our environmental footprint** and reach the goal of zero emissions into the atmosphere.

#### ESG FIELDS



## Snapshots of 2021

CDP  
RATING  
**A-**

€ **900 MILLION**

in funds disbursed  
under the **Sustainable  
Investments Ceiling**

- **25%**

in-house paper  
consumption vs  
2019

+ **93%**  
**GREEN BONDS**

in the proprietary portfolio  
vs 2020

**100%**  
**ENERGY**

from renewable sources  
(more than 30K tCO<sub>2</sub>eq  
avoided)

NEW CREDIT  
POLICIES WITH A  
**GREEN  
FOCUS**

CARRIED OUT ASSESSMENTS  
ON **PHYSICAL RISK  
AND TRANSITION**

## What we offer to protect the environment

- Supporter of the **Task Force on Climate-related Financial Disclosure**
- **Lending policies** attentive to environmental impact
- Integration of environmental and climate risks in the **Risk management framework**
- **Support for companies in the transition** to a low-emission business model
- **Green products, services and financing** for building efficiency
- Promoting **environmental awareness among employees and customers** with specific meetings and initiatives
- **Reducing direct impact**, improving energy efficiency in plant engineering, replacing fleet vehicles with less polluting ones

## What we propose to do

- Membership in the **Net Zero Banking Alliance** and **Science Based Target initiative** to align our portfolio with the Paris Agreement
- Strengthening of environmental and climate risk management through further **integration of the RAF with climate-environmental variables**
- Development of **scenario** and **stress test methodologies**
- New green finance issues under the **Green, Social & Sustainability Bond Framework**
- Emission reduction plan (scope 1 and 2) and progressive **carbon neutrality** through offsetting projects

## Background: strategy, risks and opportunities, governance

We want to report on our environmental commitment with the utmost transparency<sup>1</sup> and have therefore started to implement the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), of which we are a supporter. A correlation table will make it easier to relate the different topics covered to the four thematic areas of disclosure defined by the TCFD (Strategy, Governance, Risk Management, Metrics and Targets).

<sup>1</sup>The TCFD recommendations are a set of recommendations aimed at promoting greater transparency in reporting on the management of financial risks and opportunities related to climate change.

<sup>2</sup>The Intergovernmental Panel on Climate Change (IPCC) is the main international body for assessing climate change.

### STRATEGY

We are currently witnessing the **consequences of climate change** on ecosystems and our society with increasing frequency. The international work of the Intergovernmental Panel on Climate Change<sup>2</sup> shows that temperatures, CO<sub>2</sub> emissions and sea levels will continue to rise with negative impacts on the economy and people.

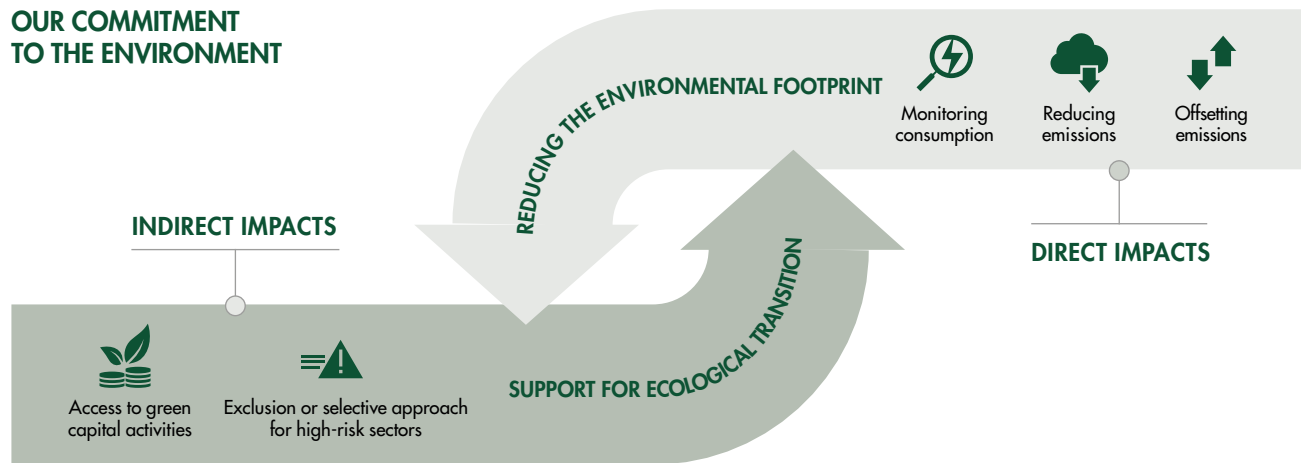
At European level, awareness of these risks has led to the emergence of the need for a **concrete global climate policy** involving the various sectors of the economy and society.

The growing awareness of the **role of the banking system** in the climate and environmental challenge has profoundly influenced our actions and strategic vision.

In fact, we believe that a commitment to environmental protection and combating climate change is a fundamental element in creating long-term sustainable wealth for our stakeholders and for the areas where we operate.

In November 2021, we presented the **2021-2024 Strategic Plan** (see the chapter The new Strategic Plan, page 14), which identifies sustainability as one of the main drivers of risk management, growth and competitiveness.

**OUR COMMITMENT TO THE ENVIRONMENT**



With reference to **direct environmental impact**, we have long been committed to monitoring and managing consumption and reducing emissions to progressively reduce our environmental footprint and reach the goal of zero direct emissions by 2024. In relation **to the impacts that we indirectly produce** in carrying out our financial intermediation activity, we intend to ensure

more favourable access to capital for green activities or those that intend to undertake a transition process, and conversely, to adopt exclusionary policies and a selective approach towards sectors with a high environmental risk.

To this end, we are working towards a progressive integration of environmental and climate risks within credit policies and the overall risk management framework.

Because we consider external judgement important and want feedback on our commitments, for years now we have been participating in the questionnaire of the **Carbon Disclosure Project (CDP)**<sup>3</sup> which **gave us the rating A-** (leadership) in December 2021, confirming that our strategy is guiding us on the right path.



<sup>3</sup> International non-profit organisation that manages an environmental measurement and reporting system, supporting thousands of companies and other stakeholders in measuring and managing environmental risks and opportunities.

<sup>4</sup> The NZBA is a UN-sponsored initiative in which member banks commit to aligning their financing and investment portfolios to achieving zero net harmful emissions by 2050 or earlier.

SBTi is an initiative promoted by leading international bodies, which was established with the aim of assisting companies in defining ambitious, science-based climate change mitigation targets.

**MEMBERSHIP IN NATIONAL AND INTERNATIONAL PROGRAMMES FOR ENVIRONMENTAL PROTECTION**

Our strategic approach includes a number of national and international programmes that we have decided to join to formally demonstrate our commitment to achieving important sustainability or reporting objectives. In the environmental field, the most significant of these are the **United Nations Global Compact** with which we are committed, with specific principles and objectives, to protecting the environment in a preventive and proactive manner with respect to existing challenges and opportunities for developing new technologies, and the **Task Force on Climate-related Financial Disclosures** for more transparent and comprehensive reporting on climate-related risks and opportunities.

The commitments in the Business Plan also include joining the **Science Based Targets initiative (SBTi)** and the **Net Zero Banking Alliance (NZBA) by 2024**<sup>4</sup>. In doing so, we have embarked on an important path towards aligning ourselves with the **Paris Agreement** targets of **zero net emissions by 2050**.

## RISKS AND OPPORTUNITIES

Climate change leads to a number of risks and opportunities that must be correctly identified and managed to minimise negative impacts and reap positive aspects.

**Climate and environmental risks** can be divided into two categories:

- **Transition risks:** indicate the financial loss that an institution may incur as a result of the adjustment process towards a low-carbon economy that could be caused, for example, by changes in regulation, technology and market preferences.
- **Physical risks:** indicate the financial impact of extreme weather events (acute) and gradual changes in climate, as well as of environmental degradation (chronic) (water, air and soil pollution, loss of biodiversity, deforestation, etc.).

The tables below describe **the main risk categories associated with physical and transitional risks**, as well as the main impacts that these may have directly on the Bank and indirectly on its customers in both the short-term, but especially in the medium and long term.

### TRANSITION RISK

RISK FACTOR	MAIN IMPACTS IDENTIFIED
REGULATIONS	<p><b>Higher operating costs</b> for companies operating in sectors associated with high carbon emissions</p> <p><b>Increased resources for collecting and reporting</b> climate and environmental data and information</p> <p><b>Increased regulatory capital requirements</b> on assets most exposed to physical and transitional risk</p>
TECHNOLOGICAL	<p><b>Replacing existing products and services</b> with solutions using lower-carbon technologies</p> <p>Need for activities in sectors with a high environmental impact to incur <b>high costs for the transition to more sustainable technologies and business models</b></p>
MARKET	<p><b>Changes in demand for products and services</b> resulting from changes in consumer preferences that could also impact the revenue mix with repercussions on business profitability</p> <p><b>Rising energy prices</b> that can significantly affect the costs incurred by companies</p>
REPUTATIONAL	<p><b>Negative economic/financial impact due</b> to perceived lack of commitment to climate change by stakeholders</p>

### PHYSICAL RISK

RISK FACTOR	MAIN IMPACTS IDENTIFIED
ACUTE	<p><b>Resources earmarked for the reconstruction of property</b> damaged by natural disasters and <b>increased insurance costs</b> to cover possible future damage</p> <p><b>Reduction in income-generating capacity</b> caused by natural disasters. E.g., damage to instrumental property, interruption of the supply chain, logistical difficulties, etc.</p>
CHRONIC	<p><b>Reduction in the value of assets</b> in areas impacted by chronic physical risk <b>and in the ability to generate income by</b> companies operating in areas impacted by such risk</p>

In line with the Supervisory Authority's requirements, we consider climate and environmental risk components as specific factors affecting the **main types of risk already in place**.

In this perspective, the potential impacts of transition (T) and physical (F) risks are assessed within the traditional risk categories. A first impression is listed here:



TYPE OF RISK	POTENTIAL IMPACTS OF TRANSITIONAL AND PHYSICAL RISKS
<p><b>CREDIT RISK</b> Risk that a debtor will default on his obligations or that his creditworthiness will deteriorate</p>	<p>Estimates of the <b>probability of default (PD)</b> and <b>loss given default (LGD)</b> of funded counterparties are impacted by considerations of the <b>additional costs that companies will incur in complying with the new environmental standards</b> <span style="float: right;">T</span></p> <p><b>PD and LGD estimates of the exposures to sectors or geographies vulnerable to physical risks are impacted by this specific factor</b> (e.g., lower collateral valuations in real estate portfolios) <span style="float: right;">F</span></p>
<p><b>MARKET RISK</b> Risk of potential losses in the trading book portfolio value generated by adverse changes in variables linked to the issuer (specific risk) or market conditions (generic risk)</p>	<p>Financial instruments issued by companies with <b>business models</b> perceived as environmentally unsustainable or located in <b>geographic areas</b> susceptible to physical risks could suffer a <b>reduction in the value of their investment</b> <span style="float: right;">T</span> <span style="float: right;">F</span></p>
<p><b>LIQUIDITY RISK</b> Risk of being unable to meet payment obligations due to the inability to raise funds on the market (funding liquidity risk) or to dispose of assets (market liquidity risk)</p>	<p>Direct impact in the face of <b>significant cash withdrawals</b> by customers to finance the <b>repair of damage</b> caused by extreme weather events <span style="float: right;">F</span></p> <p><b>Sudden repricing of securities</b> due to <b>extreme weather events</b> or the sudden implementation of <b>restrictive carbon policies can reduce the value of the bank's liquid assets</b> <span style="float: right;">F</span> <span style="float: right;">T</span></p>
<p><b>OPERATIONAL RISK</b> Risk of suffering losses caused by inadequacy or failure attributable to internal procedures, human resources and systems, or caused by external events</p>	<p><b>Interruption of operations</b> following the occurrence of physical risks to owned operating assets, outsourced services or IT activities. <span style="float: right;">F</span></p> <p>Financial impact deriving from <b>legal liability</b> <span style="float: right;">T</span></p>
<p><b>REPUTATIONAL RISK</b> Risk arising from a negative perception of the Bank's image by stakeholders</p>	<p>Negative impacts on the <b>ability to maintain or develop new business opportunities</b> and to continue to have <b>access to funding sources</b> because the Bank is not perceived by the various stakeholders as adequately sensitive to environmental, social and governance issues <span style="float: right;">T</span></p>

The perspective under which we assess the consequences of climate change must not focus exclusively on risks and threats; **a comprehensive view of the phenomenon offers us the chance to seize the important opportunities for investment and innovation that we can achieve.**

Aware of the role we play in relation to companies and areas, we are committed to promoting and supporting initiatives capable of seizing the opportunities arising from the growing **attention of legislators and investors** on sustainability issues and from those related to the important investments deriving from the NRRP.



### **NRRP, AWARENESS AND INNOVATION: THE SPARK OF THE ECOLOGICAL TRANSITION**

The various infrastructures envisaged by the **NRRP**, as well as constituting an opportunity in terms of resources deployed and employment generated, can transform part of the country's social and productive fabric and be a driver of development for new activities.

Also, the important evolution that the market and the productive fabric are undergoing, together with the ever-increasing awareness of consumers, are becoming a driving force towards widespread and sustainable **innovation** from which the entire economic system will benefit.

These changes are leading to **new needs and requirements**, and our role as the country's third-largest banking group and a financial player with strong roots in the local area dictates that we must play a leading role in the developing scenario.





## ENVIRONMENTAL GOVERNANCE

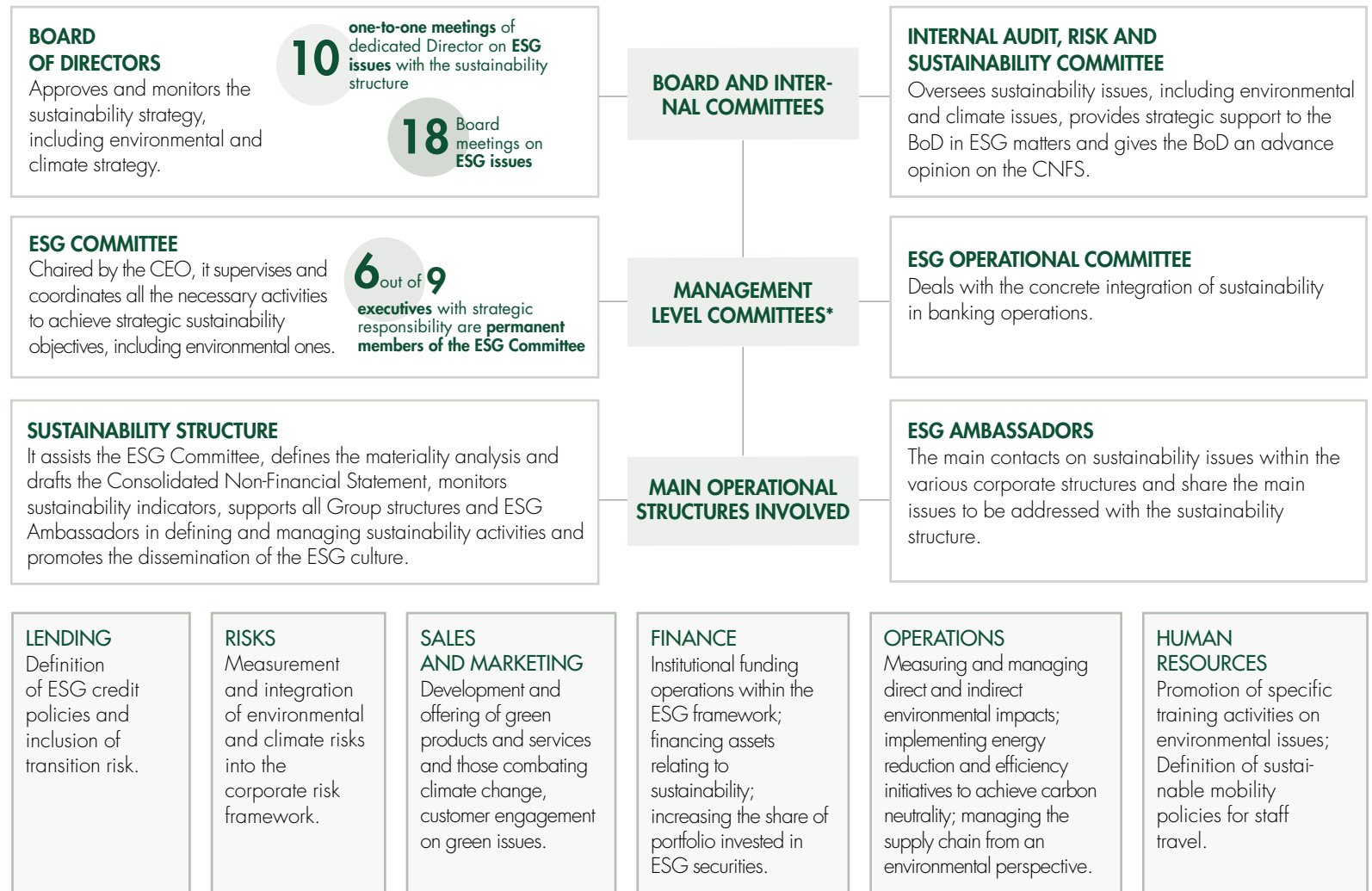
As a result of our efforts, we have put important governance safeguards in place and strengthened operational structures.

As expressly stated in the **Code of Ethics**, we believe that the environment is a primary asset to be protected and we direct our choices so that there is a balance between economic initiative and environmental needs.

In 2020, we adopted **Environmental, Energy and Climate Change Management Guidelines**<sup>5</sup> to guide the Group's activities in reducing our environmental impact and countering climate change

<sup>5</sup> For further information: [gruppo.bancobpm.it](http://gruppo.bancobpm.it) > Sustainability > Governance

## MONITORING ENVIRONMENTAL ISSUES IN GOVERNANCE



\*Other management committees such as the credit committee, risk committee and finance committee deal with ESG integration for their own areas of responsibility.

## TRAINING FOR EMPLOYEES

We believe that **training and incentive policies** on environmental issues are key enablers for effectively integrating sustainability into operations.

> **105,000**  
training hours  
provided on ESG issues  
in 2021, of which almost  
**25,900** hours dedicated  
to the **Green Awareness**  
course

> **17,000**  
people involved  
in ESG training  
courses

In 2021, 17,545 employees were involved in training courses on ESG issues for a total of 105,332 hours. In particular, to raise awareness of the urgency of environmental issues, climate change and related impacts, we have developed a mandatory course for all colleagues **'Green Awareness in Banco BPM'**, which was **attended by around 70% of the Group's staff, for a total of 25,840 hours.**

Also, courses on specific topics and with technical content were given to network operators, managers and central specialist departments of Banco BPM, Banca Aletti and Banca Akros for a total of over 67,000 hours.

To reinforce and measure our commitment, we participate in the assignment of major ratings and undergo annual ISO certification, which we maintained in 2021.



### CDP RATING RAISED TO A-

We participated in the Carbon Disclosure Project for the third year running, having our policies and performance measured and confirming our commitment to analysing risks and opportunities related to climate change, to setting targets to reduce our environmental impact and improving our performance towards a low-carbon economy.



**BUREAU  
VERITAS**

During 2021, the Group successfully completed the surveillance audits required to confirm and maintain the ISO Management Systems implemented in the previous year. The Bureau Veritas certification body positively performed the checks set forth in the audit process, confirming the relative certificates of compliance with the **ISO 45001 - Occupational Health and Safety, ISO 50001 - Energy and ISO 14001 - Environment standards.**

Regarding incentive policies, we published a new Policy in 2021 that expanded and strengthened the integration of ESG<sup>6</sup> objectives.

## REPORTING OUR CONTRIBUTION TO THE ECOLOGICAL TRANSITION

To provide effective and transparent reporting to all our stakeholders, we report in two different chapters on how we measure, manage and mitigate our direct and indirect environmental impacts and the related targets we have set ourselves:

- **Climate change and green business:** this chapter addresses with the bank's indirect environmental impact, i.e., the impact of our business activities. This area (so-called downstream) includes the impacts related to the credit-financial area,
- **Reduction of environmental impact:** this chapter addresses both the direct environmental impact of the bank and the indirect impact generated by the preparatory activities for carrying out our business, i.e., the so-called upstream sphere (energy supply, consumption of materials, employee mobility, etc.).

<sup>6</sup> For more information, see the chapter 'Remuneration policies'.

# Climate change and green business

Through our lending and financial activities, we are committed to supporting customers in the transition to a low-emission economy, to seizing the opportunities associated with it, and to measuring and managing climate and environmental risks.

## MANAGEMENT MODEL



**PORTFOLIO TRANSPARENCY, EU TAXONOMY AND ELIGIBLE 'GREEN ASSET RATIO'**

**LENDING POLICIES AND RISK MANAGEMENT**

**GREEN PRODUCTS AND SERVICES, MEETINGS WITH COMPANIES ON RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE**

**GREEN BONDS, INVESTMENTS AND FINANCIAL SERVICES**

## PORTFOLIO TRANSPARENCY, EU TAXONOMY AND ELIGIBLE 'GREEN ASSET RATIO'

**We have carried out exercises and analyses to measure our exposure to climate-related risks in key economic sectors and geographic areas.**

The first in-depth analysis relates to transition risk, understood according to the logic already explained in the previous sections.

The methodology used to assess the materiality of the exposure of our non-financial company loan portfolio **to transition risk** starts from a micro-sector analysis aimed at providing an indication of the transition risk associated with the industry to which the counterparty belongs, and is supplemented with evidence collected at the level of individual companies or groups where available.

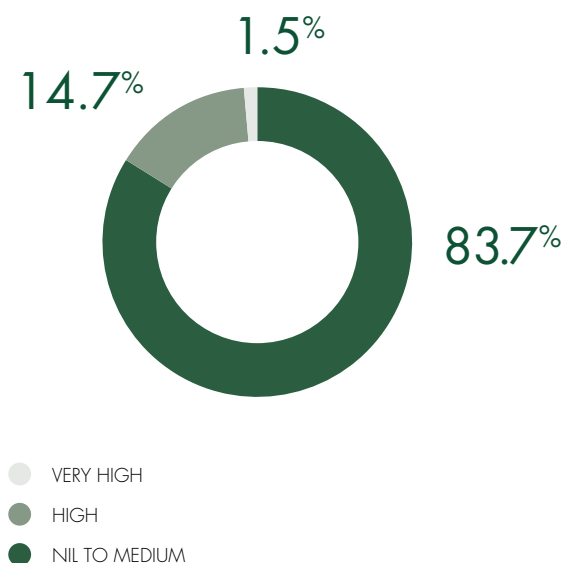
In short, the relevant variables considered by the model can be summarised as follows:

- **Regulation:** References are mainly represented by the EU Taxonomy and Emission Trading Schemes that determine an initial allocation of sectors (NACE code<sup>7</sup>) to the different transition risk brackets;
- **Emission intensity:** average emissions of climate-altering gases, risk of soil/water pollution and level of consumption of natural resources (expressed by industry analyst assessments);
- **Technology and market evolution:** representative of the possibility/need to replace products with alternatives with a lower environmental impact.

The final assessment is obtained with an 'asymmetric' logic that tends to give maximum weight to the individual risk component, where available.

<sup>7</sup> Classification to systematise and standardise definitions of economic and industrial activities in the EU Member States.

### TRANSITION RISK IN THE BANCO BPM LOANS PORTFOLIO - 65.5 BILLION - NON-FINANCIAL CORPORATE<sup>8</sup>



The summary transition risk obtained through this methodology is expressed according to a scale of five classes ranging from green to high and very high risk. Considering exposures to companies, the transition risk mapping of the loan portfolio as at 31/12/2021 shows a **moderate exposure to transition risk**, as expressed below:

In more detail, very high risk exposures include loans to sectors (e.g., Oil & Gas) whose companies, given the standards outlined by the regulations and the transition objectives in place, will have to gradually reconvert their business or substantially change their production process or else leave the market; in this context, the sub-sectors represented by hard coal mining, manufacturing of coal-fired blast furnace products and coal-fired power generation, for which the 2021-2024 Strategic Plan envisages a progressive run-off, represent 0.1% of the portfolio; high risk instead includes those sectors whose companies will have to make significant investments for reconversion, with potentially significant effects on their financial sustainability.

These sectors are represented by companies and economic groups that are for the most part financially sound (about 70% of which relate to customers in low or medium-low credit risk brackets) and whose transition to sustainable activities will be supported by our Group with the help of specific products (transition loans) and initiatives already framed within the framework of the lending policies<sup>9</sup>.

This representation does not consider the share of the companies' operations (turnover or capex) that are considered already 'eligible' with the objectives of the Taxonomy<sup>10</sup> nor the presence of financing aimed at specifically supporting the transition.

<sup>8</sup> Gross cash exposure

<sup>9</sup> See next section, 'Lending policies and risk management'.

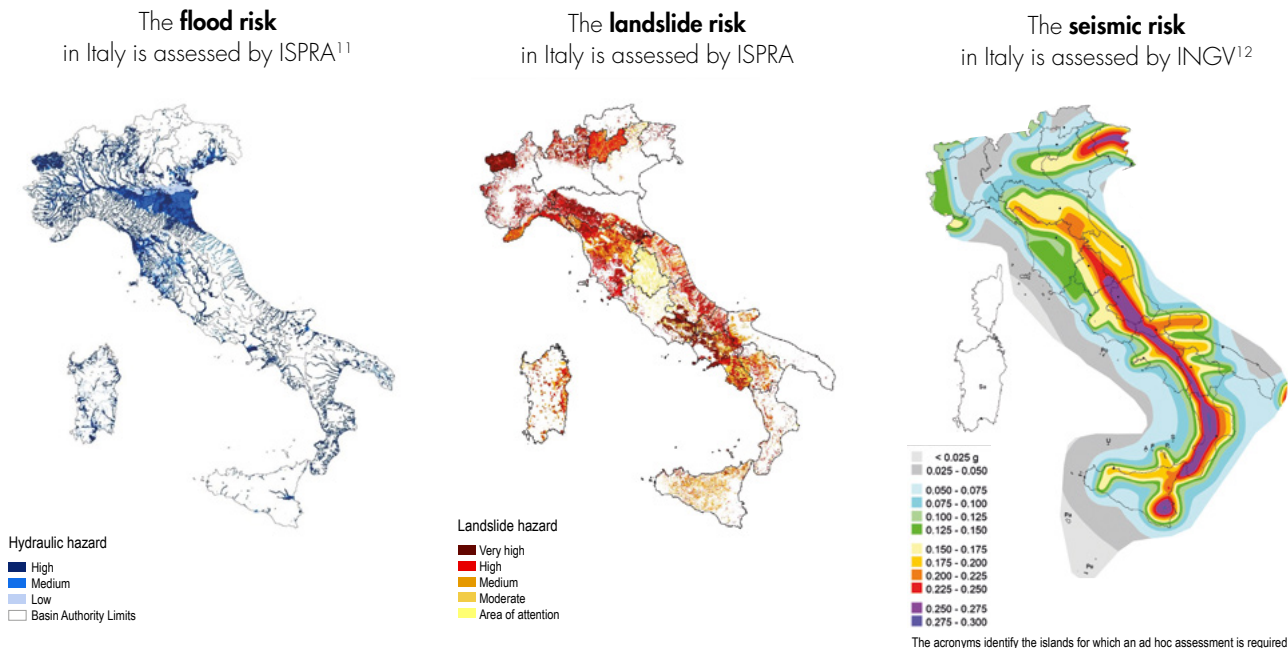
<sup>10</sup> See the box EU taxonomy - Eligible GARs

**PHYSICAL RISK**

Regarding **physical risk**, our exposure level was the subject of an analysis that considered both the **real estate guarantees received** and the **production assets** (plants, offices, warehouses, etc.) of the customer companies.

Due to its shape and geographical position, Italy is one of the European countries most exposed to this risk. For this reason, we analysed all the acute and chronic risk events associated with climate change and mapped by the EU Taxonomy Regulation, identifying the most relevant ones for the Italian regions where we operate, i.e., **flood** (river, etc.), **landslide**, and lastly **seismic risk**, which although not related to climate, is the most relevant physical risk in Italy.

The public data sources used are listed below:



The **scoring methodology we developed** starts with geo-location, inferred from the address of each asset, which is then assigned a score for each physical risk event in the area considered. This score can vary from 0 to 4 depending on the level of risk<sup>13</sup>. Then the assets are aggregated both to obtain a synthetic score for each guarantee and/or customer companies, and also non-linearly, to obtain an overall score.

Given the characteristics of the local areas in which we are most present, the assessment carried out on our portfolios in 2021 shows a **low flood risk** (overall average score around 0.7) and a **very localised landslide risk**, combined with a moderate hydrogeological risk, i.e., flooding and/or landslide (overall average score 0.8). The **seismic risk** is slightly more significant, but **also low** (overall average score 1).

Consistently, the breakdown by physical risk brackets shows an extremely low incidence of 'high' and 'very high' risk brackets for all three risk types.

<sup>11</sup> isprambiente.gov.it > Landsliders and floods in Italy: hazard and risk indicators (2018 ed.);

Flood hazard and risk maps;

ISPRA National mosaics of landslide hazard zones and flood hazard zones.

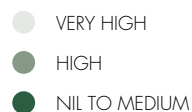
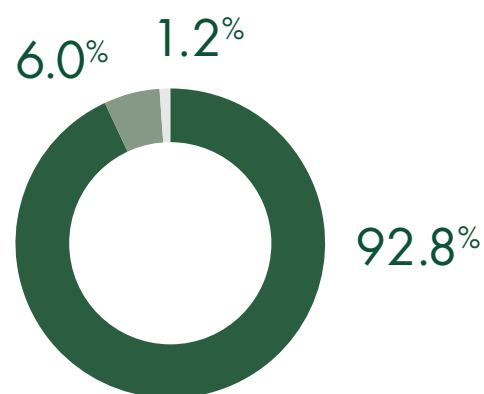
Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA)

<sup>12</sup> National Institute of Geophysics and Volcanology (INGV), zonesismiche.mi.ingv.it

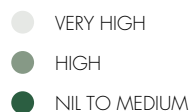
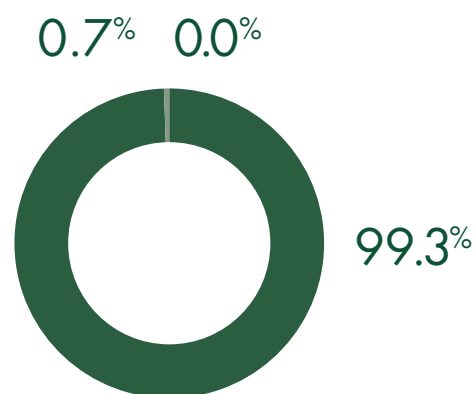
<sup>13</sup> The score is 0 if the risk is negligible, while a score of 4 identifies a very high risk.

## CASH EXPOSURE TO NON-FINANCIAL COMPANIES<sup>14</sup>

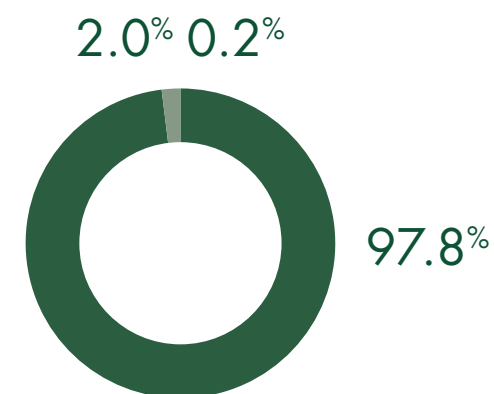
### FLOOD RISK



### LANDSLIDE RISK



### SEISMIC RISK



The distribution by physical risk bracket of the collateral underlying exposure to individuals and companies is broadly in line with the distributions outlined above.

Also, a **qualitative questionnaire** investigates the ability of our customer companies to deal with climate risks in terms of events experienced in recent years, insurance purchased, policies and strategies implemented. These aspects influence the Group's credit development.

Regarding **climate scenario analyses**, we are engaged in the development and implementation of projections that take into account transition risk and physical risk. The modelling of these phenomena is essential to asseverate the bank's ability to prevent and minimise negative impacts through strategic guidelines that are based on a detailed analysis of the current asset situation and relative positioning.

These analyses, which are also being developed as a result of the ongoing climate stress testing exercise, will contribute to progressively improving the quantification of the bank's exposure to the risk factors in question. To this end, the Bank has already launched specific projects aimed at incorporating the impact of expected scenarios in the projection of business plans (forward-looking models) in the medium to long term.

<sup>14</sup>Capital companies with physical assets.



## EU TAXONOMY - ELIGIBLE GREEN ASSET RATIO (GAR)

To support the achievement of the objectives of the **European Green Deal**, and recognising the importance of the financial sector in this process, in 2018 the European Union published an Action Plan to finance sustainable growth, which has the following three objectives:

- reorienting capital flows towards sustainable investment;
- integrating sustainability into risk management;
- promoting transparency and long-term management in financial activities.

**EU Regulation 2020/852 (so-called 'Taxonomy')** is the first step in this programme, and aims to determine which economic activities can be considered environmentally sustainable.

Eco-sustainable activities are defined as those economic activities that substantially contribute to at least one of the following environmental objectives, as long as they do not cause significant harm to any of the other environmental objectives and are carried out in accordance with minimum safeguards<sup>15</sup>:

1. climate change mitigation
2. climate change adaptation
3. sustainable use and protection of water and marine resources
4. transition to a circular economy
5. pollution prevention and control
6. protection of ecosystems and biodiversity

The EU Taxonomy Regulation defines specific reporting requirements for companies subject to the publication of non-financial information pursuant to Article 19-bis or Article 29-bis of Directive 2013/34/EU (Non-Financial Reporting Disclosure). In particular, the legislation requires that for the 2021 reporting period, financial companies subject to the requirements must report the proportion of their exposure financing economic activities that are considered eligible (hereinafter also referred to as '**Eligible exposures**') or ineligible for the EU taxonomy. Thereafter, starting with the 2023 reporting year, such companies will have to replicate the exercise in relation to assets aligned ('**Aligned exposures**') with the EU taxonomy.

**Eligible exposure** is defined as a financial asset that contributes to the **financing of an economic activity described in the Delegated Acts** related to the environmental objectives of the taxonomy, regardless of whether **the respective technical screening criteria are met**. As such, this indicator only represents the **potential and not the actual sustainability of a company's activities**. Furthermore, it should be considered that the taxonomy is a dynamic framework that should expand its scope of activities over time, in particular by including other environmental objectives, which should enlarge the scope of eligible activities accordingly.

In accordance with regulatory recommendations, guidelines and requirements for the first reporting period (1 January 2022 to 31 December 2023), we **disclose the proportion of eligible exposures in our banking book (mandatory disclosure)**. With this in mind, the Group has based the identification of *eligible* economic activities, and therefore the related exposures, on the Technical Delegated Acts, which to date only cover the first two objectives: Climate Change Mitigation and Climate Change Adaptation.

<sup>15</sup> Minimum safeguards are procedures implemented by an enterprise carrying out an economic activity to ensure that it is in line with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions identified in the International Labour Organisation Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights

## MANDATORY DISCLOSURE

As a credit institution, we have calculated the share of exposure in eligible economic assets in our activities, net of some exclusions (exposure to central governments, central banks and supranational issuers and trading book).

In line with the recommendations of the European Commission, the scope of the analysis is that of

the consolidated Group and the **data was derived in accordance with FINREP<sup>16</sup>** reporting for the same reporting period.

Additional indicators and qualitative information were then calculated as required by Article 10 of EU Regulation 2021/2178.

The indicators reported by the Banco BPM Group as a credit institution are shown below (data as at 31/12/2021):

DISCLOSURE	DESCRIPTION	VALUE
<b>Share of eligible exposure in economic activities with regard to total assets<sup>17</sup></b>	Eligible exposures / Total Covered Assets	21.26%
<b>Share of non-eligible exposure in economic activities with regard to total assets</b>	Non-eligible exposures / Total Covered Assets	5.27%
<b>Share of derivative exposure with regard to total assets</b>	Derivative exposures / Total Covered Assets	0.09%
<b>Share of exposure to companies not subject to NFRD with regard to total assets</b>	Exposures to companies not subject to disclose NFRD / Total Covered Assets	57.86%
<b>Share of on-demand interbank loans with regard to total assets</b>	Interbank loans on demand / Total Covered Assets	0.16%
<b>Share of exposure to central governments, central banks and supranational issuers with regard to total assets</b>	Exposures to central governments, central banks and supranational issuers / Total Assets	31.66%
<b>Share of their trading book with regard to total assets</b>	Trading book / Total Assets	2.22%

Total Covered Assets (amounting to € 134.76 billion) represent 66.12% of Total Assets (amounting to € 203.82 billion). The former have been calculated as total assets net of exposures to central governments, central banks and supranational issuers and the trading book, as these exposures are excluded from the numerator by regulatory requirements.

For the calculation of the KPIs, the Total Covered Asset figure was used as the denominator where required and the Total Assets for the remaining KPIs.

The share of eligible exposures for the first year of reporting is represented by loans to households secured by residential real estate, loans to households for home improvement and vehicle purchase and collateral obtained by taking possession (residential and commercial real estate).

In line with regulatory requirements, we will disclose the proportion of exposures in truly eco-sustainable assets (aligned exposures) as of 1 January 2024.

<sup>16</sup> Supervisory reporting by credit and financial institutions.

<sup>17</sup> The stock of motor vehicle loans was considered fully eligible



## LENDING POLICIES AND RISK MANAGEMENT

**We are working towards a progressive integration of climate and environmental risks and opportunities within lending policies and the overall risk management framework.**

Regarding **risk management**, the process of fully integrating climate factors into the Risk Appetite Framework (RAF) continued in 2021 to support corporate bodies in considering the impacts of ESG factors.

In 2021, the RAF took into account ESG KPIs mainly focused on:

- granting loans linked to ESG financing products or falling into the Superbonus (110%) and Sisma bonus categories;
- overall adequacy of Group funding, with the monitoring of green and social bond issues;
- monitoring the Bank's operational risks through an indicator aimed at intercepting potential physical risk events;
- ESG bond issues (own or third-party) followed by Banca Akros in the role of co-lead manager.

**To prepare the 2022 RAF**, on the other hand, during the year we carried out all the preparatory activities aimed at defining and integrating suitable KPIs related to the company's activities to enable us to achieve a path of economic sustainability in line with the chosen 'Green Appetite'.

These activities took into account the ESG objectives of the 2021-2024 Strategic Plan and those of the broader ESG Programme to ensure alignment between business and the relative associated risk profiles.

The overall ESG KPI framework will be progressively extended and refined over time, in accordance with the multi-year plan of activities submitted to the Regulator, as well as in relation to the evolution of the metrics and methodologies used, also in consideration of possible changes in the regulatory context.

Regarding **lending policies**, we have incorporated several elements with clear ESG connotations during 2021, in particular in the Real Estate and Agri-food sectors.

Also, at the beginning of 2022, the lending policy guidelines were greatly revised to further integrate ESG assessment parameters, developed in line with the ambitions of the 2021-2024 Strategic Plan, and based on four elements:



**sector-based analysis to capture potential transition risks<sup>18</sup>;**



**questionnaire for assessing the counterparty and the transaction;**



checks that the **transaction** is **'green'** or **consistent with the EU taxonomy;**



analysis of **ESG financial sustainability** (for example, the presence of investments with ESG objectives) incorporated in the future evolved assessment tools (medium-long term business plan).



### THE ASSESSMENT QUESTIONNAIRE

The questionnaire includes two areas of analysis:

- the **'counterparty' section** allows to assess the extent to which the analysed company has defined policies and strategies to mitigate the main ESG risks through qualitative questions, differentiated according to sectoral risk, and quantitative KPIs;
- the **'transaction' section** allows to assess whether the loan is directly related to an ESG objective and is therefore virtuous, regardless of the counterparty's business activity.

As well as covering general aspects, the questions asked in the questionnaire cover the three areas of sustainability: Environment, Social, Governance.

If the counterparty performs poorly in several consecutive assessments, or if there is no progress over time, progressive penalties will be introduced. If repeated, such a negative result would in fact be an indication of the lack of a strategy to mitigate the main ESG risks to which the counterparty is exposed.

<sup>18</sup> For more information on the transition risk assessment model and scoring methodology, please refer to the section 'Portfolio transparency, EU taxonomy and eligible 'Green Asset Ratio'.

Considering the current qualitative distribution of the portfolio, the highly innovative scope of the topics under analysis and the difficulties in gathering ESG information from customers (particularly smaller customers), a gradual approach was defined for the introduction of the ESG assessments.

The main objectives of these developments, which are consistent with the green credit targets set out in the 2021-2024 Plan, concern:

	PLANT TARGETS BY 2024
the application of a <b>negative screening on sectors with a Very High transition risk</b> (coal mining, manufacture of products using coal-fired blast furnaces, production of energy from coal)	<b>run off</b>
the introduction of <b>initiatives to encourage the Green conversion of fossil fuel industries</b>	new lending to the fossil fuel sector dedicated to transition projects <b>&gt; 80%</b>
the <b>introduction of incentive/disincentive mechanisms based on the reference sector</b> (and therefore on the transition risk) and of the <b>assessment of the counterparty and of green operations</b>	share of new disbursements (incremental) in green and low-risk transition sectors <b>&gt; 65%</b>

A differentiated approach to ESG analysis is assumed according to the type of company, with a simplified approach for small businesses and an advanced approach for larger companies.

## GREEN PRODUCTS AND SERVICES, MEETINGS WITH COMPANIES ON RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

**We have developed a range of products and services to support our customers' environmental initiatives.**

The **'2020-2023 Sustainable Investments' ceiling** of € 5 billion is intended to support companies that want to embark on a path to sustainability<sup>19</sup>. The product is aimed at very diverse initiatives and there are no minimum size thresholds for access. During 2021, **some € 900 million were disbursed**, mainly on environmental and energy projects.

~ € **900** MILLION  
disbursed in 2021  
mainly for **environmental and energy projects**

### CEILING INTERVENTION AREAS

<b>ENERGY EFFICIENCY</b>	Interventions assessed on the basis of a methodology developed in partnership with the Energy Department of the Milan Polytechnic Institute.
<b>STRUCTURED FINANCE</b>	<b>Project Finance</b> mainly in the renewable energy sector <b>Real Estate</b> operations certified in terms of efficiency and energy class <b>Financing with ESG KPIs</b> (so-called ESG Linked Loan or Sustainable Linked Loan)
<b>OTHER INTERVENTIONS</b>	Projects consistent with the EU Taxonomy such as operations benefiting from the SACE Green New Deal guarantee, aimed at the production of energy from renewable sources, in the field of sustainable mobility and circular economy.

The assessment of the technical characteristics of individual projects can be submitted to external companies specialised in the different industries. The advantage for the customer is that they receive an ex-ante assessment of their project. The consultancy agreement with the Energy Department of the Milan Polytechnic Institute is part of this framework.

<sup>19</sup> We are working on increasing the amount and extending the maturity of the 'Sustainable Investment' Ceiling.

We have been present in major **structured finance** transactions concluded in Italy, both in the infrastructure and energy sectors.

In detail, the **Project Finance** activity concerned both the support of projects relating to plants for the production of energy from renewable sources, such as wind, photovoltaic, hydroelectric and biomass (11 transactions for a total loan of € 337.3 million), and infrastructural transactions (two transactions for a total loan of € 163.3 million).

**> € 337 MILLION**  
granted in **project financing**  
for the construction  
of **renewable energy** plants

Environmental sustainability is an increasingly important issue in housing choices. During 2021, in line with the principles of the EeMAP<sup>20</sup> project, we developed **a green mortgage offer** aimed at raising awareness and providing incentives for energy saving and efficiency<sup>21</sup>.

<sup>20</sup>European initiative to create a standardised European-wide energy efficiency mortgage to encourage the renovation of buildings and the purchase of highly efficient properties through favourable financial conditions.

<sup>21</sup>The new proposal covers all mortgages taken out for the purposes of purchase, construction, renovation and purchase with simultaneous renovation.

<sup>22</sup>The reduction in consumption is measured as a change in the overall non-renewable Energy Performance Index (EPgl, nren), while the improvement of two classes in the energy rating of the house is measured through the Energy Performance Certificate (APE) before and after the works.

### MORTGAGES WITH THE GREEN FACTOR, DESIGNED TO IMPROVE ENERGY EFFICIENCY

Each of our green mortgages has a '**Green Factor**' clause, which can be activated throughout the life of the product and allows for a 10 bps saving on the contracted rate as long as energy upgrades obtain:

- a reduction in consumption of at least 30% or
- an improvement in the energy rating of the home by two classes<sup>22</sup>.

Green Factor mortgages have been awarded the Energy Efficient Mortgage Label (EEML), a quality label promoted by the European Commission for best practices in the energy-efficient mortgage market.

**-10 BPS**  
on contracted rate  
for interventions with  
**-30% consumption or  
improvement of 2  
energy classes**

Certificates  
**ENERGY  
EFFICIENT  
MORTGAGE  
LABEL  
(EEML)**

To support customers in their choice, we have provided a cost-benefit simulator that takes into account both the energy potential of the property and current tax benefits.

The real estate offer also includes products and services associated with the so-called **110% Superbonus**, for which we have confirmed the possibility for customers to transfer tax credits deriving from energy efficiency and seismic risk reduction interventions in 2021. The offer is accessible and fully manageable online through a dedicated platform. As at 31 December 2021, there were contracts for the sale of tax credits for energy efficiency amounting to approximately € 890 million.

~ € **890** MILLION  
contracted for the transfer of tax  
credits for energy efficiency

~ € **400** MILLION  
loans granted for energy  
and structural efficiency  
operations

During 2021, loans to support energy and structural improvement operations were disbursed/ granted for approximately € 400 million.

These are the main products:

- **Energy Efficiency Building Loan:** to fund works to make condominium buildings more energy efficient by means of a loan with a maximum duration of 10 years with advantageous pricing.
- **Consumer Superbonus Advance:** to offer private customers and condominiums financial coverage during the period between the start of the works and its completion.
- **Advance on Building Renewal Contracts:** aimed at advancing financial resources to construction and plant supply companies that discount their invoices.

The offer is completed with other financing products, such as the Prestito Versatilo by Agos, aimed at those who allocate the financing to the purchase of eco-friendly goods or services.



## ESG TRAINING FOR CUSTOMERS

The transition of our business towards a sustainable model inevitably requires that our company customers also become aware of the risks and opportunities associated with ESG issues.

For this reason, in 2021 we organised 13 **meetings for Small and Medium-sized Enterprises** where ESG issues were addressed also through the testimony of public figures, with a particular focus on the environment.

During the year, an **action plan dedicated to company customers** was also defined, which will start in 2022 with interventions by the bank's management and ESG experts.

This initiative is aimed at sharing the new sustainability challenges companies must face and how the relationship between bank and business is changing. Also, these occasions will be an opportunity to share the solutions that the Group implements to support companies in their transition processes, also through the analysis of specific business needs.

## GREEN BONDS, INVESTMENTS AND FINANCIAL SERVICES

To raise financial resources to be used for financing sustainable activities, we published the '*Green, Social and Sustainability Bonds Framework*' in July 2021.

The framework contains eligibility criteria for assets and projects that can be financed with the proceeds of the issues. The eligible topics in the green field relate to: green building and transport, renewable energy, energy efficiency, sustainable water infrastructure.

As part of the bond issues carried out by our customers, **Banca Akros** participated in ESG bond issues and structured and issued Investment Certificates with underlying ESG indices<sup>23</sup>.

Regarding the **investment of the financial portfolio owned** by the Group, we have:

- Continued to purchase green bonds with a stock value of over € 540 million at the end of 2021 (+93% compared to 2020), of which € 413 million are non-governmental.
- Invested € 24.4 million in four green and social investment funds. In the green sector, mention should be made of the Foresight fund for green bonds on renewable energy and energy efficiency and the Italian Energy Efficiency Fund.

### MAIN RISKS

**NOT SUPPORTING CUSTOMER COMPANIES IN THEIR TRANSITION AND/OR NOT SEIZING THE BUSINESS OPPORTUNITIES OF THE GREEN ECONOMY**

**EXPOSURE OF OUR LOAN PORTFOLIO TO PHYSICAL RISKS AND TRANSITION RISKS**

**RISK OF NON-ALIGNMENT WITH REGULATION AND REGULATOR EXPECTATIONS**

### MANAGEMENT METHODS / POLICIES ADOPTED

**Development of products, services and financing to support green transition projects. Dedicated meetings with our customers.**

**Assessment of the materiality of our loan portfolio's exposure to climate risks, development of scenario analyses and subsequent action guidelines.**

**Effective environmental governance and strengthening of the structures involved. ESG training activities for employees.**

<sup>23</sup> For more information, see the chapter 'Transition to a sustainable economy and finance'.

# Direct environmental mitigation

We want to grow by reducing the environmental impact of our activities. Every day, we are committed to developing solutions and processes that enable us to continually improve our environmental performance, involving employees and suppliers in the challenge.

## MANAGEMENT MODEL



**ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM**

**CORPORATE MOBILITY**

**FOCUS ON CONSUMABLES, WASTE DISPOSAL AND RECYCLING**

**PREVENTION OF CRIMES COMMITTED IN VIOLATION OF ENVIRONMENTAL PROTECTION LEGISLATION**

### CARBON NEUTRALITY

With the 2021-2024 Strategic Plan, we have set ourselves the goal of achieving Carbon Neutrality by 2023.

#### ZERO EMISSIONS TARGET

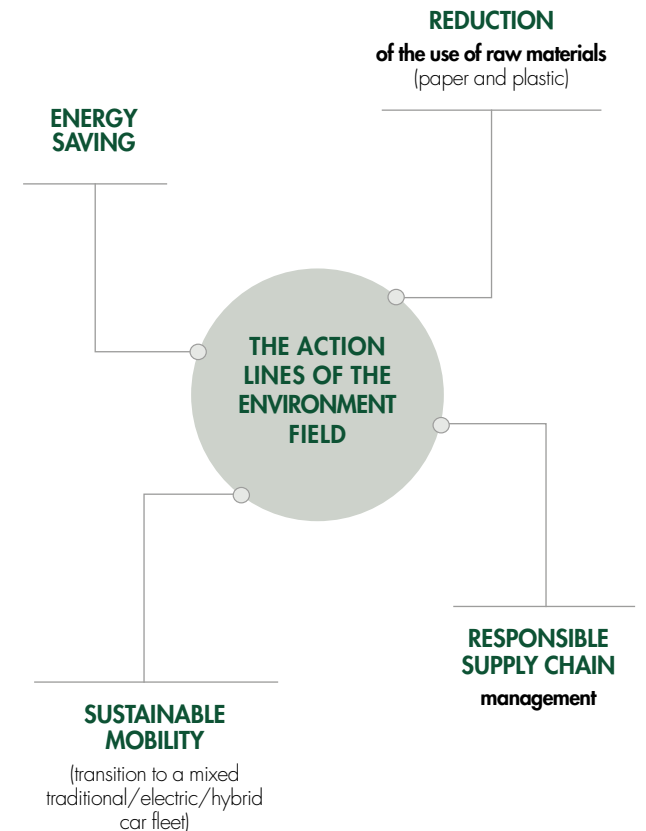
**CARBON NEUTRALITY by 2023**  
for direct CO<sub>2</sub> emissions and indirect (scopes 1 and 2)

- Reducing emissions
- Efficient consumption
- Compensation (Carbon credits)

To achieve Carbon Neutrality, we are working first and foremost on reducing and improving our consumption and have also chosen to join a REED+ certified carbon credits initiative to offset the remaining emissions. We participate in a project in Tanzania that involves and supports local communities in protecting the forest reserves in their villages.

This project contributes to the conservation of endangered wildlife habitats, mitigates climate change and creates significant employment and opportunities for some very remote villages.

In 2021, we launched the ESG Programme, which deals across the board through '6 Environmental Fields', addressing the monitoring and development of all direct and some indirect environmental impacts.



## ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

In 2021 we further consolidated our energy management activities by strengthening our Environmental and Energy Management Systems, in particular by updating the Enpis (energy performance indicators), as a reference point in view of a continuous improvement plan, to offer more effective control over all energy issues.

We have also confirmed our intention to continue to use only electricity entirely produced from certified renewable sources (GO Guarantee of Origin), **avoiding the emission of around 30,465 tonnes of CO<sub>2</sub> equivalent into the environment.**

**100%**  
Consumption  
of electricity from  
renewable sources

Emissions  
avoided for  
**~30,500**  
tonnes  
CO<sub>2</sub> eq

**Overall energy consumption is in line with the previous year.**

Reductions due to energy efficiency measures and the closure of 300 branches have resulted in a not insignificant reduction in consumption of around 2.7% by 2021.

Due to the continuing pandemic, we have maintained protocols for the management of ventilation and air exchange systems, the so-called duct systems, to limit the risk of infection by the Sars-CoV-2 virus; this has required a greater number of air changes and the need to heat and cool environments regardless of the number of employees in the office.

DIRECT ENERGY CONSUMPTION (SCOPE 1) (GJ)	2021	2020	CHANGE 2021/2020
Consumption of natural gas for independent heating	156,098	152,624	2.3%
Consumption of fuel oil for independent heating	428	938	-54.4%
Consumption of diesel and petrol for the fleet of cars (personal + business use)	19,683	21,036	-6.4%
<b>Total energy</b>	<b>176,209</b>	<b>174,598</b>	<b>0.9%</b>

INDIRECT ENERGY CONSUMPTION (SCOPE 2) (GJ)	2021	2020	CHANGE 2021/2020
Consumption of electricity from renewable sources*	392,707	401,624	-2.2%
Consumption of electricity from solar panels	506	506	0.0%
Consumption of electricity from non-renewable sources	0	0	
Consumption from district heating systems	26,622	25,918	2.7%
Consumption of natural gas for building heating systems**	52,988	52,496	-0.9%
<b>Total energy</b>	<b>472,823</b>	<b>480,543</b>	<b>-1.6%</b>
<b>Total direct + indirect energy (Scope 1 + 2)</b>	<b>649,032</b>	<b>655,141</b>	<b>-0.9%</b>

The consumption has been broken down based on the 'Scope' concept (direct or indirect energy)

\*The consumption figures for the Rome Via Anagnina complex have been eliminated, as the building is entirely rented out and consumption is completely dependent on the tenant and not subject to our control. Moreover, the cost is entirely passed on to the user. This choice is consistent with the indications of the GHG Protocol which, according to the operational control approach, would see the scope 2 emissions deriving from the consumption of this building excluded from the scope of the organisation's emissions.

\*\* 2020 figure adjusted (48,855 GJ)



In line with consumption, the emissions are also similar to those of the previous year; the way in which they are measured may affect the results. To provide proper reporting, purchased electricity is calculated using the following methodologies:

'**Location-based**', which considers the total amount of energy purchased from renewable and non-renewable sources, and '**Market-based**', which considers the total quantity of electricity purchased, only if from non-renewable sources.

#### MACHINE LEARNING FOR ENERGY SAVING: THE NEW ENERGY & ENVIRONMENTAL MANAGEMENT PORTAL

2021 saw the completion of the new **Energy & Environmental management portal**. Using automated machine learning, this tool helps to monitor and achieve energy and environmental targets. Its use has made it possible to identify more than 100 branches with abnormal consumption and involve suppliers to identify the solutions to be adopted. Consumption and the results obtained as a result of the interventions carried out are constantly monitored. Also, the analysis of the data managed by the portal allows to refine the energy management guidelines, modifying and integrating them on the basis of the results obtained from the efficiency projects.

DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1) (T CO <sub>2</sub> EQ)	2021	2020	CHANGE 2021/2020
Natural gas emissions from independent heating	9,048	8,831	2.5%
Emissions from HFC gas	1,737	1,672	3.9%
Fuel oil emissions from independent heating	32	70	-54.4%
Diesel and petrol emissions for the fleet of cars (personal + business use)	1,462	1,564	-6.5%
<b>Total emissions (Scope 1)</b>	<b>12,279</b>	<b>12,136</b>	<b>1.2%</b>
INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 2) (T CO <sub>2</sub> EQ)	2021	2020	CHANGE 2021/2020
Emissions from acquired electricity - Location-based	30,465	33,239	-8.4%
Emissions from acquired electricity - Market-based	0	0	
Emissions from district heating systems	1,566	1,503	4.2%
Natural gas emissions for building heating systems	3,072	3,037	1.1%
<b>Total emissions (Scope 2) - Location-based</b>	<b>35,103</b>	<b>37,780</b>	<b>-7.1%</b>
<b>Total emissions (Scope 2) - Market-based</b>	<b>4,638</b>	<b>4,541</b>	<b>2.1%</b>
<b>Total emissions (Scope 1 + Scope 2) - Location-based</b>	<b>47,382</b>	<b>49,916</b>	<b>-5.1%</b>
<b>Total emissions (Scope 1 + Scope 2) - Market based</b>	<b>16,917</b>	<b>16,677</b>	<b>1.4%</b>
<b>Towards carbon neutrality - Carbon credits 2021</b>	<b>800</b>		
<b>Total net emissions*</b>	<b>16,117</b>	<b>16,677</b>	<b>-3.4%</b>

The **remote branch management** project is continuing, with more than 186 branches activated by the end of 2021, plus a further 14 systems being commissioned/tested (in 2020 there were 150).

With a view to improving the energy efficiency of the Group's air-conditioning systems, we have decommissioned over 60 obsolete systems, replacing them with heat pumps, chillers and condensing boilers that perform better than the existing ones.

With respect to water resources, the consumption of which within the Group is equivalent to domestic uses, in 2021 we used roughly 367,506 m<sup>3</sup> of water compared to 364,599 m<sup>3</sup> in 2020.

\* Indicates total direct and indirect emissions (scope 1 & 2 Market Based) net of those already offset



## CORPORATE MOBILITY

With the aim of reducing our environmental footprint and contributing to the development of sustainable cities, we are also transforming **corporate mobility**.

In line with the objectives of the Strategic Plan and company policies, we bolstered our listening to colleagues on the subject of home-work commutes through a questionnaire involving 6,161 colleagues with an excellent redemption (80% response rate), indicating a high level of interest in the subject.

Based on this survey, the mobility manager was able to complete 14 Home-Work Travel Plans (HWTP)<sup>24</sup> covering 10 Italian municipalities where the main company offices are located. The aim of the HWTPs is to map employee travel to develop solutions for more sustainable mobility, both in terms of work-life balance and city liveability.

To raise awareness of this issue among employees and to spread the word about sustainable mobility initiatives specifically for them, we have enhanced the **mobility management** portal, adding further agreements in the areas of sharing mobility and public transport, and ensuring the timely publication of news of interest and useful information relating to the world of mobility.

Regarding the **corporate fleet**, 2021 saw a decrease in total kilometres travelled compared to 2020, from 10.3 million to 9.77 million, of which approximately 3.6 million were pooled. Moreover, during the year, the renewal of the car fleet continued through the gradual introduction of vehicles with a lower environmental impact, in particular with the replacement of three Euro 4 vehicles with three Plug-in vehicles, and with 48 Mild Hybrid Electric vehicles that replaced as many Euro 5 vehicles.

<sup>24</sup> Home-work travel plans are tools envisaged by legislation and have been drawn up in accordance with the new guidelines on the assessment of environmental benefits in terms of reducing pollutant and climate-changing emissions.

## FOCUS ON CONSUMABLES, WASTE DISPOSAL AND RECYCLING

As required by our internal regulations, we take particular care in the choice of materials, especially the most frequently used ones such as **paper and toner, and we are committed to reducing their consumption and avoiding waste**. Paper and toner orders are managed centrally to control their use based on the size of facilities and the digitisation of certain processes.

Paper consumption decreased by about 4% in 2021, from about 2,300 tonnes in 2020 to 2,220 tonnes in 2021, thus consolidating the decrease achieved in 2020.

This decrease in consumption appears limited in absolute terms, but is an indication of the special attention the Group has paid to this issue. In fact, consumption in 2020, which was also reduced due to the pandemic, was consolidated in 2021, a year in which branch presence and operations were close to pre-pandemic levels, leading to a 25% reduction in the 2021/2019 comparison. This issue is also being addressed by field 6, where management and staff involvement initiatives are being planned. It should be noted that the paper consumed in-house per employee increased by 2%, mainly because this index is calculated based on the precise number of employees at 31 December, which incorporates the higher number of voluntary resignations at the end of the year.

As regards the consumption of paper linked to mass communications to customers, there was a slight reduction, despite the increased activity compared to the previous year<sup>25</sup>. Almost exclusively FSC-certified paper is used for these communications.

-4%  
paper consumption  
vs 2020

-25%  
paper consumption  
vs 2019

In our daily work, we combat waste and choose the type of material with the least environmental impact whenever possible.

**A4 paper**, which is the most commonly used size, is **almost exclusively Blue Angel certified, 100% recycled**, made without the use of chlorine and entirely recyclable. Consistent with previous years, the toners are almost exclusively remanufactured.

<sup>25</sup> The increased activity is linked to both the pandemic situation and to specific factors, such as the incorporation of Profamily, the closure of some branches and massive changes in ATM card operations.

In 2021, **waste** was again managed through a centralised process and the total quantity collected was approximately 2,654 tonnes<sup>26</sup>, which were disposed of in accordance with the regulations in force in the individual municipalities<sup>27</sup>. Of this, more than 1,800 tonnes is paper and cardboard sent for recovery, and about 16 tonnes is plastic sent for recycling.

Also, the Ecobox project<sup>28</sup> continued, which enabled 9,090 kg of tokens and cards to be collected and disposed of through collectors in all the agencies throughout the country.

## PREVENTION OF CRIMES COMMITTED IN VIOLATION OF ENVIRONMENTAL PROTECTION LEGISLATION

At the end of 2021, the Group owned or held over **5,200 investment properties** (garages, land, apartments, buildings, warehouses, etc.), mainly acquired through debt recovery and defaulted leasing contracts.

The following properties are subject to the following management activities:

- identification of the responsibilities and activities of each party involved;
- mitigation of management risks through constant monitoring;
- administrative management;
- guarantee, where necessary, of direct sale or sale by specialised agencies.

Responsibilities and activities are assigned and implemented in line with the laws and regulations in force, adopting, for all companies responsible for the management of such properties, the Model 231 which, in the case of the acquisition or recent establishment of said companies, is customised within a few months.

## MAIN RISKS

**USE OF NON-RENEWABLE NATURAL RESOURCES, ENERGY INEFFICIENCY AND FAILURE TO RECYCLE**

**ENVIRONMENTAL SAFETY OF INVESTMENT PROPERTIES**

## MANAGEMENT METHODS / POLICIES ADOPTED

**Guidelines regarding the management of environmental and energy issues and the fight against climate change**

**Procurement of electricity from renewable sources**

**Energy efficiency initiatives and monitoring of energy consumption**

**Use of recycled materials**

**Separate waste collection and recovery of material**

**Monitoring of conditions of properties and measures to bring them into compliance with regulations**

<sup>26</sup> Not considering municipal waste

<sup>27</sup> The increase compared to 2020 is partly due to the management of the closure of 300 branches and the 150 merging branches.

<sup>28</sup> This is the project to recover and dispose of unused physical tokens made obsolete by the European Directive for electronic payments Psd2, which establishes the switch to App Tokens. As they are e-waste, the physical tokens require specific management for their disposal.

## Targets by 2024

### RUN-OFF

new grants to sectors  
strongly impacted by the  
climate transition

> **80%**

new lending to the fossil  
fuel sector dedicated to  
transition projects

### CARBON NEUTRALITY

Total net emissions  
direct and indirect  
(SCOPE 1 & 2)

€ **4 BILLION**

in new disbursements  
of green residential  
mortgages

€ **3 BILLION**

in purchases of property  
tax credits

CDP  
RATING  
**A**

- **20%**  
**TOTAL ENERGY  
CONSUMPTION**

direct and indirect  
(SCOPE 1 & 2)

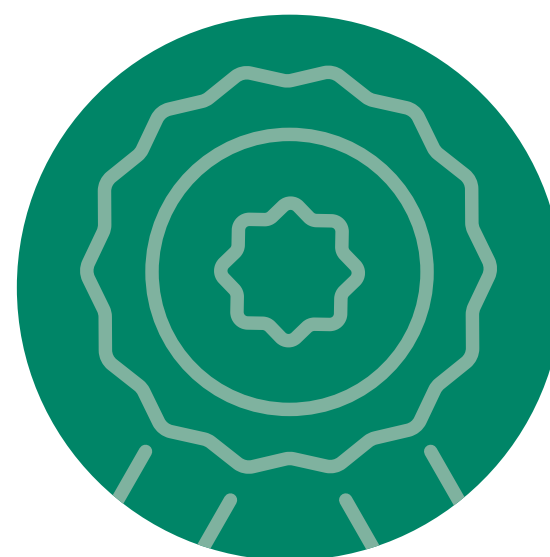
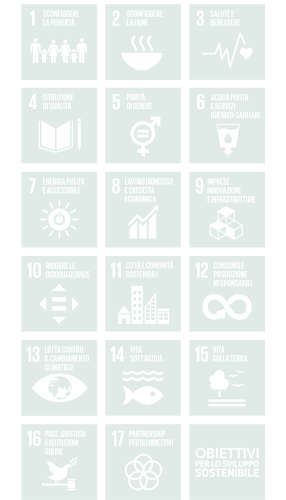
- **21%**  
**EMISSIONS**

indirect from  
commuting

# RECOGNITIONS



## BIETTIVI PER LO SVILUPPO SOSTENIBILE





## Recognitions



### Maximum transparency on impacts generated by Covid-19

The quest for maximum transparency in our communications to the markets has earned us **two awards** - following a study carried out by the **European Banking Institute** - for the quality of *disclosure on the impacts generated by Covid-19*.

Conducted on a significant sample of European banks - 67 for the half-yearly report and 86 for the annual report - the analysis considered the quality of information in terms of the transparency and completeness that banks provided to the market with respect to credit, liquidity and market risks and to the estimates and assessments that management made when preparing the financial statements. The information contained in the 2020 Half-Yearly Financial Report **ranked first**, while that provided in the 2020 Annual Financial Report ranked **second**.

### FEBRUARY

#### FINANCIAL INNOVATION - ITALIAN AWARDS

Awarded the **Sales4Change project, in the Operations&IT category**, in the annual award that aims to promote the role of innovation in the banking, insurance and financial sector.

Sales4change is the platform that aims to innovatively support our colleagues in managing Corporate and Enterprise customers.

### JUNE

#### INNOVATION IN BANKING SERVICES

Awarded **in the Sustainability category of the 11th edition of the ABL competition thanks to the Green Factor Mortgage offer** which provides an interest rate discount for building renovations. The aim of the product is to improve the energy performance of buildings by reducing consumption and CO<sub>2</sub> emissions.

### JULY

#### QUALITY AND MARKETS FOCUS

We were awarded the prestigious **Seal of Quality in three different categories: 'Customer satisfaction', 'Value for money' and 'Salary-backed loans'**.

The award is the result of a survey on the consumer credit market carried out by the *German Institute for Quality and Finance*, in partnership with *La Repubblica - Affari&Finanza*.

### SEPTEMBER

#### DIGITAL AND MULTI-CHANNEL IN THE BANKING SECTOR - customer satisfaction

We ranked first among Italian multichannel banks with branches in the survey conducted by the *German Institute for Quality and Finance* and published by *Affari e Finanza*. The survey explored aspects of the bank-customer relationship of the main credit institutions operating in the Italian market.

Our customers gave us an **EXCELLENT rating in the areas of 'Quality of service' and 'Investment and savings products'**. In the categories **'Best mortgage', 'Customer service and relations', 'Communication with customers', 'Value for money', 'Digitisation and innovation', 'Accounts and cards'** the rating was **'TOP'**.

### NOVEMBER

#### FINANCE COMMUNITY AWARDS

In the 7th edition of the award that highlights excellence and professionals in the sector, the following were recognised:

#### Banca Akros as **TEAM OF THE YEAR**

**SECURITISATIONS** for acting as arranger in transactions involving the sale of portfolios of non-performing loans, obtaining the guarantee of the Italian Republic (GACS) in all the reported transactions;

#### Banca Aletti for the skill with which it guarantees

**a reliable response** to the needs of investors and families, related to assets and professional or business activity.

## DECEMBER

### SUSTAINABILITY AWARDS

The **School Project** with municipalities throughout Italy was awarded for the adaptation of equipment, supply of materials and purchase of tablets and computers for distance learning during the pandemic'. This is the motivation for the award obtained in its first edition organised by LC Publishing Group.

### AWARD 'AIRC BELIEVES IN RESEARCH'

**From the President of the Republic Sergio Mattarella, 'The award for having demonstrated every day, with far-sightedness and continuity, wanting to support Italian cancer research through the valuable involvement of employees, who enthusiastically and passionately promote AIRC's mission in the various partnership activities.** This recognition bears witness to the deep bond of esteem and shared values that unite us with Fondazione AIRC through a model that puts the interests of people and their communities at the centre'.

### PRIVATE BANKING AWARDS

**Banca Aletti was awarded the prize for innovation in its business model** with the explanation, 'For the innovative development of the BA<sup>3</sup>, Behavioural Advisory approach, based on behavioural finance applied to identify, support and satisfy the needs of savers'.

## ESG INDICES AND RATINGS

### JUNE

#### STANDARD ETHICS RAISES RATING TO 'EE'

Our **ESG rating improved from "EE-" to "EE" (on a scale from a low of "F" to a high of "EEE")**, thanks to the implementation of ESG factors in the business. It was also noted that the guidelines followed, including in the multiannual plans, take into account the international voluntary guidelines of the UN, OECD and EU. The structure of the extra-financial reporting, which is in line with good practice in the sector, was appreciated.

### OCTOBER

#### NEW MIB ESG INDEX

**We have been included in the new MIB ESG index.** Launched by Euronext and Borsa Italiana in partnership with Vigeo Eiris, **it identifies the best 40 companies on the basis of sustainability, corporate social responsibility and liquidity criteria, in line with the principles of the UN Global Compact.**

This award also recognises the efforts of our Group in its strategy of continuous growth and integration of ESG issues into its business model.

### DECEMBER

#### CDP IMPROVES RATING FROM B TO A-

Carbon Disclosure Project assessed improvements in our environmental footprint in 2021 by raising our rating from B to A-, placed in the Leadership band. This result is higher than the European average of B, and **higher than the financial services sector average** of B.



## INCLUSION AND GENDER POLICIES: ENTERING THE BLOOMBERG GENDER EQUALITY INDEX

Our drive to play a leading role in building an increasingly inclusive and equitable community focused on combating discrimination has led us to join the **Bloomberg Gender Equality Index**.

The index measures a company's **internal gender policies and in the communities** in which it operates and provides investors seeking socially-oriented investment strategies with relevant information on five different areas: female leadership and talent pipeline, equal pay and gender pay equity, inclusive culture, anti-harassment policies and advocacy for women.

Due in part to the high level of data disclosure, we achieved an **overall score of 73.9** (100 is the maximum score, 60 is the minimum threshold) which is higher than the Financial sector average (72.62).

# ATTACHMENTS

## OBIETTIVI PER LO SVILUPPO SOSTENIBILE







## Environmental data in brief

The main quantitative data relating to reporting on the environment and combating climate change are summarised below. For ease of use, this chapter includes both some data already published in the macro-chapter Environment (Climate change and environmental protection) and additional details enhancing the information already provided.

PARAMETERS	UNIT	2021	2020	2021/2020
<b>Contract Workers</b>	no.	20,368	21,593	-5.7%
<b>Consultants</b>	no.	n.a.	n.a.	
<b>Employees = Contract workers + Consultants</b>	no.	20,368	21,593	-5.7%
<b>Total car fleet</b>	thousands of km	9,782	10,270	-4.8%
<b>Total train travel</b>	thousands of km	743	1,529	-51.4%
<b>Total air travel</b>	thousands of km	169	579	-70.9%
<b>Total home-work commutes</b>	thousands of km	104,405	93,182	12.0%
<b>Floor area</b>	thousands of sq.m.	1,231	1,241	-0.8%

GREENHOUSE GAS EMISSIONS	UNIT	2021	2020	2021/2020
<b>Direct emissions (Scope 1)</b>				
Natural gas emissions from independent heating	t CO <sub>2</sub> eq	9,048	8,831	2.5%
Fuel oil emissions from independent heating	t CO <sub>2</sub> eq	32	70	-54.4%
Emissions from HFC gas	t CO <sub>2</sub> eq	1,737	1,672	3.9%
Emissions from petrol and diesel for the company fleet	t CO <sub>2</sub> eq	1,462	1,564	-6.5%
<b>Total emissions Scope 1</b>	<b>t CO<sub>2</sub>eq</b>	<b>12,279</b>	<b>12,136</b>	<b>1.2%</b>
<b>Indirect emissions (Scope 2 Market-based)</b>				
Emissions from consumed electricity	t CO <sub>2</sub> eq	0	0	
Emissions from district heating systems	t CO <sub>2</sub> eq	1,566	1,503	4.2%
Natural gas emissions for building heating systems	t CO <sub>2</sub> eq	3,072	3,037	1.1%
<b>Total emissions Scope 2</b>	<b>t CO<sub>2</sub>eq</b>	<b>4,638</b>	<b>4,541</b>	<b>2.1%</b>
<b>TOTAL</b>				
Total direct + indirect emissions (Scope 1 + Scope 2 Market-based)	TOT.	16,917	16,677	1.4%
Towards carbon neutrality - Carbon credits 2021	TOT.	800		
<b>Total net emissions*</b>	<b>TOT.</b>	<b>16,117</b>	<b>16,677</b>	<b>-3.4%</b>
Total direct + indirect emissions per employee	t CO <sub>2</sub> eq./emp.	0.79	0.77	2.5%
Total direct + indirect emissions per square metre	t CO <sub>2</sub> eq/sq.m.	13.09	13.44	-2.6%
<b>Total direct + indirect emissions (Scope 1 + Scope 2 Location-based)</b>	<b>t CO<sub>2</sub>eq</b>	<b>47,382</b>	<b>49,916</b>	<b>-5.1%</b>
<b>Other indirect emissions (Scope 3)</b>				
Train	t CO <sub>2</sub> eq	29	68	-57.2%
Air	t CO <sub>2</sub> eq	27	98	-72.6%
Commuting	t CO <sub>2</sub> eq	11,535	13,504	-14.6%
Paper purchased	t CO <sub>2</sub> eq	1,807	1,986	-9.0%

\* Indicates total direct and indirect emissions (scope 1 & 2 Market Based) net of those already offset

GREENHOUSE GAS EMISSIONS AVOIDED		Unit	2021
scope 1 - heating	natural gas *	t CO <sub>2</sub> eq	26
	electricity **	t CO <sub>2</sub> eq	170
scope 2 - electricity	photovoltaic panels	t CO <sub>2</sub> eq	39
	electricity from renewable sources***	t CO <sub>2</sub> eq	30,465
scope 3 - commuting	emissions avoided per remote worker	t CO <sub>2</sub> eq	1,736
<b>Total emissions avoided</b>		<b>t CO<sub>2</sub>eq</b>	<b>32,436</b>

\* reduction resulting from the installation of condensing boilers

\*\* reduction resulting from the installation of high-efficiency chillers and heat pumps

\*\*\* with GO certification

ENERGY CONSUMPTION BY SOURCE	UNIT	2021	2020	2021/2020
<b>Direct primary energy consumption (Scope 1)</b>				
Consumption of natural gas for independent heating	GJ	156,098	152,624	2.3%
Consumption of fuel oil for independent heating	GJ	428	938	-54.4%
Consumption of petrol and diesel for the company fleet	GJ	19,683	21,036	-6.4%
<b>Total direct primary energy consumption (Scope 1)</b>	<b>GJ</b>	<b>176,209</b>	<b>174,598</b>	<b>0.9%</b>
<b>Direct primary energy consumption (Scope 2)</b>				
Consumption from renewable electricity	GJ	392,707	401,624	-2.2%
Consumption from solar panels	GJ	506	506	0.0%
Consumption from non-renewable electricity	GJ	0	0	
Consumption from district heating systems	GJ	26,622	25,918	2.7%
Consumption of natural gas for building heating systems	GJ	52,988	52,496	0.9%
<b>Total indirect primary energy consumption (Scope 2)</b>	<b>GJ</b>	<b>472,823</b>	<b>480,543</b>	<b>-1.6%</b>
<b>Total direct and indirect energy consumption (scope 1 and 2)</b>				
<b>Total direct + indirect energy (Scope 1 + Scope 2)</b>		<b>649,032</b>	<b>655,141</b>	<b>-0.9%</b>
Total direct + indirect energy per employee	GJ/emp.	32	30	5.0%
<b>Other primary indirect energy consumption (Scope 3)</b>				
Train	GJ	551	1,285	-57.1%
Air	GJ	371	1,355	-72.6%

TOTAL ELECTRICITY FOCUS	UNIT	2021	2020	2021/2020
Electricity per employee	kWh/emp.	5,356	5,167	3.7%
Electricity per square metre	kWh/sq.m.	89	90	-1.4%
Electricity from renewable sources	%	100	100	0.0%

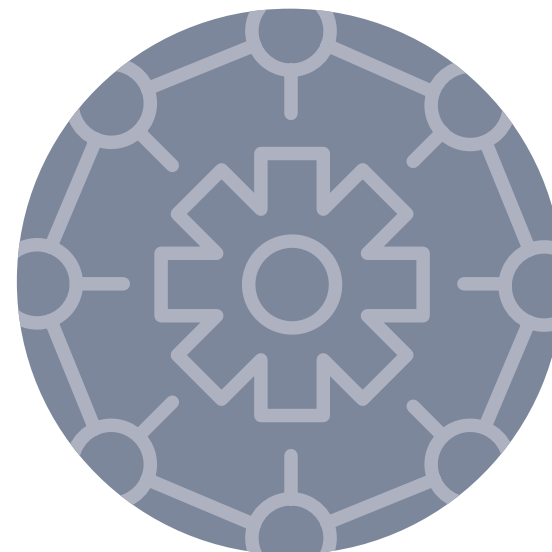
PAPER AND TONER CONSUMPTION	UNIT	2021	2020	2021/2020
Paper consumed in-house	t	1,720	1,794	-4.1%
of which A4 Paper	t	1,567	1,650	-5.0%
of which recycled A4 Paper	t	1,566	1,649	-5.1%
Outsourced paper consumption	t	500	513	-2.5%
<b>Total paper consumed</b>	<b>t</b>	<b>2,220</b>	<b>2,308</b>	<b>-3.8%</b>
Recycled paper out of total	%	70.5%	71.5%	-1.3%
<b>Total toner used *</b>	<b>t</b>	<b>80</b>	<b>95</b>	<b>-15.5%</b>
of which regenerated toner	t	70	87	-19.3%
Regenerated toner to total ratio	%	87%	92%	-4.5%
Paper consumed in-house/employee	kg/emp.	84	83	1.6%
Toner/employee	kg/emp.	3.94	4.40	-10.4%

\* It was not possible to calculate the consumption of the different types of toner with an unambiguous criterion. We have therefore adopted a mixed criteria using, where available, the weight of the cartridge empty, and where not available, the weight including the packaging

<b>WATER CONSUMPTION</b>	<b>Unit</b>	<b>2021</b>	<b>2020</b>	<b>2021/2020</b>
<b>Total water consumed</b>	thousands m <sup>3</sup>	368	365	0.8%
<b>Total water consumed/employee</b>	m <sup>3</sup> /emp.	18	17	6.0%

# METHOD AND FRAMEWORK

## OBIETTIVI PER LO SVILUPPO SOSTENIBILE







## Note on methodology

### REPORTING STANDARDS

The Consolidated Non-Financial Statement of the Banco BPM Group (hereinafter also 'the Group'), produced in line with Articles 3 and 4 of Italian Legislative Decree 254/2016 (hereinafter also 'Decree'), contains information on environmental and social topics, personnel, respect for human rights and the fight against corruption. It provides a better understanding of the activities carried out by the Group, its performance, its results and the impact generated by these factors. This Statement is published on an annual basis (the Consolidated Non-Financial Statement 2020 was published in March 2021) and is produced pursuant to the Decree and the 'Sustainability Reporting Standards' defined in 2016 by the Global Reporting Initiative (GRI), hereinafter the 'GRI Standards', and the 'Financial Services Sector Supplements'.

The level of compliance with GRI Standards stated by the Group is the 'in accordance - core' option. To enable the reader to better reconcile the information provided in this document, the GRI Content Index is provided on page 168.

This Statement reflects the principle of materiality, as provided by the GRI Standards: the topics covered in the Statement are those that, subsequent to the materiality analysis described on pages 20-22 of this document, were considered relevant and such so as to reflect the impacts of the Group's activities or to influence the decisions of its stakeholders.

### REPORTING SCOPE

The qualitative and quantitative data and information contained in this Statement refer to the Group's performance in the year ending 31 December 2021. This Statement includes the data of Banco BPM S.p.A. and all fully consolidated companies, except for SPVs. Statutory Foundations are also excluded from the reporting scope (whose activities are in any event illustrated in depth in the section on 'Corporate Citizenship'). Any limitations in the scope will be indicated in the document. Exclusions and limitations to the scope do not in any way detract from the understanding of the Group's activities, its performance, its results and the impact generated by these aspects.

The economic and financial data described in the Statement derives from the Annual Financial Report of the Banco BPM Group at 31 December 2021. With reference to the preparation of the information used to determine economic value generated and distributed, the Italian Banking Association (ABI) guidelines were considered, proposing the reclassification of the income statement according to Italian banking legislation. This table provides additional information to the data required by the Decree.

With reference to data on greenhouse gas emissions, emission factors were considered, according to the ABI LAB Guidelines on the application in the Bank of the GRI (Global Reporting Initiative) standards on environmental matters, version 17/12/2021.

## REPORTING PROCESS

The Banco BPM Group has adopted a structured procedure for the preparation of the Statement which, defined by internal regulations, has identified the departments involved and the principles, roles and responsibilities for the reporting of the information and data contained in this document. As such, the preparation of the Statement was based on a structured reporting process that envisaged:

- the definition of the content to be included in the Statement, the definition of the reporting scope, the identification of the company structures involved, the relative data owners and approvers;
- the engagement of the company structures involved and the sending of informational requirements and the relative timing;
- the collection, control and processing of information and data received. In particular, in 2021 the ESGeo IT platform was further implemented, a working environment that makes it possible to collect the required information and data while also controlling the contribution process (by the data owners), validating them (by the managers/approvers) and monitoring expiries;
- the preparation of the draft Statement;
- the control and validation, with any amendments and/or additions to the content, by the company structures involved, each for the part under their responsibility;
- the presentation of the Statement to the Internal Control, Risk and Sustainability Committee and its approval by the Board of Directors;
- verification of compliance carried out by the independent auditors of Banco BPM Group, PricewaterhouseCoopers SpA;
- the publication of the Statement on the Group's website with a view to its transparent disclosure to all stakeholders.

## REPORTING PRINCIPLES

The process to define the content of the Statement is based on the principles provided for by the GRI Standards: materiality, stakeholder inclusiveness, sustainability context, completeness, comparability, accuracy, timeliness, clarity, reliability and balance.

Also, the content of the CNFS is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a correlation table supports the linking of the different topics to the four thematic areas of disclosure defined by the TCFD framework (Strategy, Governance, Risk Management, Metrics and Targets).

The CNFS 2021 also contains the disclosure of information required under Art. 8 of the EU Taxonomy Regulation (852/2020) on pages 133 and 134 of this document.

## Correlation table

MATERIAL TOPIC	DEFINITION AND RELEVANCE	GRI Standard Disclosure	INTERNAL IMPACTS	EXTERNAL IMPACTS
<b>Innovation</b>	The theme of innovation becomes more important when considering technology, products, services and customer relations, as well as innovation linked to processes relating to, but not limited to, human resource management and working methods, and the supply chain. It therefore concerns technological, relational and behavioural aspects capable of bringing benefits to stakeholders.	On this subject (which is not directly associated with an aspect of the GRI Standard guidelines), Banco BPM has described its management approach and the relative indicators adopted.	Banco BPM Group	All stakeholders
<b>Capital strength and profitability</b>	Reference is made to the Group's capital strength and profitability indicators. Adequate capitalisation and profitability are fundamental to effectively conduct banking activities and to remunerate the main stakeholders in the medium-long term.	<b>GRI 201:</b> Economic Performance 2016	Banco BPM Group	All stakeholders
<b>Business conduct</b>	This refers to the set of rules, tools and initiatives that govern sound business management, as well as to the management model adopted to prevent and counter corruption and unlawful acts also in the areas identified by Italian Legislative Decree 254.	<b>GRI 205:</b> Anti-corruption 2016	Banco BPM Group	All stakeholders
<b>Management, development, diversity and inclusion</b>	Adequate personnel management and development as well as the capacity to include and enhance diversity and merit are fundamental to motivating people and achieving adequate performance levels, even more so in periods such as those we are experiencing, characterised by complexity, uncertainty and new ways of working.	<b>GRI 401:</b> Employment 2016 <b>GRI 404:</b> Training and Education 2016 <b>GRI 405:</b> Diversity and Equal Opportunity 2016	Banco BPM Group	Personnel

MATERIAL TOPIC	DEFINITION AND RELEVANCE	GRI Standard Disclosure	INTERNAL IMPACTS	EXTERNAL IMPACTS
<b>Welfare, work-life balance and well-being</b>	Attention to people's well-being and engagement represents a great challenge to attract, maintain and motivate talent, especially in a period like that which we are experiencing, in which it is even more necessary to protect personnel health and safety while also using new remote engagement methods.	<b>GRI 403:</b> Occupational Health and Safety 2018	Banco BPM Group	Personnel
<b>Corporate citizenship</b>	Corporate citizenship refers to the responsibility towards the community and more specifically refers to all the initiatives intended to contribute to the growth of the community in which we live, sharing objectives, values and solutions. In our specific case, the initiatives deployed regard social sponsorships, charitable donations, the provision of company assets, volunteer activities and other community development initiatives.	<b>GRI 201:</b> Economic Performance 2016 <b>GRI 203:</b> Indirect Economic Impacts 2016	Banco BPM Group	Community
<b>Direct environmental mitigation</b>	The most significant environmental impact in the banking sector is certainly indirect, but Banco BPM is a large company that uses a significant amount of materials and energy for its activities, producing a significant direct impact. For this reason, the Group is committed to reducing its direct environmental impact, with the aim of achieving carbon neutrality by 2023.	<b>GRI 302:</b> Energy 2016 <b>GRI 305:</b> Emissions 2016 <b>GRI 301:</b> Materials 2016	Banco BPM Group	Environment
<b>Responsible supply chain management</b>	This refers to supply chain management and the selection of suppliers from a pool of companies and professionals exhibiting the prerequisites of integrity, professionalism, competence and reputation. It is important to maintain good relationships of collaboration with suppliers while seeking to guarantee the supply of quality products and services at a sustainable cost and privilege appropriate partnerships capable of creating value in the medium-long term. At the same time, with over € 700 million in turnover, the Group plays a key role in supporting many businesses in Italy not only from an economic point of view, but also in the transition to a sustainable business model.	<b>GRI 204:</b> Procurement practices 2016	Banco BPM Group	Suppliers

MATERIAL TOPIC	DEFINITION AND RELEVANCE	GRI Standard Disclosure	INTERNAL IMPACTS	EXTERNAL IMPACTS
<b>Customer relationship</b>	The relational aspect remains a fundamental and distinctive element of banking, influencing customer satisfaction, reputation and business results.	Product portfolio (GRI G4) <b>GRI 413:</b> Local Communities 2016	Banco BPM Group	Customers
<b>Credit for the country's recovery</b>	The bank has an economic interest in supporting its customers and generally the productive and social fabric of the areas in which it operates. The banking sector's intervention in 2020 and 2021 was crucial to support the real economy and people in a period of severe crisis due to the COVID-19 health emergency, and it will be equally important in the years to come to support the recovery and contribute to the resilience of the economic system, in line with the relevant national plan.	Product portfolio (GRI G4) <b>GRI 413:</b> Local Communities 2016	Banco BPM Group	Customers
<b>Transition to a sustainable economy and finance</b>	Banks are leaders and drivers of the change initiated with the definition of the European Commission's Action Plan on sustainable finance and reinforced with the NRRP, which focuses on sustainable and inclusive growth. This issue therefore relates to the management of credit according to sustainability criteria, the offer of products and services to accompany companies towards a sustainable business model, and the channelling of savings and proprietary finance towards financial initiatives and instruments that take sustainability criteria into account.	Product portfolio (GRI G4) Marketing and labelling (GRI G4)	Banco BPM Group	Customers

MATERIAL TOPIC	DEFINITION AND RELEVANCE	GRI Standard Disclosure	INTERNAL IMPACTS	EXTERNAL IMPACTS
<b>Climate change and green business</b>	Banks play a key role in the green transition of customers, particularly businesses. Also, climate change is prompting companies to structurally consider physical and transitional risks in their risk management and in particular in credit. For this reason, products and services have been launched to improve the energy efficiency of buildings and work is underway on scenario analysis and credit policies that effectively consider environmental factors.	Product portfolio (GRI G4)	Banco BPM Group	Customers
<b>Business continuity, cybersecurity and privacy</b>	The banking sector is a so-called essential sector and must guarantee service continuity and reliability even during emergency periods and following problems and cyber-attacks, protecting the enormous wealth of information under its management. Digitisation, remote work and online banking require and will require significant investments in terms of organisational structures, human and financial resources, training and awareness.	<b>GRI 418:</b> Customer Privacy 2016	Banco BPM Group	Customers

## TCFD recommendations

THEMATIC AREAS	TCFD RECOMMENDATIONS	REFERENCES
<b>GOVERNANCE</b>	a) Description of the Board of Directors' oversight of climate-related risks and opportunities.	Identity. Organisational and governance model 32 - 35
	b) Description of management's role in assessing and managing climate-related risks and opportunities	Identity. Remuneration policies 36 - 38
		People. Management, Development, Diversity & Inclusion 93
		Environment. Background: strategy, risks and opportunities, governance 127 - 128
<b>STRATEGY</b>	a) Description of climate-related risks and opportunities that the organisation has identified in the short, medium and long term.	Strategy. The new Strategic Plan 14 - 16
	b) Description of the impact of climate-related risks and opportunities on the organisation's operations, strategy and financial planning.	Community. Corporate Citizenship 112
		Customers. Transition to a sustainable economy and finance 52 - 57
	c) Description of the resilience of the organisation's strategy, taking into account different climate scenarios including those of 2°C or less	Environment. Background: strategy, risks and opportunities, governance 122 - 124
		Environment. Climate change and green business 132; 136-139
		Environment. Direct environmental mitigation 140-144



THEMATIC AREAS	TCFD RECOMMENDATIONS	REFERENCES	
<b>RISK MANAGEMENT</b>	a) Description of the processes implemented by the organisation for the identification and assessment of climate risks.	Strategy. The new Strategic Plan	14-16
	b) Description of the processes implemented by the organisation to manage climate risks.	Identity. Financial and non-financial risk management	39-40
	c) Description of how the processes for identifying, assessing and managing climate risks fit into overall risk management.	Customers. Credit for the country's recovery	70
		Environment. Background: strategy, risks and opportunities, governance	125
		Environment. Climate change and green business	129 - 136
<b>METRICS AND TARGETS</b>	a) Disclosure of metrics used by the organisation to assess climate risks and opportunities in line with its strategy and risk management process.	Customers. Transition to a sustainable economy and finance	52-57
	b) Disclosure of Scope 1, 2 and, where applicable, scope 3 greenhouse gas emissions and related risks.	Environment. Climate change and green business	129-139
	c) Description of the organisation's identified objectives for managing climate-related risks and opportunities and performance with respect thereto.	Environment. Direct environmental mitigation	140 - 144

# GRI

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<b>STRATEGY</b>				
<b>102-14</b>	Statement from CEO and/or Chairman	Letter from CEO and Chairman		
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<b>102-20</b>	Executive-level responsibility for economic, environmental and social topics	35		
<b>102-21</b>	Consulting stakeholders on economic, environmental and social topics	21		
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<b>102-23</b>	Chair of the highest governance body	In Banco BPM, the positions of Chairman of the Board of Directors and Chief Executive Officer are separate		
<b>102-24</b>	Nominating and selecting of the highest governance body	Report on corporate governance and ownership structure 2020, page 24		
<b>102-28</b>	Evaluating the highest governance body's performance	Report on corporate governance and ownership structure 2020, pages 58-60		
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STANDARD DISCLOSURE	DISCLOSURE	PAGE NUMBER (OR DIRECT REFERENCE)	OMISSIONS	GC PRINCIPLES
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102-51	Date of most recent report	Note on methodology		
102-52	Reporting cycle	Note on methodology		
102-53	Contact point for questions regarding the report	Back cover		
102-54	Claims of reporting in accordance with the GRI Standards	Note on methodology		
102-55	GRI content index	166-173		
102-56	External assurance	174, This CNFS was audited by the independent auditors PWC, who are also auditors of the Consolidated Financial Statements of the Banco BPM Group. The Declaration was submitted to the Board of Directors for approval at its meeting on 1 March 2022.		

STANDARD DISCLOSURE	DISCLOSURE	PAGE NUMBER (OR DIRECT REFERENCE)	OMISSIONS	GC PRINCIPLES
<b>GRI 200: Economic standards</b>				
<b>GRI 201: Economic Performance 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	25, reclassification table		
<b>201-1</b>	Direct economic value generated and distributed	24		
<b>201-2</b>	Financial implications and other risks and opportunities due to climate change	122-140		
<b>GRI 203: Indirect Economic Impacts 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	106, reclassification table		
<b>203-1</b>	Infrastructure investments and services supported	53, 106-112, 137		
<b>GRI 204: Procurement practices 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	114, reclassification table		
<b>204-1</b>	Proportion of spending on local suppliers	115		
<b>GRI 205: Anti-corruption 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	41-42, reclassification table		
<b>205-2</b>	Communication and training about anti-corruption policies and procedures	41, 44-45	Data about anti-corruption policies and procedures is not available.	10
<b>205-3</b>	Confirmed incidents of corruption and actions taken	41		10
<b>GRI 207: Taxation 2019</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	46-47, reclassification table		
<b>207-1</b>	Approach to taxation	46-47		
<b>207-2</b>	Tax governance, control and risk management	46-47		
<b>207-3</b>	Stakeholder engagement and management concerns related to tax	46-47		
<b>207-4</b>	Country-by-country reporting	46-47		

STANDARD DISCLOSURE	DISCLOSURE	PAGE NUMBER (OR DIRECT REFERENCE)	OMISSIONS	GC PRINCIPLES
<b>GRI 300: Environmental topics</b>				
<b>GRI 301: 2016 Materials</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	123, 140, 143, reclassification table		
<b>301-1</b>	Materials used by weight or volume	143 ;156		7 and 8
<b>301-2</b>	Recycled input materials used	143, 156		8
<b>GRI 302: Energy 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	123, 128, 140, reclassification table		
<b>302-1</b>	Energy consumption within the organisation	141, 155		7 and 8
<b>302-2</b>	Energy consumption outside of the organisation	155		7 and 8
<b>302-3</b>	Energy intensity	141, 155		7 and 8
<b>GRI 305: Emissions 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	123, 140, reclassification table		
<b>305-1</b>	Direct (Scope 1) GHG emissions	142, 153		7 and 8
<b>305-2</b>	Indirect (Scope 2) GHG emissions	142, 153		7 and 8
<b>305-3</b>	Other indirect (Scope 3) GHG emissions	153		7 and 8
<b>305-4</b>	GHG emissions intensity	142, 153		8
<b>305-5</b>	Reduction of GHG emissions	154		8 and 9
<b>GRI 400: Social topics</b>				
<b>GRI 401: Employment 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	86, reclassification table		
<b>401-1</b>	New hires and employee turnover	90		6
<b>401-2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees	97, The company provides benefits to all Group bank employees, at times limiting certain benefits to only permanent employees or recalibrating benefits on the basis of working hours (e.g., welfare budget).		

STANDARD DISCLOSURE	DISCLOSURE	PAGE NUMBER (OR DIRECT REFERENCE)	OMISSIONS	GC PRINCIPLES
<b>GRI 403: Occupational Health and Safety 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	96-99, reclassification table		
<b>403-1</b>	Occupational Health and Safety management system	98-99		
<b>403-2</b>	Hazard identification, risk assessment, and incident investigation	98-99		
<b>403-3</b>	Occupational health services	98-99		
<b>403-4</b>	Worker participation, consultation, and communication on occupational health and safety	98-99		
<b>403-5</b>	Worker training on occupational health and safety	98-99		
<b>403-6</b>	Promotion of worker health	98-99		
<b>403-7</b>	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	98-99		
<b>403-8</b>	Workers covered by an occupational health and safety management system	98-99	Foreign group companies (Aletti Suisse) are excluded, as well as those that do not have a credit agreement and for which administrative management is provided in outsourcing (Oaklins Italy, Terme Ioniche Srl, Terme Ioniche società agricola Srl and Sagim Srl).	

STANDARD DISCLOSURE	DISCLOSURE	PAGE NUMBER (OR DIRECT REFERENCE)	OMISSIONS	GC PRINCIPLES
<b>GRI 404: Training and Education 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	91-93, reclassification table		
<b>404-1</b>	Average hours of training per year per employee	91-92		6
<b>404-3</b>	Percentage of employees receiving regular performance and career development reviews	94		6
<b>GRI 405: Diversity and Equal Opportunity 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	94, reclassification table		
<b>405-1</b>	Diversity of governance bodies and employees	33-34, 88-89		6
<b>405-2</b>	Ratio of basic salary and remuneration of women to men	95, In accordance with the national collective labour agreement, at the same contractual classification level, there are no basic salary and remuneration differences between men and women. However, page 95 shows the differences in average pay between men and women by contractual classification.	The ratio of male to female remuneration is not available	6
<b>GRI 418: Customer Privacy 2016</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	76.79, reclassification table		
<b>418-1</b>	Substantiated complaints concerning breaches of customer privacy and losses of customer data	79		



STANDARD DISCLOSURE	DISCLOSURE	PAGE NUMBER (OR DIRECT REFERENCE)	OMISSIONS	GC PRINCIPLES
<b>TOPICS NOT COVERED BY GRI ASPECTS</b>				
<b>Indicator of specific Sector Supplement - G4 - PRODUCT PORTFOLIO</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	52, 54- 55,58, 60- 64, reclassification table		
<b>G4-FS6</b>	Customer portfolio	59		
<b>G4-FS7</b>	Products and services designed to deliver a specific social benefit	73-74		
<b>G4-FS8</b>	Products and services designed to deliver a specific environmental benefit	134-136		
<b>Indicator of specific Sector Supplement - G4 - LOCAL COMMUNITIES</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	69, reclassification table		
<b>G4-FS14</b>	Initiatives to improve access to financial services for disadvantaged people	73-74		
<b>Indicator of specific Sector Supplement - G4 - MARKETING AND LABELLING</b>				
<b>103-1; 103-2; 103-3</b>	The management approach and its components	52, reclassification table		
<b>G4-FS16</b>	Initiatives to enhance financial literacy by type of beneficiary	57,100,109-110		



# Independent Auditors' Report

## **Independent auditor's 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 no. 20267*

To the board of directors of Banco BPM SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Banco BPM SpA and its subsidiaries (hereafter the "Group" or "Banco BPM Group") for the year ended 31 December 2021 prepared in accordance with article 4 of the Decree, approved by the Board of Directors on 1 March 2022 (hereafter the "NFS").

Our review does not extend to the information set out in the "Tassonomia UE – Eligible Green Asset Ratio (GAR)" paragraph of the NFS, required by article 8 of European Regulation 2020/852.

### **Responsibilities of the Directors and the Board of Statutory Auditors for the NFS**

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016, and updates versions (hereafter the "GRI Standards"), identified by them as the reporting standards.

The Directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

### **PricewaterhouseCoopers SpA**

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### ***Auditor's Independence and Quality Control***

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### ***Auditor's responsibilities***

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

- 1 analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;
- 2 analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
- 3 comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements;
- 4 understanding of the following matters:
  - a) business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
  - b) policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - c) key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;



- 5 understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In particular, we held meetings and interviews with the management of Banco BPM SpA and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a group level,
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.
- for the following companies, Banca Akros, Aletti Suisse and Ge.Se.So., which were selected on the basis of their activities and their contribution to the performance indicators at a consolidated level, we discussed with management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### **Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Banco BPM Group for the year ended 31 December 2021 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

Our conclusions on the NFS of Banco BPM Group do not extend to the information set out in the "Tassonomia UE – Eligible Green Asset Ratio (GAR)" paragraph of the NSF, required by article 8 of European Regulation 2020/852.

Milan, 16 March 2022

PricewaterhouseCoopers SpA

*Signed by*

Pierfrancesco Anglani  
(Partner)

*Signed by*

Paolo Bersani  
(Authorised signatory)

*This report has been translated from the Italian original solely for the convenience of international readers.*



