

# SUSTAINABLE INVESTMENT POLICY



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## Sustainable Investment Philosophy – Basic Principles

This document is the Sustainable Investment Policy of BPS (SUISSE), which sets out the basic principles under which the Bank interprets sustainability criteria, including the concept of ESG (environmental, social, corporate governance), and integrates them into its own investment management and advisory process.

The guiding principles of the “sustainable” investment process are as follows:

### **Definition of the investable universe**

The investable universe includes all securities that can be invested in for each specific product. It will not necessarily be the same as for the product benchmark.

### **Primary objective – maximise performance**

The primary objective of the investment products and services offered by BPS (SUISSE) is to maximise risk-adjusted performance. This principle allows us to best serve our clients and thus achieve sustainability primarily in our role as a financial intermediary, while minimising potential conflicts of interest with clients.

However, the concepts of “performance” and “risk” are influenced by that of sustainability as a new dimension in analysis. These three aspects (performance, risk and sustainability) allow the Bank to define a comprehensive and diversified range of investment products and services and present this to its clients.

### **Secondary objective – help protect the environment**

The secondary objective of the investment process is to help protect the environment without losing sight of the various relationships with society in terms of all its local communities and categories and groups of people, especially those requiring special 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. We therefore want to take care not to cause damage to society with our investments, starting with investing in companies that respect these aspects and that consistently uphold minimum standards of good corporate governance.



## ESG Regulations

The Bank takes a modular approach to complying with ESG regulations and employs a three-tier structure.

### 1. Negative Screening (value-based)

Securities issued by companies that exceed the thresholds for the various criteria shown in the table below are not deemed “sustainable”.

Criterion	Brief description	Sales threshold
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 <a href="http://svvk-asir.ch">svvk-asir.ch</a>	
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 from the above criteria	Companies with an aggregate involvement in the industries listed above	10% (total exposure)

## 2. Positive Screening (best-in-class)

The Bank assesses a company's management of and exposure to ESG risk factors, determining its impact in terms of financial strength and long-term economic competitiveness. Only the best companies analysed are deemed "compliant" in accordance with the following criteria:

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

The combination of these first two levels of regulations produces the BANK'S SYMBOL-BASED CLASSIFICATION SYSTEM to designate "sustainable", "unclassifiable" and "unsustainable" securities:



ESG COMPLIANT



NOT RATED



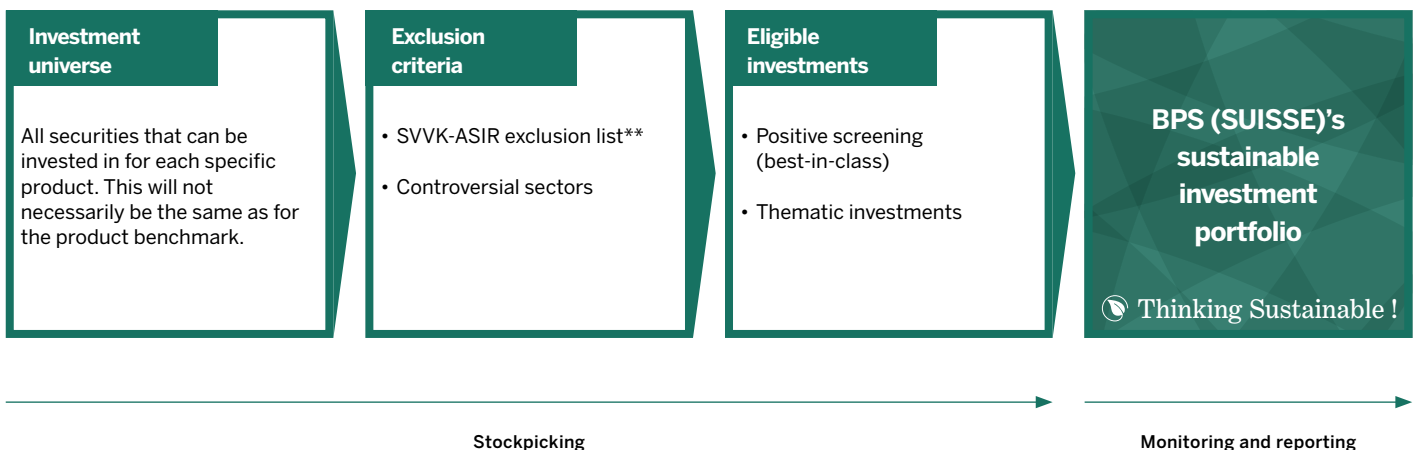
ESG NON-COMPLIANT

### 3. Thematic Investing

These are additional regulations for third-party investment funds, which apply to investment products that the bank terms “ESG”:

- All investment products in the portfolio, apart from its cash holdings and any structured products or commodities or real estate exposure, must fall under **Art. 8 or 9** of the EU’s SFDR.\*
- Preference for funds with **focus on the E (Environment) element**, such as the following investment themes:
  - a) Clean Energy
  - b) Climate Change
  - c) Environmentally Friendly

### BPS (SUISSE) – Methods for integrating ESG into the process for selecting sustainable investments



\* The Sustainable Finance Disclosure Regulation, which entered into force on 10 March 2021 in the European Union and which imposes a wide range of sustainability disclosure obligations on financial market participants for the financial products that they manage or advise on.

\*\* Swiss Association for Responsible Investments, [www.svvk-asir.ch/en](http://www.svvk-asir.ch/en)

## Regulations of Popso (Suisse) Investment Fund SICAV

The following criteria are currently used to determine exclusion from the investable universe for the products in the SICAV that promote sustainability characteristics (Art. 8 SFDR):

1. "Defence" sector
2. Unrated securities or securities rated lower than 30 in the "ESG" and/or "E" (Environment) fields based on the data provided by Moody's (formerly Vigeo Eiris).



**POPSO(SUISSE)**  
INVESTMENT FUND SICAV

[www.popsOfunds.com](http://www.popsOfunds.com)



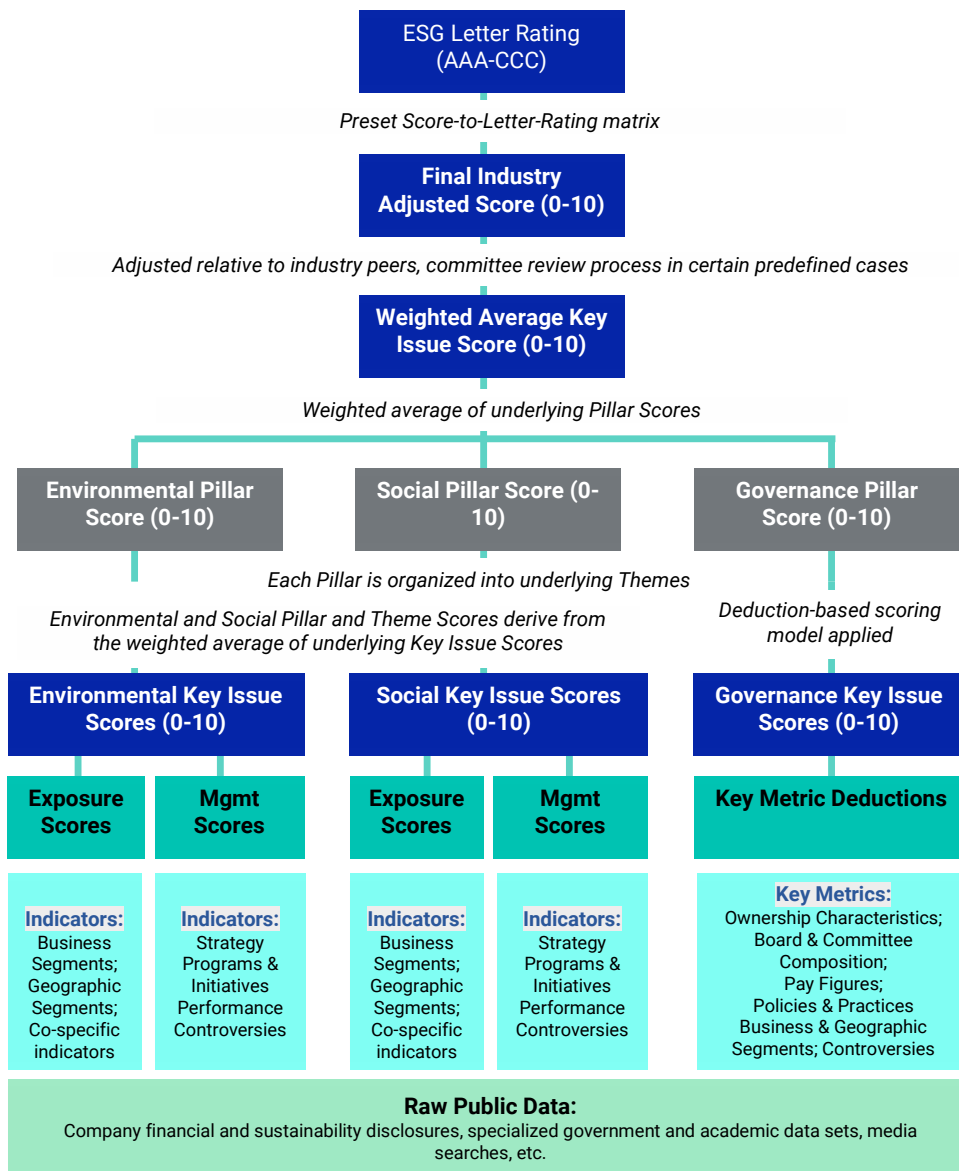
## ESG Data Sources

### 1. MSCI

MSCI's methodology is based on a rating system (AAA–CCC) underpinned by separate analyses for each pillar (E, S and G). These analyses are based on specific key performance indicators (KPIs).

See the diagram below:

Exhibit 4: Hierarchy of ESG Scores



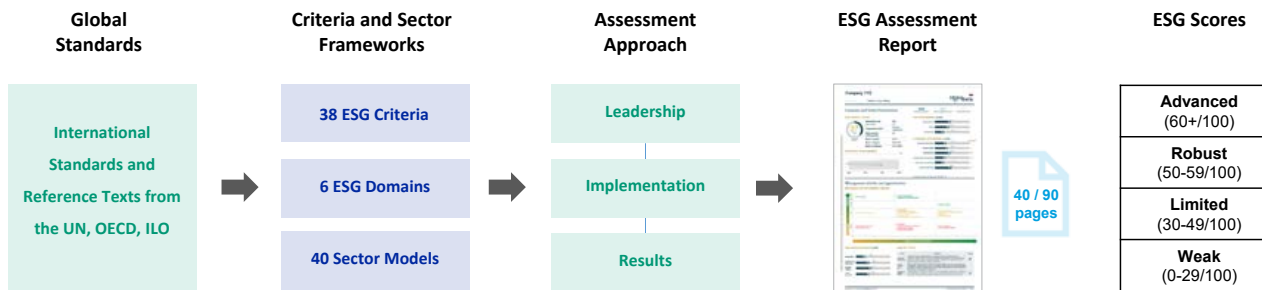
## 2. Moody's (formerly Vigeo Eiris)

The methodology employed by Moody's is based on thirty-eight ESG criteria divided into six domains (Environmental, Business Behaviour, Human Resources, Human Rights, Corporate Governance, Community Involvement), which produce an assessment (ESG Score) on the following scale:

- Weak (0–29)
- Limited (30–49)
- Robust (50–59)
- Advanced (60–100)

See the diagram below:

### Methodology



ESG assessment methodology built around international standards and reference texts. ISO9001 quality certified research methodologies and processes



Source:  
Moody's ESG Assessment

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