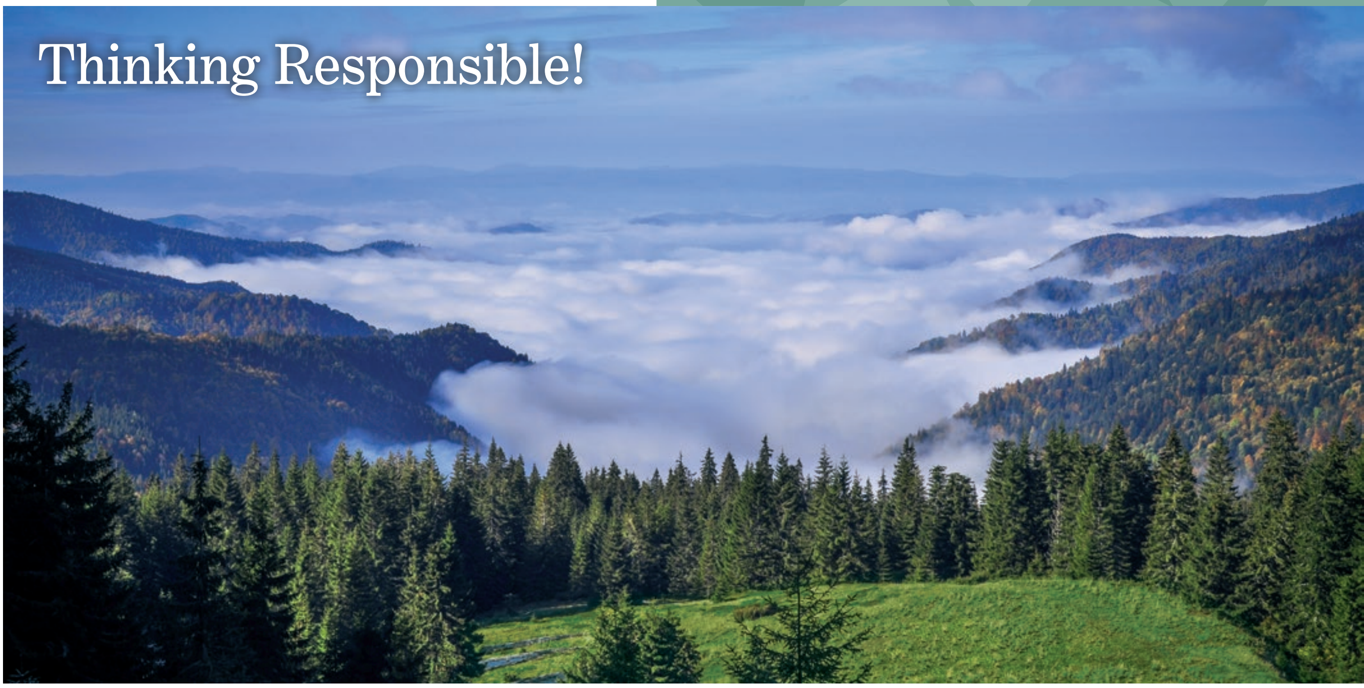
BPS (SUISSE)

Banca Popolare di Sondrio (SUISSE)

RESPONSIBLE INVESTMENT POLICY



Summary

04.B.27 (06.25/E)

Your Bank
over time

BPS (SUISSE) Responsible Investment Policy (ReIP) Principles, definition and regulatory framework

Banca Popolare di Sondrio (SUISSE), hereinafter referred to as "BPS (SUISSE)", as a Swiss universal bank with a long-term vision, recognises that it must act in the best interests of its clients, shareholders and stakeholders. In line with its mission and the founding values of the Banca Popolare di Sondrio Group – solidarity, subsidiarity, consideration of people and closeness to communities – the Bank has adopted a **Responsible Investment Policy (also "ReIP")**, an evolution of the previous Sustainable Investment Policy.

The ReIP defines the philosophy, principles and operational framework through which BPS (SUISSE) integrates environmental, social and governance (ESG) criteria into its investment management and advisory processes, promoting sustainable economic development and orienting investment choices towards long-term positive impacts.

Definition of and approach to responsible investment

BPS (SUISSE) interprets responsible investment as the systematic integration of ESG factors into decision-making processes, adopting a **dual materiality** principle: considering both the impacts of ESG risks on returns and the effects that investments generate on the environment and society. The approach combines various strategies – negative selection, norms-based screening, best-in-class, thematic investing – with particular emphasis on climate and environmental issues. ESG management is supported by qualitative analyses and risk assessments integrated into investment processes.

Among ESG factors, climate change deserves particular attention. BPS (SUISSE) is actively committed to pursuing measures to manage climate-related risks and opportunities.

Regulatory framework and group coherence

The ReIP is drawn up in accordance with the **ESG Investment Policy of the Banca Popolare di Sondrio Group**, subject to annual verification. It takes into account the recommendations of the Swiss Funds & Asset Management Association (SFAMA) and Swiss Sustainable Finance[1], the guidelines of the Swiss Bankers Association (SBA)[2] – in particular the "Guidelines for financial service providers on the integration of ESG preferences and ESG risks into investment advice and portfolio management".

The most recent AMAS[3] self-regulation directives on transparency and disclosure of sustainable investments and SBA directives on the fight against greenwashing (SBA directives 2024) have been implemented[4].

European legislation has also been taken into consideration, in particular the SFDR Regulation (EU) 2019/2088[5], and regulatory updates are constantly followed up in the "Regulation" section of the SSF website[6], where the regulatory evolution in the two jurisdictions can be consulted.

1 SSF – Swiss Sustainable Finance – the platform promoting Switzerland as a leading centre for sustainable finance
2 SBA – Swiss Bankers Association – Swiss Banking
3 AMAS – Asset Management Association Switzerland | Sustainable Finance
4 SBA greenwashing
5 SFDR – Sustainable Finance Disclosure Regulation – LSFI
6 Regulation

BPS (SUISSE)'s commitment to ESG investments

For BPS (SUISSE), being responsible means going beyond a declarative approach: the Bank is committed to promoting the achievement of the United Nations Sustainable Development Goals (UN SDG) through informed investment choices, ensuring transparency, fairness and allocation of capital increasingly oriented towards positive environmental and social impacts.

The ReIP establishes high-level principles applicable to all internal and external asset management activities and is designed to ensure that every transaction is consistent with the Bank's ethical and responsible investment standards.

ESG Commitment Evolution

2018 - 2019 — Exploration & Foundation

Initial period dedicated to preliminary analysis of ESG issues and definition of the organisational bases. The main activities include the applicability study carried out in 2018 and setting up an internal ESG Team in 2019, aimed at guiding future development in the field of sustainability.

2019 - 2020 — Initial Implementation & Product Launch

Phase characterised by the launch of the first operational initiatives and adoption of strategic ESG decisions. The main activities include: launch of the first multi-manager ESG strategy (April 2019), formal decision to integrate ESG criteria into investments (June/September 2019), membership of Swiss Sustainable Finance (March 2020), start of collaborations with external providers and review of Popso (Suisse) Investment Fund SICAV (May 2020).

2020 - 2021 — Growth & Formalisation

Period of intense activity aimed at strengthening ESG governance, expanding the product offering and structuring communication. Key developments include: integrating ESG into the Investment Committee and internal procedure (June 2020), launching model portfolios (July 2020), approval of the first SIP and setting up of the ESG Committee (September 2020), new SICAV sub-funds (December 2020), launch of periodic communications (January/February 2021), defining ESG guidelines (May 2021), launch of thematic AMCs (October 2021) and agreement with ESG data providers to expand the range (November 2021).

2022 - 2023 — Integration & Deepening

Phase focused on consolidation of ESG processes, strengthening governance and developing internal skills, paying attention to regulatory evolution and client preferences. Key activities include: launch of monthly sustainability meetings (February 2022), financial instrument classification project and integration of client preferences (September 2022), first revision of the SIP (August 2023), dedicated ESG training (September/December 2023) and approval of the ESG Policy at Group level (December 2023).

2024 - 2025 — Strategic Evolution & Future Orientation

Phase focused on the evolution of ESG policies and integration of advanced criteria, in line with international best practices and strengthening regulatory expectations. Key event: transformation of the SIP into an ReIP (Responsible Investment Policy) in July 2025, demonstrating ongoing strategic adaptation and an increasingly mature approach to responsible investment management.

LEGEND

- **Policy / Governance** (Approvals, Committees, Guidelines)
- **Product Launch / Service** (Strategies, Funds, Portfolios, AMCs)
- **Internal Development / Capabilities** (Team, Communications, Training, Processes)
- **Partnership / External Engagement** (Memberships, Contracts)
- **Strategic Decision / Study** (Preliminary Studies, Key Decisions)

Fundamentals and key concepts of sustainable finance

Definition of sustainable investment and distinction between ESG and sustainable investments

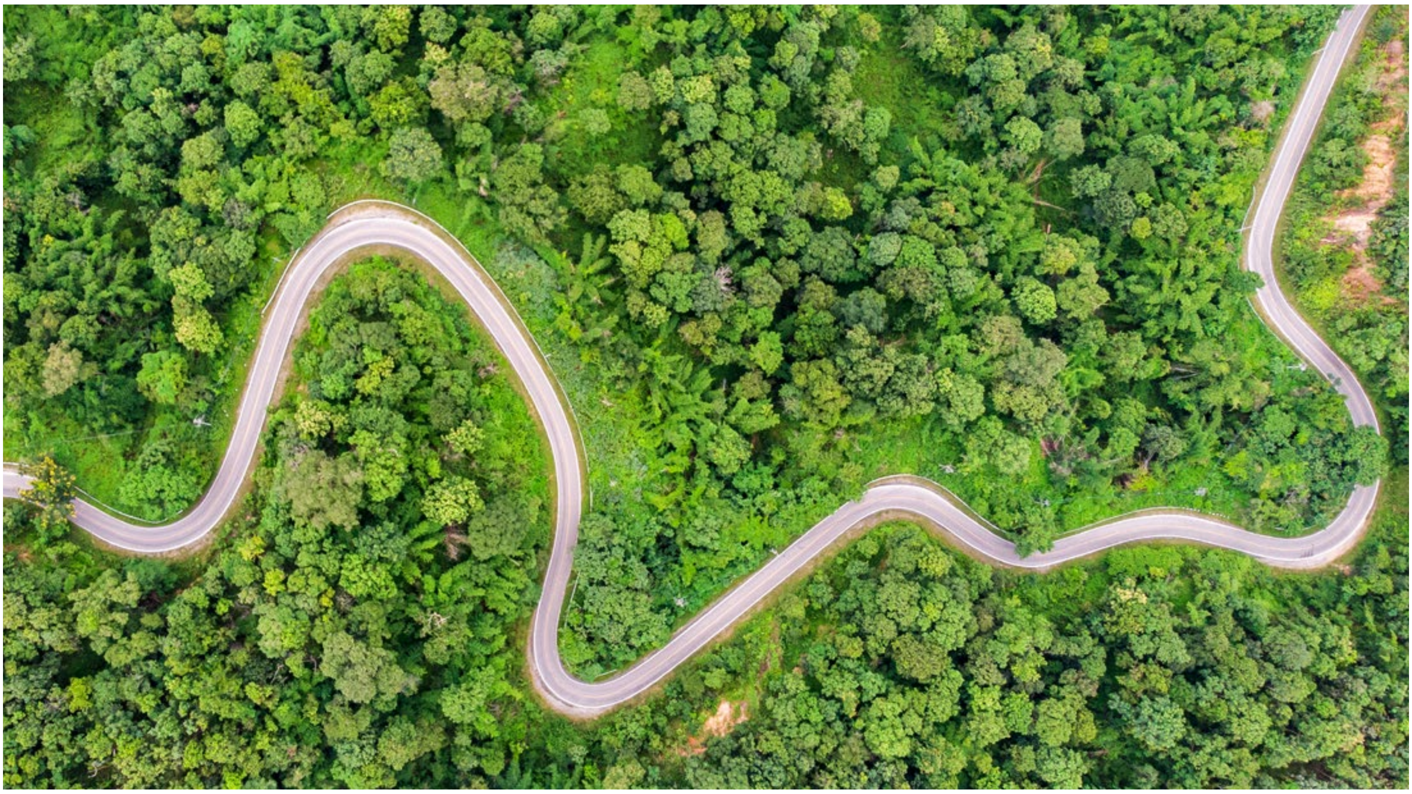
Internationally, sustainable investment is defined as:

"Sustainable investing combines return objectives with ethical, ecological and social values. Sustainable investing recognises that corporate responsibility and social values are valid criteria for choosing an investment. These investments take into account both the investor's need for a return on their investments and the impact that these investments have on society and the environment. These types of investments encourage companies to improve the way they operate in environmental, social and governance terms." (cit. USSIF – The Forum for Sustainable and Responsible Investing[7])

In Switzerland, the SBA guidelines[8] distinguish between:

- **ESG investment solutions**, which integrate environmental, social and governance (ESG) criteria into investment processes, also assessing ESG risks, i.e. factors that could negatively affect a company's financial results or reputation.
- **Sustainable investment solutions**, which target clear and measurable sustainability objectives, defined on the basis of recognised standards (such as the UN SDG or sectoral criteria such as those of AMAS).

This distinction helps ensure greater transparency and prevents the risk of greenwashing, guaranteeing that investments effectively reflect commitment to sustainability.



7 USSIF – The Forum for Sustainable and Responsible Investing
8 Swiss Bankers Association (SBA), *Guidelines for the financial service providers on the integration of ESG-preferences and ESG-risks*, 2024: Self-discipline in sustainable finance - Sustainable finance – Topics – Swiss Banking and
Swiss Sustainable Finance (SSF) & EY: Practitioners' Guide on the Integration of Sustainability Preferences into the Advisory Process, 2022

ESG investment selection methodologies

The main ESG selection methodologies are listed below. Please note that, in practice, it is not uncommon for asset managers to combine various approaches from those listed below.

Investment Spectrum: Traditional, ESG and Sustainable

TRADITIONAL	
Investments that are harmful to society	Investments in activities that have a negative impact on society. **Example:** **Companies active in the production of ammunition or the tobacco sector.**
Traditional investments	Limited or no consideration of the social and environmental consequences of an investment. **Example:** **Listed shares of companies operating in the oil and gas sector.**
ESG	
Negative screening (exclusions or value-based screening)	Companies operating in sectors considered dangerous and harmful to the environment and people are excluded. **Example:** **Excluding investments in tobacco, weapons, gambling, etc. from a portfolio.**
Norms-based screening	This is a particular type of negative selection, in which companies that do not comply with the rules established by major international organisations are excluded. **Example:** **Serious violations of the UN Global Compact.**
Best in class or positive selection	Companies are assigned a score for each ESG criterion and rankings are drawn up, often by sector; only the best within the various sectors are declared eligible. **Example:** **Equity fund with an ESG rating higher than the average of its reference sector.**
ESG integration	Considering ESG criteria in the investment process together with financial criteria; this is similar to positive selection but presupposes a more qualitative approach. **Example:** **Selection of leading companies in environmental management or social inclusion.**
SUSTAINABLE	
Sustainability leaders only or impact investing	Companies are only considered if they demonstrate a high level of commitment to working towards a sustainable future. **Example:** **Financing new social housing projects.**
Sustainability-themed investing	Companies operating in sectors that are critical from an ESG point of view are selected. **Example:** **Alternative energy and circular economy, green bonds to finance projects with environmental benefits.**
Engagement and voting	Trying to make a difference by actively guiding, through shareholder voting in meetings, the decisions of companies towards ethical conduct in line with the principles of sustainability. **Example:** **Vote for greater transparency on CO_2 emissions.**

Why invest responsibly

Investing responsibly means integrating sustainability into portfolios, with the aim of achieving not only financial results, but also positive environmental and social impacts.
The growing awareness of investors, savers and asset owners, combined with the evolution of international regulations, is making a sustainable approach an essential component of investment management.

Responsible investing helps with risk reduction, as companies that adopt sound ESG practices tend to manage future challenges more effectively. At the same time, sustainability creates new opportunities: companies that can innovate in response to environmental and social changes are better positioned to build lasting competitive advantages.

Investing responsibly therefore means pursuing economic returns and, at the same time, supporting fair and lasting development.

The financial results of sustainable investments

According to an authoritative study[9] on the correlation between ESG criteria and corporate financial performance (CFP), it can be said that:

- more than 90% of studies found no negative correlation;
- most studies showed a positive effect;
- the positive correlation applies to all geographical areas and has proven to be valid over time.

Other academic studies[10] show no substantial differences in long-term returns between investments made with traditional strategies and investments with ESG strategies.

9 Friede, Busch & Bassen (2015): ESG and financial performance: aggregated evidence from more than 2,000 empirical studies, Journal of Sustainable Finance & Investment
10 Atz, Ulrich and Van Holt, Tracy and Liu, Zongyuan Zoe and Bruno, Christopher, Does Sustainability Generate Better Financial Performance? Review, Meta-analysis and Propositions (July 22, 2022). Journal of Sustainable Finance and Investment

Governance and management of Responsible Investment Policy

Governance

The Bank's organisation aims to ensure that factors directly related to ESG are considered more and more in the investment process.

This principle derives directly from the fiduciary responsibility associated with the role of the asset manager acting on behalf of clients, where the objective of achieving the best risk-weighted performance, taking into account the client's interests and specific requests, cannot overlook elements such as environmental risks and opportunities related to investments, social policies and corporate governance.

By extension, professional advisory services must also apply the same principles regarding the sustainability of investments, albeit mediated by the Bank's different role and responsibilities towards its customers.

The governance rules relating to the integration of sustainability criteria within the Bank's investment process are therefore defined here.

The **"ESG Investment Committee"** was set up to specifically address issues relating to the sustainability of investments.

Its functions and organisation are established through internal regulations and its main tasks are listed below:

- To follow the regulations and trends of the asset management sector in the ESG field;
- To formulate proposals relating to working methodologies, rules and sustainability parameters that will be integrated into the various phases of the investment process: research and analysis, portfolio construction, trading, compliance and risk management, portfolio analysis and reporting;
- To discuss thematic investment ideas and investment cases for submission to the Investment Committee;
- To report to the Executive Board on the status of the implementation of sustainability policies in investments;
- To draft a document once a year called "ESG Investment Newsletter", which aims to inform those both within and outside of the Bank on its positioning on the issue of investment sustainability.

The Asset Management Office has also established a **Monthly Investment Sustainability Meeting (RMSI)**, which deals with all current issues related to investment sustainability in an operational manner, as well as overseeing the evolution of the Bank's ESG investment process. This is where proposals on various issues within the Asset Management Office's activities are initially drafted for submission to the ESG Investment Committee.

Approval and review procedures for the Responsible Investment Policy

The policy is prepared and kept up to date by the Asset Management Service.

The document is subject to revision following significant changes in the reference regulatory context, updates to the Group Policy and in line with the gradual integration of ESG factors into the main investment processes.

Approval of this policy, as well as any relevant amendments and additions, is the responsibility of the Executive Board, at the request of the Asset Management Service, following approval of the text by the ESG Investment Committee.

BPS (SUISSE) Responsible Investment methodology

This section describes the investment methodology of BPS (SUISSE), which is based on clear objectives and criteria that are simple and understandable even for clients who are not necessarily experts in sustainable finance.

The guiding principles of the investment process adopted within the Bank's products and services are described below.

- Definition of the **investable universe**: all securities that can be invested in for each specific product, according to its internal guidelines. The investable universe will not necessarily be the same as for the product benchmark.
- The **primary objective** of the investment products and services offered is to **maximise risk-adjusted performance**. This principle allows us to best serve the Bank's clients and thereby achieve sustainability primarily in the role of financial intermediary, while minimising potential conflicts of interest with clients. However, the concepts of "performance" and "risk" are influenced by ESG assessments as a new aspect for analysis. These three aspects (performance, risk and ESG) allow the Bank to define a comprehensive and diversified range of investment products and services and present this to its clients.
- **Secondly**, the primary objective of the investment process is to support **environmental** protection, paying particular attention to climate risks, taking into account also the surrounding society in local communities and different categories and groups of people, especially those warranting specific protection. The **social** aspect is one of the hallmarks of the history and tradition of the Banca Popolare di Sondrio Group, of which BPS (SUISSE) is an integral part. It is therefore important to not cause harm to society as a whole with our investments, starting with investing in companies that respect these aspects and consistently uphold the minimum standards of good corporate **governance**.

The principles listed above are translated into concrete rules, as outlined below, that guide the investment process in relation to ESG. Please note that the Bank relies primarily on **data and opinions from leading international research providers specialising in ESG financial analysis**. The Bank also uses quantitative and qualitative analyses from other banks, brokers and asset managers with whom it collaborates in the investment process. This information and data can be used both directly and by reworking it to create specific reports, opinions and indicators. There are more details on this point in the section "ESG data and research providers".

The investment process that the Bank has designed is **modular**, so it can be applied in a differentiated way to the Bank's various investment products and services and can therefore effectively meet the different levels of sensitivity required by clients. The first two levels allow the Bank to define the investment securities whose ESG characteristics can be assessed and distinguish them from those on which it is not possible to express an opinion, as there is insufficient information to establish their compliance with ESG criteria, as well as from those that are considered "non-compliant". These distinctions form the basis of the reports and controls that the Bank provides to clients operating in the area of consultancy and wealth management.

The main sets of rules used by the Bank are listed below.

First level

Sectoral, ethical and regulatory exclusions (norm-based and value-based negative screening), approved by the Bank's ESG Investment Committee, designed according to the **"do no significant harm"** principle (borrowed from the European SFDR regulation), i.e. minimisation of negative influence on society and the surrounding environment.

For direct investments in corporate shares and bonds, securities issued by the entities described in the following tables are therefore considered non-compliant.

Regulatory exclusions

Criterion	Brief description
United Nations Global Compact	Companies that are found in severe violations of United Nations Global Compact.
OECD Guidelines for Multinational Enterprises	Companies that are found in severe violations of the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises.
SVVK / ASIR	Companies that do not meet minimum ethical standards based on the list published by the Swiss Association for Responsible Investments (SVVK-ASIR), details of which can be found at: svvk-asir.ch/en/activities.

Sectorial exclusions

Criterion	Brief description	Revenues threshold in %
Controversial weapons	Companies involved in the controversial weapons industry at any level and to any extent.	0%
Conventional weapons	Companies involved in manufacturing or selling conventional weapons.	5%
Tobacco	Companies involved in growing or selling tobacco.	5%
Gambling	Companies in any sector of the gambling industry (betting and similar activities).	5%
Adult entertainment	Companies in any sector of the adult entertainment industry (pornography and similar activities).	5%
Total of the above	Companies with an aggregate involvement in the industries listed above.	10% (total exposure)

Note: with the exception of the SVVK/ASIR list, compliance with regulatory exclusions and the turnover levels involved in the activities indicated for the sectoral part are determined by the primary research provider used by the Bank, as defined below.

As regards the Popso (Suisse) Investment Fund SICAV (the "SICAV") sub-funds, of which the Bank is the investment manager and which promote ESG characteristics (Art. 8 SFDR), the following investable universe exclusion criteria are used:
- BICS[11] "Defense" sector;
- Exclusion of unrated securities or securities rated lower than 30 in the "ESG" and/or "E" (Environment) fields based on data provided by an international ESG data provider, with a "thrash ratio" equal to 10% of the portfolio.

11 The Bloomberg Industry Classification Standard (BICS) and the Bloomberg Barclays Classification System (BCLASS) support the investment process by organising legal entities and securities into consistent peer groups according to specific activities and risk categories. Bloomberg's classification content includes more than 5 million public and private instruments across multiple asset classes and more than 2.5 million legal entities, including other industry classifications from official institutions and national statistics agencies such as NAICs, NACE and UK SIC. Source: Bloomberg

Second level

The set of rules, summarised in the table below, that make it possible to select only the entities that perform the best in the various ESG areas (positive screening or best-in-class approach). This criterion applies to various asset classes, such as stocks, bonds (corporate or government) and investment funds. The analysis is based on data provided by qualified external sources and consists of assessment of the management and exposure of an entity to environmental, social and governance risk factors, with the aim of understanding the impact on financial soundness and economic competitiveness in the long term.

ESG Leader Selection Rules

Criterion	Minimum accepted level	Scale
ESG Rating	BBB	AAA - CCC
Environmental Pillar Score	3	0 - 10
Social Pillar Score	3	0 - 10
Governance Pillar Score	3	0 - 10

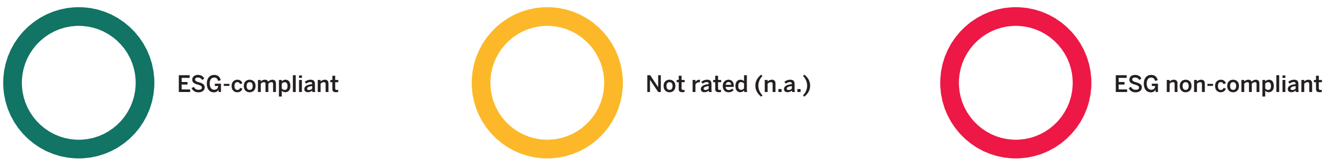
In this way, securities that are particularly strong with respect to ESG factors, both at a general level and under each individual "pillar" (E, S and G) of analysis, are deemed to comply with ESG criteria. When considering each pillar individually, the opposite point of view to the purely financial one must also be taken, i.e. that of the environment and society (according to dual materiality), thereby aiming to penalise entities that demonstrate a less desirable conduct on the one factor, even if this is of little relevance to the company at a financial level.

Third level

Additional rules that apply to the Bank's asset management products designated as "ESG": all collective investment products (funds, OICR) in the portfolio, with the exception of liquidity and commodity products, must be classified as Art. 8 or 9, according to the EU SFDR regulation.

The Bank's traffic light system

The first and second level of rules, as defined above, allow the Bank to build a proprietary indicator, which aims to immediately and simply show whether a financial instrument is considered "ESG-compliant" (green), "non-compliant" (red) or whether there is not enough information to make a determination (yellow). This ("traffic light") classification is shown in the image below.



Integrating ESG factors into proprietary portfolio investment strategies

In managing its portfolio of proprietary securities, the Bank maintains a prudent approach in assuming risks associated with investments in financial instruments. The investments are not for speculative purposes, with low-risk profiles that can represent reserve assets that can be readily converted to cash or sold to promptly meet any liquidity requirements. Without prejudice to compliance with the limits set for the various types of risk and the general investment guidelines established by the Risk Committee, the Bank's investment choices are made over time paying specific attention to integrating sustainability issues.

In particular, the Risk Committee defines specific sustainability targets relating to the bond asset class, according to the rules set out above as the "Bank's traffic light system". Before presenting investment proposals or fulfilling purchase orders issued by the Risk Committee or by any employees it delegates, the Trading Room, in coordination with the Asset Management Service, verifies that direct investments in bonds are consistent with these rules.

Engagement

BPS (SUISSE) is aware of the importance of the active role that shareholders have in guiding corporate decisions and increasing the value of companies.

Exercising voting rights is an important element of investment strategies that are focused on ESG criteria, particularly those built on "engagement and voting" or aimed at impact investing.

Also, as part of responsible asset management, focused on an ESG approach, so-called "active ownership", i.e. maintaining an open and constructive dialogue with management, represents one of the fiduciary duties underlying the assignment of management authorisation. BPS (SUISSE) has thereby drawn up a "Voting Policy", based on the European SRD II legislation, which defines intervention methods relating to exercising voting rights for equity securities attached to mandates managed on a discretionary basis.

The key principles of this are listed below.

For equity securities included in asset management mandates, the Bank delegates the exercise of the voting right to the client.
The following rules are established for equity securities in SICAV sub-funds:

- The Bank participates in voting in companies domiciled in Switzerland, EU countries and the United States through leading proxy voting service providers, after having verified the validity and consistency of the principles that inspire voting decisions, in particular in the area of sustainability;
- The Bank has defined a materiality limit above which it can decide to participate in voting without following the instructions of the external provider. This limit is equal to 1% of the voting rights, adding up all the sub-funds it manages within the SICAV.
- Regarding the issues to be voted on, while analysing corporate governance aspects, the Bank gives its assessment on:
  - Composition and autonomy of the Board of Directors;
  - General aspects of corporate governance;
  - Issues relating to environmental and social issues;
  - Capital structure and shareholder rights.

ESG data and research providers

Following an in-depth selection process that considered the main Swiss and international ESG data providers, the Bank has selected a company specialising in ESG research and analysis, which is part of a leading group active in the provision of assessments at a global level.

As of November 2021, a second counterparty has also been added to provide ESG data. This party is a leading provider in the ESG data sector. Access to its online platform, dedicated to sustainability, makes it possible to expand the range of analysis to a greater number of securities and asset classes than what was available through the previously selected provider.

Further information on the methodologies of the data providers used is available upon request.

In addition, BPS (SUISSE) portfolio managers obtain ESG data, information and research from several additional information sources, such as rating agencies, brokers and primary research providers, public sources of information on investment funds, direct contact with "partner" asset managers, and other financial networks (Swiss Sustainable Finance, CFA Institute, CAIA Association, AZEK, SFAA, EFFAS/AIAF and others).

Controls and reporting

For clients in advisory and asset management, and with the sole exception of those in the "execution only" system, ESG preferences are collected at the risk profile level and compliance with the expressed preferences is subsequently monitored.

At product level, compliance with ESG standards is initially monitored by Asset Management and Investment Advisory Services for their respective areas of expertise, through an internal "compliance" process with dedicated employees. Furthermore, the Bank has established an ad-hoc second-level control function that independently and regularly verifies compliance with the rules. This task is carried out by the Risk Control Service, which operates in the same way as it carries out controls on the asset allocation guidelines for asset management and on the compliance with UCITS rules and the SICAV prospectus.

At reporting level, for all clients (including "execution only"), a summary page of the investment portfolio ESG exposure is attached to the statement of financial positions, based on the "traffic light rules" set out in this document.

ESG training

A key element in implementing the ESG guidelines set out in this policy in the Bank's daily operations is the training of employees, in particular those working in advisory and asset management services.

BPS (SUISSE) has therefore provided additional training on sustainability for all Bank employees, in which the fundamental concepts of ESG history and philosophy are explained, with particular emphasis on how it is implemented within a financial institution. It is planned that every new Bank employee will undergo this basic training.

The Bank has also planned other more in-depth training sessions on the topic of sustainability, aimed at members of the Front Office Division, i.e. those who must apply sustainability practices in their investment management and advisory work. These additional sessions delve into theoretical and practical aspects, such as ESG regulation, the methodology adopted by the Bank (expressed in this ReIP), the Bank's ESG products and communication with clients. These courses are recognised for SAQ certification in the context of financial consultancy.

Specific ESG training courses, certified at national or international level (such as those provided by institutes such as EFFAS or CFA), are also encouraged by the Bank, especially for roles such as portfolio managers and investment advisors.

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