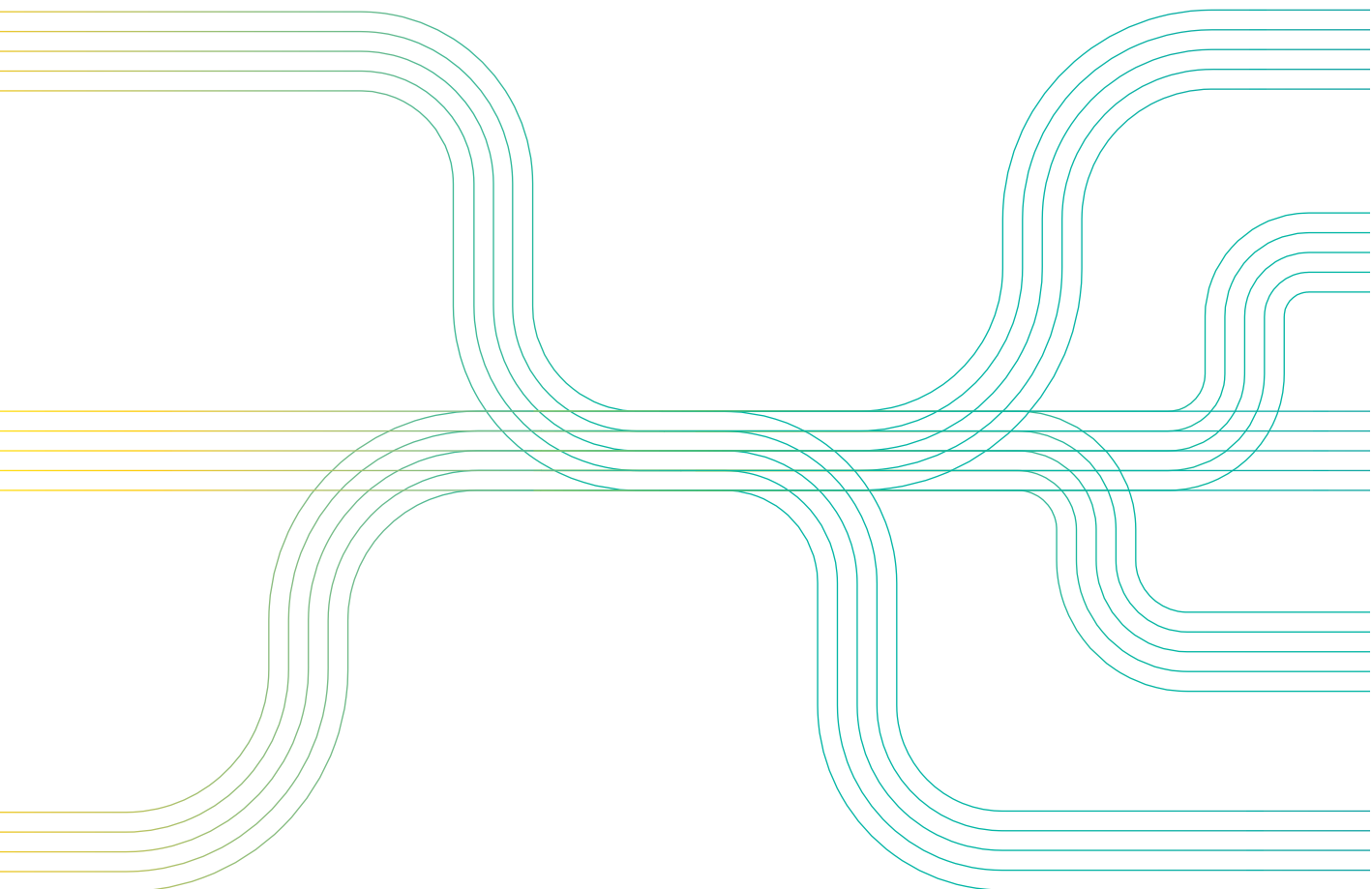


ABSTRACT OF
2022
IMPACT REPORT





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You may find the complete
version of the Impact Report at
www.bancaetica.it/report-impatto-2022





HIGHLIGHTS



Revealing some of the results
of the positive impact generated by loans
granted in 2021 by Banca Etica

New
jobs

5,911

Vulnerable people
employed

3,854

Cultural events

3,026

Attendance
430,000
people

People attending
education/training
programmes

8,807

Personal loans granted
to citizens from the global
south

11%

Hectares of land
organically cultivated

15,782

33.2 million euro of organic
produce sold

Hectares of land
preserved through 19
territorial protection
initiatives

163

Renewable energy
systems installed

40

with a total power of 128 MW
of energy

CO₂ emissions
avoided

82,000
tonnes

Tonnes of waste reused
and recycled

1.2
million

Migrants welcomed

4,307

Homes made available for
households in Social Housing
projects

149

Female enterprises
financed by Banca Etica
in 2021

25%

Credit
for micro-finance
projects

10 million

including 1.9 fighting usury

Jobs saved by
workers' buyouts

211

Personal loans to women

45%

People receiving assistance
under international
cooperation projects

1 million

23 international cooperation projects

People who benefited
from social welfare
services

45,846

medical services, social welfare
services and
social educational services

People encouraged to take
up sports

36,100

Through 232 initiatives

Research projects
worked on

395

"Green" credit
for organisations
and enterprises

27.8%

INTRODUCTION

This is Banca Etica's third Impact Report. Measuring our impact means analysing all the economic and non-economic consequences of our banking activities. This includes both direct consequences such as energy consumption in our offices and branches and indirect consequences such as the impact of our credit and loans.

In the case of a bank, indirect impact is normally much greater. But many banks still call themselves "sustainable" simply on the basis of their direct impact, without looking at the vastly greater impact of what they do with the money that passes through their hands.

This approach is no longer acceptable, particularly at this time of dramatic conflict in Ukraine, just outside Europe, a continent that is supposed to be a place of peace and dialogue among peoples.

The ethical finance movement is inspired by total rejection of all forms of funding for the production and sale of weapons. As members of the global movement promoting finance serving people and the environment, we support a global culture of pacifism and non-violence.

Many years ago, Banca Etica already said:

"Radical rejection of the logic underlying weapons and violence is in Banca Etica's genes".

On the windows of our banks we wrote "Financial institutions invest billions in weapons. Stop financing war!" We need symbolic actions to mark the distance that separates us from the warmongering banking system!

While the current focus is unfortunately on social issues and rejection of the logic underlying weapons, other crucial challenges must remain central to the way we work. First of all, the urgency of doing all we can to combat climate change. Measuring the environmental impact of our loans is an essential step in this direction.

Adopting rigorous methods for calculating impact on environment and climate is a way of demonstrating that ethical finance is much more than sustainable, especially in view of the wave of greenwashing & social washing coming from a large part of the banking system.

In this context, we continue to keep a critical eye on the European process of "Green Taxonomy" and "Sustainable Finance", working as part of a European and international network demanding strict criteria. The international dimension is still key to construction of tools for financial inclusion and cooperation in development.

But above all, we concentrate on continuing to support people and organisations working on generating positive change in society and for the environment, as demonstrated by this Report.

This begins with transparency in our financial transactions, that is, in investment of the capital entrusted to our bank, tracing the impact generated by Banca Etica and its funding over the course of the past year.

As in past editions, our Impact Report contains the analysis and results of the Social and Environmental Assessments conducted by Banca Etica on loans provided over the course of the past year.

We see these assessments as a way of "giving value" to the action of Banca Etica - through credit - and to the immense heritage of ideas, innovations, relationships and socio-economic changes that our members and customers work on every day in Spain, Italy and the rest of the world.

We have worked over these last two difficult years, and continue to work today and in the even more "cloudy" future, on supporting an inclusive economy of solidarity, accompanying the recovery of our communities, our places for socialisation and culture, and our enterprises, while working to strengthen protection of our environment.

Amidst all this, the entire Banca Etica organisation has continued and will continue to measure, assess and monitor the impact of what it does in terms of granting loans and other forms of management and investment of our members' and customers' savings. I particularly wish to thank the network of Social Assessors and everyone who has worked to ensure that the most important interest, even in these difficult and complicated times, is the interest of all.

For the Board of Directors - Chair
Anna Fasano

The social and environmental dividend

Identification of the financial performance of an investment portfolio is normally a relatively simple process. It can be achieved by quantifying the profit or loss on an investment over a given period of time, expressed as a percentage of the initial cost of the investment.

Compared to other forms of socially responsible investment, the **most important feature of impact investment** is a focus on measurement of the investment's social and environmental performance. In this box we address the issue from the point of view of a member of Banca Etica who owns a share in its capital, offering an estimated "**social and environmental dividend**".

Identifying and measuring this "**social and environmental dividend**" is often more problematic than purely financial assessment of conventional investments, due to the vast range of potential "non-financial results" of an investment, initiative or project.

Here, we attempt to associate every thousand euro of social capital invested in the bank with a corresponding value representing the impact it generates over the course of the year.

To this end, we will use indicators of calculating what part of each of them is attributable to the share capital invested on the basis of the credit the bank has granted over the past three years.

For every loan granted, the bank must "set aside" a portion of its own capital to cover the risk inherent in the loan. Share capital therefore allows the bank to provide loans. In this sense, every euro of share capital makes it possible to provide about 15 euro in loans to organisations and enterprises. These resources have in turn generated a social and environmental impact.

The table below shows figures on the average impact generated by organisations and enterprises for every 1,000 euro invested by our members in the form of share capital.

€1,000 in share capital, equal to 17 Banca Etica shares, generates on average every year, either:

Environmental

829 tonnes of wastes reused or recycled

40 hectares organically cultivated

38 tonnes of CO₂ emissions avoided



Social

15 people who receive treatment or assistance or benefit from social and educational initiatives

2.6 people from disadvantaged backgrounds who enter the employment market



Hospitality

2,410 beneficiaries of international cooperation projects



International

5 people migrating from other countries welcomed



Community

1,529 attendees at cultural events

IMPACT, ETHICAL FINANCE AND SUSTAINABLE FINANCE

➤ **Banca Etica defines a impact loan as a loan that produces positive change in the environment, people and communities.**

For this purpose, our work is based on a “**theory of change**”¹, that is, a description of the change an organisation wishes to create and the steps necessary to bring it about. This is organised on the basis of a process that begins with the assumptions on which an organisation's choices are based, leading to the evidence supporting these assumptions (collected in this report).

Our starting assumptions are contained our **Code of Ethics**:

➤ **Banca Etica encourages people who receive loans to develop the skills and independence required to achieve economic, social and environmental responsibility.**

and in the **Banca Etica Political Manifesto**:

➤ **The goal of Banca Etica is to direct resources and confidence toward projects the civic community needs in order to grow, in the awareness that Banca Etica's work will cease to be marginal only if society and political institutions are permeated with a different culture and rules.**

and are above all given concrete form in our “**Credit Policy**”, which identifies areas of exclusion (“activities which cannot be financed”) and preferred areas of investment (capable of producing positive social or environmental change):

Banca Etica's areas of exclusion:

- production and sale of weapons;
- activities with an obvious negative impact on the environment;
- use and development of energy sources and technologies representing a risk to humans and the environment;
- exploitation of child labour;
- intensive livestock raising;
- scientific research involving experiments conducted on vulnerable or unprotected persons or on animals;
- exclusion or marginalisation of minorities and of entire categories of the population;
- direct relations with regimes that are known not to respect human rights;
- the commodification of sex;
- gambling.

Preferred areas of investment:

- welfare;
- energy efficiency and renewable energy sources;
- environment;
- organic agriculture;
- international cooperation;
- socio-cultural activities: education, culture, inclusive sports, youth centres, etc.;
- fair trade;
- social and responsible enterprise;
- individual loans: satisfying primary financial needs (first home, transportation, etc.).

In 2018 the European Commission began to work on a Plan of Action for Sustainable Finance². The Banca Etica Group has for some time been identifying a number of limitations and critical points in the European process. We believe it is important to participate in this process and oversee it closely, but at the same time, we feel a need to clarify the many essential differences between “sustainable finance” as defined by the EU and ethical finance.

¹ “Theory of change” New Philanthropy Capital (NPC), 2014.

² https://ec.europa.eu/commission/presscorner/detail/it/ip_21_3405

Ethical finance - as defined and practised over recent decades by numerous financial institutions in Europe and elsewhere - is in fact very different from the **sustainable finance** Europe is attempting to regulate.
The seven key strong points are:

	Sustainable finance	Ethical finance
1	BASIC GOALS	
	Maximising profit, share value and dividends without doing too much harm to the environment.	Supplying economic resources to people involved in enterprises that respect the environment and human rights and are capable of promoting inclusion, setting social and environmental goals to be achieved. Making a profit is seen as an indicator of efficiency and a tool for boosting impact.
2	SPECULATION OR SUPPORT FOR THE REAL ECONOMY	
	The EU regulations do not prevent financial intermediaries who want to call themselves sustainable from continuing to make unscrupulous use of <i>speculative instruments</i> and <i>tax havens</i> . There are no limitations imposed on practices generating <i>bubbles and instability</i> ; on use of <i>derivatives</i> for purely speculative purposes; or on high <i>frequency trading</i> .	Ethical finance is indissolubly linked with the real economy. Financial instruments are aimed at financing enterprises with a focus on the environment and human rights, and at guaranteeing a balanced return on savings and investments. Ethical finance supports the adoption of measures aimed at preventing speculation, such as a tax on financial transactions.
	PRODUCT APPROACH VS. SYSTEMIC APPROACH ("SHELF" MODEL VS. "HOLISTIC" MODEL)	
3	The EU regulations simply "certify" certain financial products as sustainable, without assessing the overall work of the intermediaries who sell them. An intermediary can put "green" products on the shelf alongside products that invest in fossil fuels, weapons, etc.	In ethical finance, assessment of social and environmental impact becomes the key to all the financial products proposed and to all company practices, including, for example, management remuneration policy, bonuses, etc. Assessment of environmental and social impact is a fully-fledged part of internal auditing of everything the company does.
	GOVERNANCE MODELS	
4	European sustainable finance regulations do nothing to prevent highly opaque financial intermediaries characterised "by Chinese box" ownership structures from calling themselves sustainable.	Intermediaries who practice ethical finance must practice transparent, participatory governance.
	THE WEIGHT OF ESG (ENVIRONMENT - SOCIAL - GOVERNANCE) PARAMETERS	
5	In the EU's approach, sustainability is defined almost exclusively with reference to environmental impact, and particularly reduction of CO ₂ emissions.	Ethical finance applies specific criteria and indicators to assessment of all aspects - environmental, social and governance - of the activities it finances with loans and investment, and how they relate to one another. Criteria of exclusion are adopted in a number of areas, with low tolerances. Ethical finance has its own methodology based on active use of national and international databases integrated with those of non-governmental organisations, rather than passively applying scores supplied by a third party.
	LOBBYING AND ADVOCACY	
6	Big speculative finance invests a lot of money in lobbying institutions to obtain regulations favouring its own interest in maximising profit for a few at the expense of many.	Ethical finance invests in projects educating people to be critical of finance, making people aware of the social and environmental risks involved in speculative finance, and demanding that institutions regulate and tax finance so that it will contribute to healthy, inclusive development planet-wide. Other demands include separation of commercial and investment banks, fighting tax havens (for instance through universal adoption of country by country reporting), limitations on use of derivatives, and more. These initiatives are widely promoted through the active involvement and participation of members.
	ENGAGEMENT AND ACTIVE SHAREHOLDING	
7	Conventional finance - even when it calls itself sustainable - tends to seek only profit in the companies in which it invests.	Ethical finance seeks dialogue with the enterprises in which it invests, in order to encourage them to continue improving their social and environmental performance.

SOCIAL AND ENVIRONMENTAL ASSESSMENT

Banca Etica is the first Italian bank to incorporate social and environmental assessment in its evaluation of creditworthiness. This analysis is conducted to collect and assess social and environmental information on organisations and institutions requesting loans.

It specifically integrates and completes economic and financial analysis by supplying information on the social value of the activity to be financed, its consistency with the bank's own values, and the credibility of the loan recipient; this also offers an opportunity to express and publicise the values of ethical finance and civil economics.

The process of social and environmental assessment (SEA) is one of the principal tools distinguishing our way of operating a bank from that of the conventional financial system.

When an enterprise or organisation requests a loan, Banca Etica conducts two assessments:

- a technical assessment based on the accounts, performed by loans staff;
- a social and environmental assessment.

The social and environmental assessment, which is (currently) performed on all organisations and enterprises requesting a loan, has 4 primary goals:

- assessing the customer's social and environmental responsibility and degree of knowledge of and agreement with the values promoted by Banca Etica;

- avoiding the risk to its reputation that would result from customers behaving in a way contrary to the values of ethical finance and civil economics;
- promoting and reinforcing the culture of social and environmental responsibility in the organisations that establish a relationship with the bank;
- involving and enhancing its membership.

Banca Etica acts on the basis of the principle of protecting social interests and economic interests, and assesses requests for loans in such a way as to guarantee:

- investors' right to protection of their savings;
- members' right to ensure that their investment has a positive impact on the community.

Banca Etica assigns equal importance to economic/financial analysis and social assessment in the process of determining creditworthiness.

In 2021, 94.7% of the 941 decisions made to provide loans to corporate entities had been backed by a social and environmental assessment.

Those applications which did not result in assessment were largely for organisations that had already been assessed in the past, for which the assessment was not repeated. Only in less than 2% of all cases were loans approved without social and environmental assessment, typically for reasons of urgency.

Social and Environmental Assessments conducted as a percentage of all loans to corporate entities approved in the years:

2015	2016	2017	2018	2019	2020	2021
53.4%	68.6%	N.A.	80.3%	92.3%	97.5%	94.7%

Note: the figure includes all SEAs officially completed by Assessors, branches or Local Cultural Managers.



A brief history of Banca Etica's social and environmental assessment process
Link: <https://www.bancaetica.it/la-valutazione-socio-ambientale/>



The Socio-Environmental Questionnaire

Banca Etica's Social and Environmental Assessment procedure takes place on the "Credit Platform", an internet-based proprietary tool for managing the relationship among branches, customers and social assessors.

This platform is used to collect all the documents of use for the assessment, fill in and assess a **Socio-Environmental Questionnaires (QSA)** and prepare individual reports supporting the application for a loan.

The information collected in the QSA regards:

- aspects of corporate social responsibility;
- measurement of the impact generated by organisations (Impact of the organisation) and the specific activities to be financed (impact of the loan).

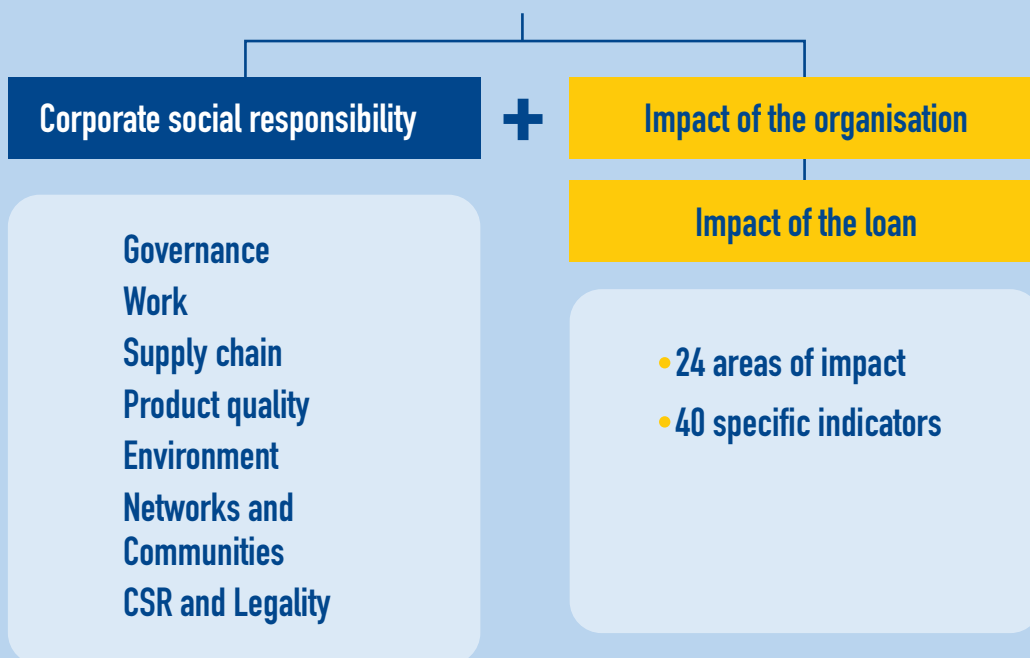
The QSA is almost entirely quantitative, and produces about 100 indicators.

The assessment is performed by Banca Etica's Social Assessors and analysts on the basis of objective quantitative information which, by permitting comparison in time and space, provides a basis for preparation of an opinion, which is qualitative (positive, with reservations, negative) and subjective, because it regards the opinions the analyst has formed on the basis of figures and interviews.

The information provided by the customer is then validated by Banca Etica staff and by a network of social assessors to guarantee the quality of the information collected.

Filling in the questionnaire also has the goal of encouraging the organisation to reflect on responsible practices and various aspects of the values Banca Etica considers essential.

What we measure



WHERE BANCA ETICA DIRECTS ITS RESOURCES:

Credit

Almost all loans to **organisations and enterprises** may be considered to have a social impact.

All financed enterprises pass a Social and Environmental Assessment, presenting a profile of corporate social responsibility. Even those few (about 3% of all investment) who are not concerned with an activity that can immediately be classified as having an impact, such as restaurants, micro-enterprises or craftspeople, often come from geographical areas or categories that are typically excluded from access to credit (poorer regions, areas with high rates of unemployment, enterprises run by women or immigrants, or enterprises with a focus on local development).

Breakdown of loans granted in 2021

	Loans granted as of 31.12.2021	Net loans granted	of which with a social impact	
	Value (M€)	Value (M€)	Value (M€)	%
People	413.4	95.6	90.6	94.7%
Organisations and enterprises	770.8	249.2	241.6	97.0%
Total	1184.2	344.8	332.2	96.3%

We consider **personal loans** to have a positive impact if they are specifically intended to generate a positive impact, such as purchase of the first home, ecologically efficient renovations ("green housing"), loans to fund medical expenses or studies ("loans for the common good"), and relationships established under agreements with partners concerned with prevention of usury or providing of microcredit.

To this we may add generic loans to specific categories of people: women, young people, the unemployed, immigrants from the global south, people with a low level of educational qualifications.

On the whole, we consider 94.7% of the loans granted to individuals in 2021 to be "impact loans".

A small number of personal loans were provided to customers, often members, for consumer expenditures without any particular relevance in terms of social or environmental impact. These represent 5.3% of new loans to individuals granted in 2021.

Securities

Banca Etica invests most of its liquidity in treasury bonds ("sovereign bonds"), more than 9% in "impact investments" (two thirds of which are government "social bonds", particularly BTP Futura bonds) and the rest (0.1% of the portfolio) in other forms of investment:

Breakdown of the securities' portfolio as of 31.12.2021

	value (M€)	%
Sovereign	1377.9	90.4%
Impact	143.6	9.4%
including social bonds (BTP Futura)	91.0	6.0%
Other	1.9	0.1%
Total	1523.4	100.0%

The criteria applied to financial investments are the same as the criteria underlying everything Banca Etica does. Corporate bonds ("high-impact" bonds) and government bonds ("sovereign" bonds) are selected on the basis of criteria of exclusion to guarantee ethical investment and select virtuous ESG (environmental, social and corporate governance) practices.

In the case of sovereign bonds, we exclude from our portfolio all bonds issued by countries that apply death penalty or fail to protect civil rights, freedom of the press and political rights. While, in the case of enterprises, we exclude investment in weapons, tobacco, gambling, nuclear energy, pesticides, and genetic engineering. We also exclude companies involved in negative episodes concerning corruption, the environment, and workers' rights. We do not currently invest in finance, petroleum products or extractive industries.

Impact investment is explicitly inspired by the intention of supporting organisations belonging to the new economy and other ethical finance and microfinance organisations.

There is a residual number of securities, often obligatory bonds in which the bank must invest in order to operate (such as payments to the POS or credit card system), which are not subject to the criteria for exclusion adopted but do not offer specific social or environmental reasons for investment either.

DISTRIBUTION OF CREDIT TO COMPANIES ON THE BASIS OF ESG RATING

Since 2020 Banca Etica has applied synthetic measurement of its customers' ESG profile in its internal processes. This is built on the basis of information collected in the Socio-Environmental Questionnaire when applying for credit, which incorporates 26 indicators in 3 areas: Environmental (E); Social (S) and Governance (G).

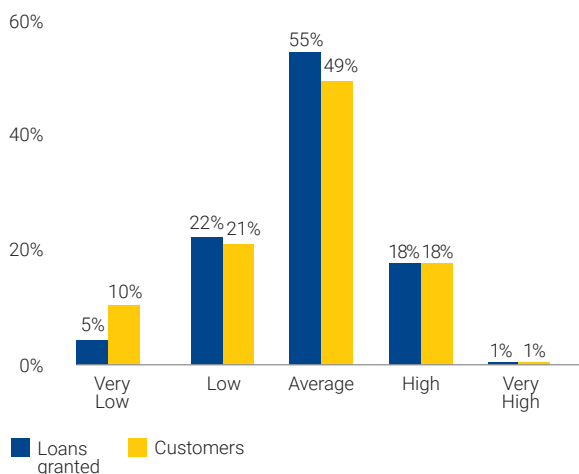
E - Environmental	S - Social	G - Governance
<ul style="list-style-type: none"> Sustainable supplies Recycled raw materials Environmental investments and efficiency Renewable energy Emissions 	<ul style="list-style-type: none"> Protected categories Vocational training Contracts of employment Tax offences Injuries on the job Employee turnover Flexible working Monitoring of employees' well-being Resources for the community 	<ul style="list-style-type: none"> Board gender diversity Proportion of female executives (in relation to the number of female workers) Worker participation Pay gap Innovation and R&D Networks Social reporting Sanctions Disputes Certifications Code of Ethics Impact of the organisation

Each of these indicators is "standardised", meaning it is transformed into a score between 0 and 100 to make it comparable with the other indicators. At this point three (sub) indexes (E, S and G) are calculated, as the simple average of the corresponding indicators. Some indicators are not calculated in the case of small and micro-enterprises and are therefore not taken into consideration in calculating the indexes. The overall **ESG index** is in turn the simple average of the three sub-scores.

Finally, the ESG index is classified on the basis of an **ESG rating**, a qualitative judgement based on the score obtained:

ESG Rating	ESG Index
Very Low	[0 - 20[
Low	[20 - 40[
Average	[40 - 60[
High	[60 - 80[
Very High	[80 - 100]

Distribution of customers accepted for loans in 2021 on the basis of ESG Rating



The distribution of customers accepted for loans in 2021 on the basis of ESG Rating reveals that the majority of the organisations and enterprises financed is concentrated in the central part of the distribution curve. Only 1% of customers are classified as "Very High", while 10% are rated "Very Low".

In interpreting this information, it is important to take into consideration that **all organisations financed by Banca Etica have no significant negative social or environmental impact**. Even those with a very low rating or a score of 0, while they may not be virtuous in terms of corporate social responsibility or reporting capacity³, have passed a Social and Environmental Assessment and meet the requirements of the "exclusion criteria" dictated by the bank's credit policy.

³ This is also a matter of reporting capacity, because the absence of data for an indicator is treated as a score of zero.

IMPACT OF PERSONAL LOANS

Which personal loans are considered "impact loans"

The classification of impact loans to households is based on two criteria which are applied simultaneously:

- Product type
- Customer profile

Product type. We consider "impact loans" if they are specifically intended to generate positive change, such as purchase of the first home, ecologically efficient renovations ("green housing"), loans for medical expenses or studies ("loans for the common good"), and loans granted under partnership agreements for combating usury or providing micro-credit. These represent 89.8% of all personal loans.

Customer profile. We also consider "impact loans" if they are granted to people in certain categories we consider to have difficult access to financial resources: women, youth, the unemployed, immigrants from the global south, people with low levels of education. These categories account for 66% of the bank's customers.

It follows that **94.7% of personal loans have a positive impact**. A small number of personal loans (5.3%) are not included in either of the two high-impact categories. These are loans to our customers, often members of the bank, to finance consumer purchases which do not have a particular social or environmental impact.

High-impact personal loans

High-impact profiles				
High-impact product	No	No	Yes	Total
	Yes	5.3%	4.9%	10.2%
	Total	28.7%	61.1%	89.8%
		34.0%	66.0%	100.0%

In its activities, Banca Etica has always attempted to concretely apply these starting points, in both the official regulations governing its work, such as its "Credit Policy"⁴, and in the contractual documents regulating customer relations, such as the "Information sheet". This is a document banks and financial companies are required by law to prepare and publish in order to inform customers of the features and economic conditions of all the products they offer. Generally speaking, Banca Etica incorporates its goals for the positive social and environmental impact of personal loans in the very structure of the financial products offered to them.

In other words: except for a minimal number of loans not specifically intended for activities with a positive impact (loans referred to as "Other liquidity" in the table below), personal financial products are organised in such a way that their positive impact is clear in the way the product is set up.

The most obvious case is the "Green home" loan offering discounted rates for the purchase, construction and renovation of homes meeting certain requirements in terms of reduction of environmental impact⁵.

Moreover, when it comes to home purchases, as Banca Etica considers the home to be an essential right, the bank:

- excludes loans for the purchase of "luxury" homes⁶;
- considers mortgages for the purchase of the first family home an impact product⁷.

⁴ Banca Etica Loan Policy" (Par. 2.1.3): The social and environmental impact of "personal loans" is determined at the time of creation of the various products and is an integral part thereof.

⁵ <https://www.bancaetica.it/prodotti/mutuo-casa-verde/>

⁶ Cf. Information sheet analysing loans for home purchases: "Purpose of the loan: construction, renovation or purchase of the first home and its appurtenances, with the following features: - it must not be classified under registry categories A1 (luxury home), A8 (villa) or A9 (castle, palace) - it must not meet the description of luxury home identified in the Public Works Ministry decree published on 2 August 1969"³³ For complete information refer to.: <https://www.bancaetica.it/i-mutui-prima-casa-di-banca-etica/>

⁷ For complete information refer to <https://www.bancaetica.it/i-mutui-prima-casa-di-banca-etica/>

The impact of loans to individuals and households may therefore be monitored through use of the various products on offer:

Impact personal loans by type of product 2021 (net granted, M€)

Right to housing	80.7
<i>of which:</i>	
CONSAP	49.5
Green home	17.8
50+50	8.6
Other loans for the first family home	4.7
Common good	0.7
Micro-finance	2.0
<i>of which to combat usury</i>	1.8
Other liquidity, without impact (including credit cards)	12.2
Total	95.6

A) "Right to housing" category, including the following types:

- **CONSAP loans** designed to promote access to credit on the part of individuals and households, giving priority to requests from vulnerable categories identified under the regulations (young couples or single-parent families, "atypical" workers, purchase and buy-back of social housing units, etc.⁸).
- **"Green home" loan** for homes adopting energy-efficient solutions or generation of energy from renewable sources.
- **Loans employing the "50+50" formula**, provided at a lower than standard rate (for loans of up to 50% of the estimated value). This is a useful tool for young couples and youth in general, who cannot count on a permanent contract of employment and therefore have trouble making a down payment to purchase their first home. The "Guarantee Fund for First Home Mortgages" permits a loan of up to 100% of the assessed value of the property, under more favourable conditions than standard mortgages.
- **Other loans for the first family home (such as mortgage-backed loans)⁹** for the construction, renovation or purchase of the first family home and its appurtenances.

B) Other types of loan

● Loan for the "common good"

A personal loan offered under discounted conditions to provide financial support for:

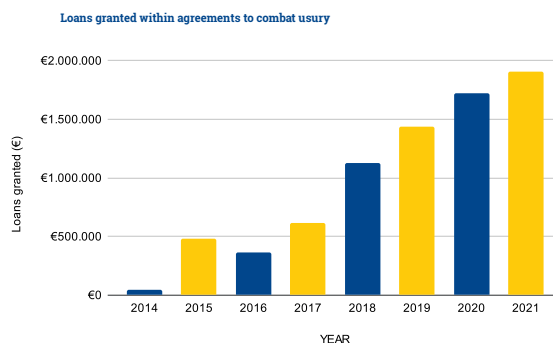
- healthcare expenses, medical treatments, safeguards;
- adoption and fostering;
- purchase of home appliances in energy category A+, systems for generation of energy from renewable sources, and electrical, hybrid or LPG and methane gas fuelled vehicles.

● Agreements for providing micro-loans and combating usury

In 2021 Banca Etica financed 148 individuals with microcredit operations for over 2 million euros.

Loans disbursed under the agreements activated to combat usury are constantly growing: from 2014 to 2021 Banca Etica financed 396 people, granting a total of 7.7 million (of which in 2021, 115 people and 1.9 million million euros).

Other liquidity: to respond to the many different requirements of its investors, Banca Etica has also prepared additional products typically offered by banks, such as other non-specific loans, advances/overdrawing of current accounts, credit cards, etc. These **are not considered "impact products"**.



⁸ As required by the Ministerial Decree dated 31/7/2014, (known as the "CONSAP Guarantee").

⁹ For the differences, refer to: www.investireoggi.it/fisco/mutuo-ipotecario-e-mutuo-fondario-quali-sono-le-differenze

AREAS OF IMPACT

“Ethically oriented finance is aware of the non-economic consequences of economic actions”

Enterprises and organisations requesting a loan are asked to specify in what areas (or “*areas of impact*”) their activities will produce positive change. Specifically, we distinguish between:

- **direct impact:** the change expected to be generated by use of the loan granted;
- **indirect impact:** the change an organisation generates overall in the course of its activities. This is only taken in consideration in the absence of a direct impact in the area of impact under consideration, and is therefore “residually” represented.

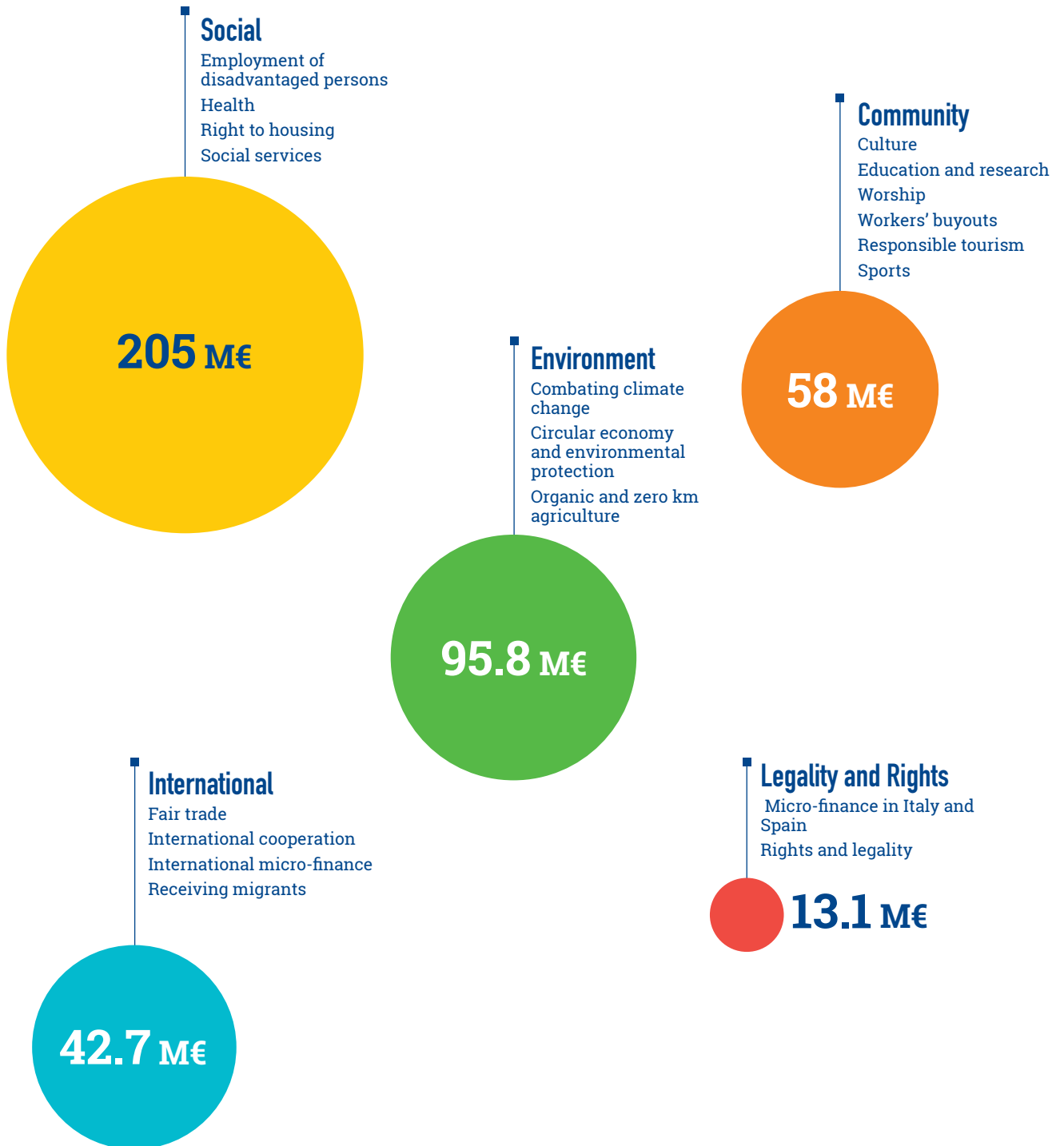
Impact is then further monitored through collection of data on specific quantitative indicators (such as the number of cultural events organised thanks to the loan, the number of housing units made available using the loan, the number of patients treated in the past year, etc...).

It is of course possible that organisations, particularly large and complex ones, will have an impact in multiple areas and it will not be possible for Banca Etica to determine which part of the credit will have an effect on various different components (which often work together). This is why credit that has an impact in more than one area is taken into account in each of the areas where it has an impact, resulting in duplication. The sum of the amounts provided in each of the areas presented in the tables below is therefore greater than the total net amount granted as stated in the report.

New lines of credit granted (net granted) by area and type of impact - 2021

Areas of impact	Direct impact	Indirect impact	Total impact	% of net total granted
	(M€)	(M€)	(M€)	
Social services	58.0	27.9	85.9	24.9%
Right to housing	83.5	3.5	87.0	25.2%
Employment of disadvantaged persons	20.6	16.7	37.2	10.8%
Health	21.1	9.9	31.0	9.0%
Culture	9.3	12.3	21.6	6.3%
Education and research	11.9	7.2	19.0	5.5%
Workers' buyouts	2.0	8.4	10.4	3.0%
Responsible tourism	5.6	1.5	7.1	2.1%
Sports	2.8	3.2	5.9	1.7%
Worship	0.9	1.6	2.5	0.7%
Combating climate change	39.6	8.2	47.8	13.9%
Circular economy and environmental protection	35.3	8.5	43.9	12.7%
Organic and zero km agriculture	18.2	3.6	21.8	6.3%
Receiving migrants	19.9	14.8	34.7	10.1%
International cooperation	4.4	4.1	8.5	2.5%
Fair trade	1.2	1.2	2.3	0.7%
International micro-finance	1.9	0.0	1.9	0.5%
Micro-finance in Italy and Spain	8.5	0.0	8.5	2.5%
Rights and legality	2.2	2.5	4.7	1.4%
Other forms of impact			25.0	7.2%
No impact			7.4	2.1%
Net total granted			344.8	100.0%

Macro-areas of impact (*)



(*) Loans with an impact in at least one of the areas of impact included are classified in the macro-area.

Jobs created

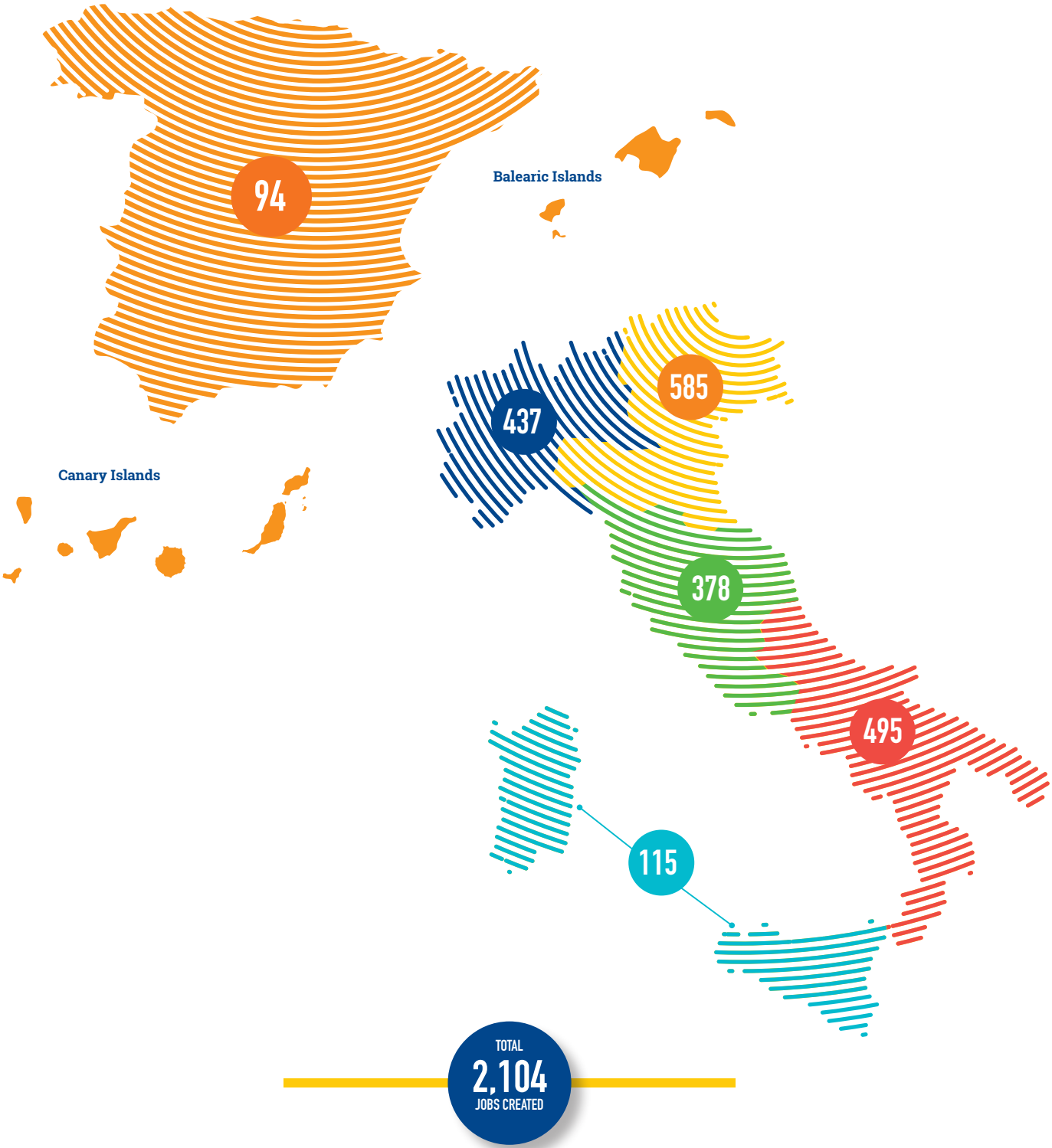
355 organisations used the loan received to create jobs. Banca Etica loaned these organisations **84.3 million** euro, directly bringing about the creation of more than **5,911 jobs** in Italy and Spain, including **2,104 people hired directly** by the enterprises financed and **3,807** people hired through the work of **14 job centres** for the disadvantaged in Spain.

In 2021 Banca Etica loaned a total of 345 million euro (net amount granted during the year) to organisations, enterprises and individuals. All the credit provided for economic activities had a positive impact on the employment, and in many cases it permitted jobs to be maintained and salaries paid properly; in other cases, investment will in the medium term lead to increased business and therefore new jobs.

29% of the jobs created directly were created in southern Italy, 27.8% in the northeast, 20.8% in the northwest, 18% in central Italy and 4.5% in Spain.

Needs	Corresponding SDG	bes
Economic, human and social development		8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"
Inclusion in society and employment		3 Reconciliation of work and life

Geographical distribution of jobs created in Italy and Spain - 2021



SOCIAL IMPACT

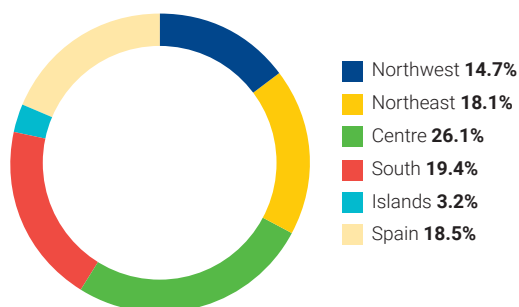
The "Social" macro-area includes **541 organisations** and takes into account the impact of **860 individuals**. The single areas of impact are as follows:

- Social welfare (including the Social Welfare, Social and Educational Projects and Social Agriculture areas of impact);
- Right to housing (including the Social Housing area of impact and "Right to housing" personal loans);

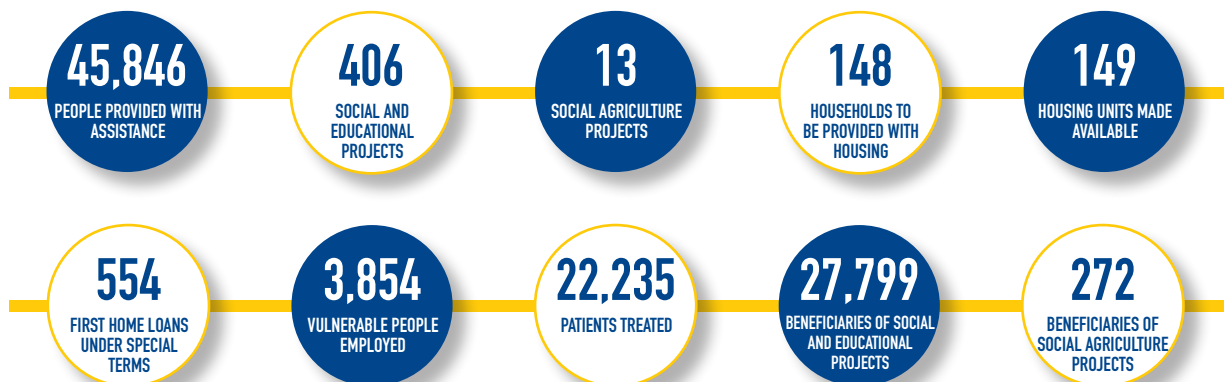
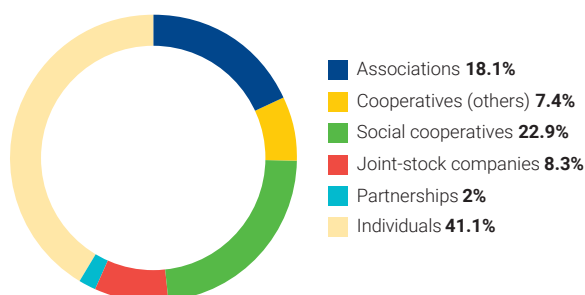
- Employment of disadvantaged persons;
- Health.

Total Impact - Social macro-area	Net granted 2021 (M€)	% of total net granted
	205.0	59.4%

Macro-area net distribution by geographical area



Macro-area net distribution by legal form



COMMUNITY IMPACT

The "Community" macro-area includes **369 organisations** and takes into account the impact of **119 individuals**.

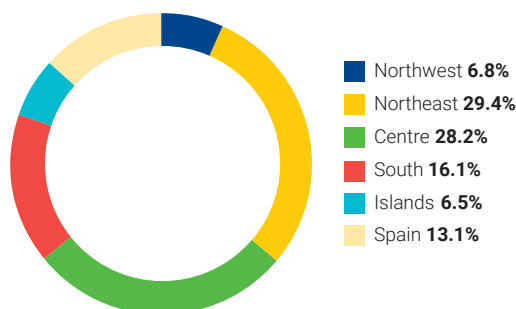
The single areas of impact are as follows:

- Common good loans (totalling 2.7 million) to individuals, personal loans at a discount providing financial support for:
 - healthcare expenses, medical treatments, safeguards;
 - adoption and fostering;
 - purchase of home appliances in energy category A+, systems for generation of energy from renewable sources, and electrical, hybrid or LPG and methane gas fuelled vehicles.

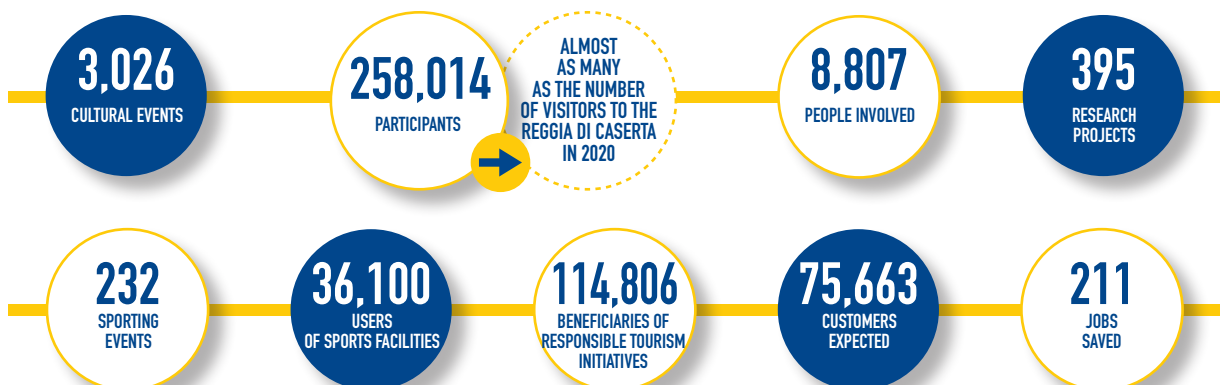
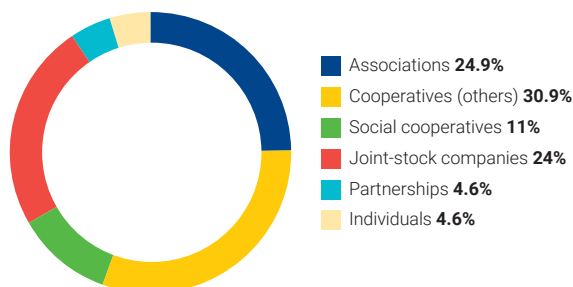
- Culture;
- Education and research;
- Responsible tourism;
- Sports;
- Worship;
- Workers' buyouts and salvaged enterprises;

Total Impact - Community macro-area	Net granted 2021 (M€)	% of total net granted
	58.0	16.8%

Macro-area net distribution by geographical area



Macro-area net distribution by legal form



ENVIRONMENT IMPACT

The "Environment" macro-area includes **302 organisations** and takes into account the impact of **66 individuals**. The single areas of impact are as follows:

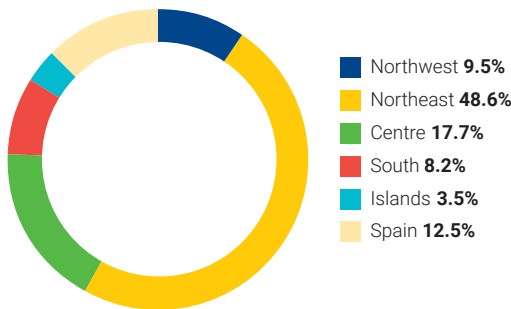
- Combating climate change (including the impact areas of Energy efficiency and Renewable energy sources; also includes "Green home" personal loans and Ecobonus and Superbonus 110 loans);
- Organic and zero km agriculture;

- The circular economy and environmental protection (including the Water, Waste and Environmental Protection impact areas).

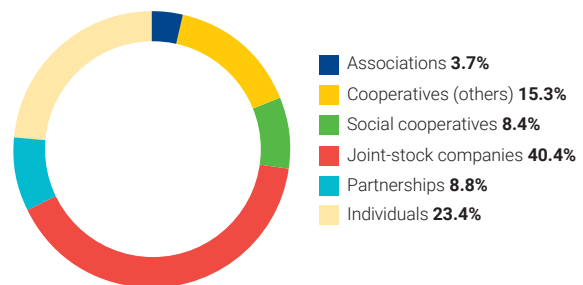
Total Impact - Environment macro-area

Net granted 2021 (M€)	% of total net granted
95.8	27.8%

Macro-area net distribution by geographical area



Macro-area net distribution by legal form



15,782

HECTARES OF LAND ORGANICALLY CULTIVATED

EQUIVALENT TO MORE THAN 22 THOUSAND FOOTBALL FIELDS

33.2

MLN EURO

VALUE OF ORGANIC AND ZERO KM PRODUCE SOLD

40

RENEWABLE ENERGY SYSTEMS

128 MW

OF RENEWABLE ENERGY SYSTEMS INSTALLED

89

ENERGY EFFICIENCY PROJECTS

249.7 MWh

SAVED THANKS TO PROJECTS PERTAINING TO TAX INCENTIVES

26.5 MWh

RENEWABLE ENERGY

PROVIDED THANKS TO PROJECTS PERTAINING TO TAX INCENTIVES

82,439

THE EQUIVALENT NUMBER OF TONNES OF CO₂ AVOIDED

AS MUCH AS THE CO₂ EMISSIONS AVOIDED BY 20 WIND TURBINES

765,885

TONNES OF WASTE RECYCLED

MORE THAN THE TOTAL ANNUAL URBAN WASTE PRODUCED IN THE PROVINCE OF BRESCIA IN 2020

419,137

TONNES OF WASTE REUSED AND RECYCLED

404

ENVIRONMENTAL PROTECTION INITIATIVES MANAGED

163

HECTARES OF LAND

PRESERVED THANKS TO WORK PERFORMED EQUAL TO 228 FOOTBALL FIELDS

INTERNATIONAL IMPACT

The "International" macro-area includes **178 organisations**. The single areas of impact are as follows:

- Receiving migrants;
- Fair trade;
- International cooperation;
- International micro-finance.

Total Impact - International macro-area

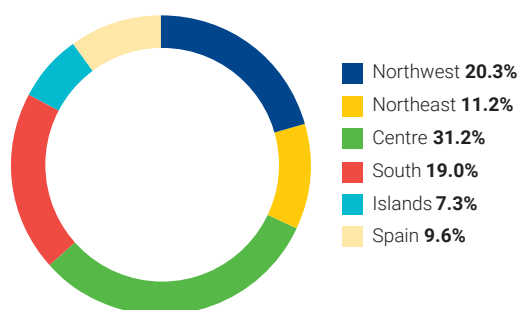
Net granted 2021 (M€)

% of total net granted

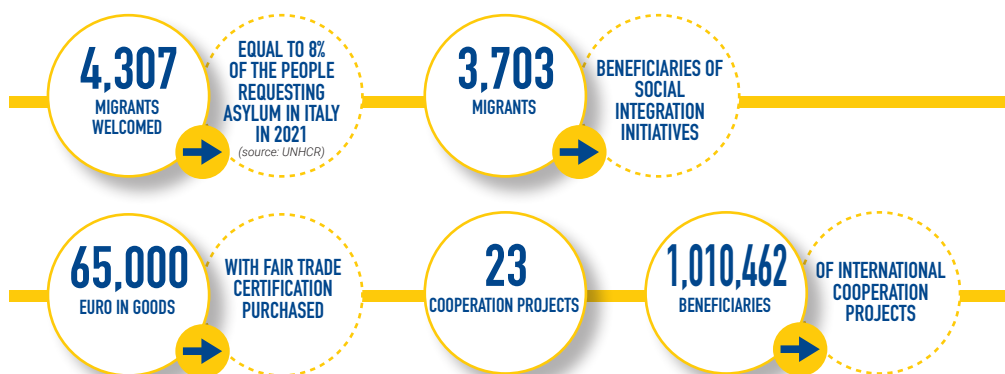
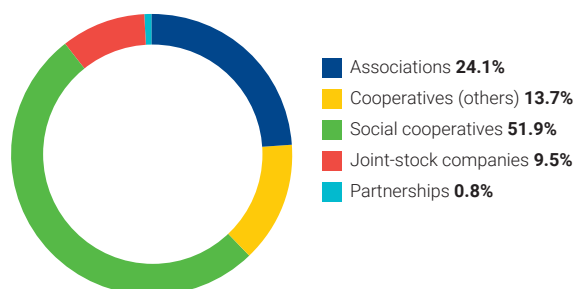
42.7

12.4%

Macro-area net distribution by geographical area



Macro-area net distribution by legal form



LEGALITY AND RIGHTS IMPACT

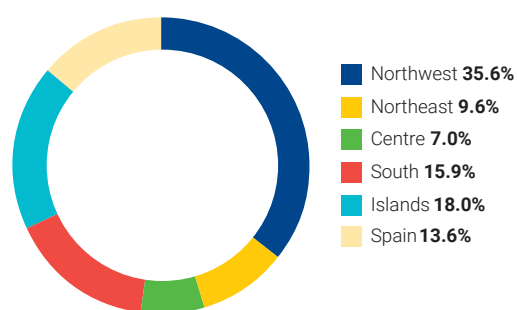
The "Legality and rights" macro-area includes **61 organisations** and takes into account the impact of **229 individuals**. The single areas of impact are as follows:

- Rights and legality;
- Micro-finance in Italy and Spain, including support for combating usury.

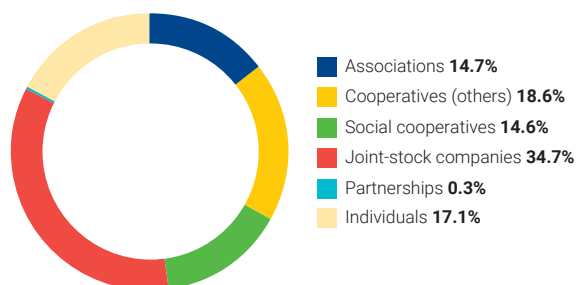
**Total Impact -
Legality and rights
macro-area**

Net granted 2021 (M€)	% of total net granted
13.1	3.8%

Macro-area net distribution by geographical area



Macro-area net distribution by legal form



5

CONFISCATED PROPERTIES
MANAGED

9.9

MLN EURO
INVESTED IN
MICRO-FINANCE

115

BENEFICIARIES
OF LOANS
COMBATING USURY

FEMALE ENTREPRENEURSHIP

Banca Etica has committed to promoting gender equality and female empowerment ever since it was established (on 8 March 1999, it so happens).

In collaboration with the association "Donne all'Ultimo Grido", in the year 2021 we asked our women members and customers to **tell us their stories** to give voice to **women's point of view on ethical finance**.



For more information:
"DONNE E FINANZA DA URLO"
(REPORT ON WOMEN AND FINANCE)
www.bancaetica.it/donnefinanza



At the link below, you may listen to **stories about women in the economy, finance and society** told by reporter and television and radio host **Paola Maugeri**:

Banca Etica's commitment in 2021

In 2021 Banca Etica financed 490 enterprises run by women¹⁰, representing **24.9% of the organisations and enterprises financed** by the bank in the course of the year. Considering that 22.1% of Italy's enterprises are owned by women as of the end of the year 2021 (source: Unioncamere), the bank's particular propensity to support women in enterprise will be clear.

But not all the organisations financed are represented by women in enterprise to the same extent. In 2021, 52% of the large enterprises financed were managed by women, as were almost a third (32.4%) of the cooperatives, but only 13.5% of the associations.

Artisan businesses and family businesses

No figures are available on access to credit on the part of enterprises run by women. Banca d'Italia does, however,

publish figures on financing of artisan businesses and family businesses, for which determination of gender is easier, as it basically depends on the gender of the owner.

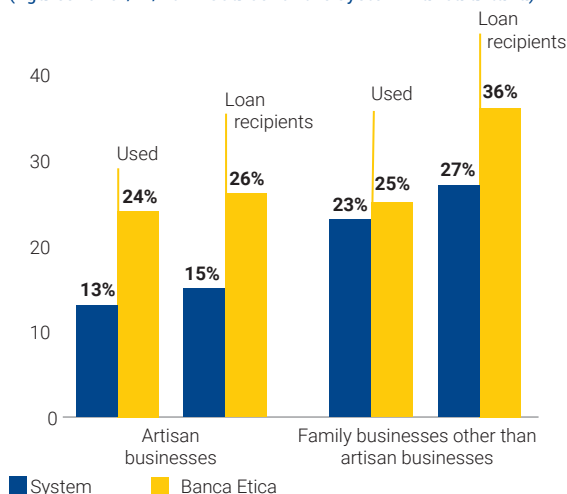
We may therefore compare Banca Etica's work with the average for the banking system in these two sub-groups of customers. Banca Etica demonstrates considerably greater support for enterprises run by women.

In the small enterprises provided with loans in Italy, women represent 15% of the total and make use of 13% of the loans. These percentages are higher in the case of Banca Etica: 26% and 24%, respectively.

In family businesses other than artisan businesses, women account for 27% and receive 23% of loans. These percentages are higher in the case of Banca Etica: 36% and 25%, respectively.

Women granted loans, as a percentage of total males and females in terms of use and number of loan recipients, broken down by counterpart's institutional sector

(figures for 31/12/2021. Source for the system: Banca d'Italia)



¹⁰ We consider enterprises run by women to be enterprises in which the number of female directors exceeds the number required under law 198/2006. It promotes initiatives in favour of:

- cooperatives and private partnerships consisting of at least 60% women;
- joint-stock companies in which no less than ⅓ of the shares are owned by women and women account for at least ⅓ of the directors;
- sole proprietorships of women in the areas of industry, crafts, agriculture, commerce, tourism and services;
- enterprises, consortia, associations, institutions, and business promotion enterprises, including those with mixed public/private capital, training centres and professional orders promoting courses or consulting services and assistance at least 70% reserved for women.

CARBON FOOTPRINT

In this part of its Report, Banca Etica reports the figures it has collected on measurement of the climate impact of its activities¹¹: both emissions produced directly and those generated by investments and loans granted, on the basis of the commitments undertaken in the Climate Change Commitment (**3C Initiative**) promoted by GABV under the PCAF method.

Emissions produced directly and indirectly by Banca Etica in 2021

Category	tCO ₂ e	Notes
SCOPE 1: Direct emissions		
Company facilities - heating	14	
Company vehicles	12	
SCOPE 2: ELECTRICITY USE		
Purchased energy	15	
SCOPE 3: Indirect emissions		
Paper	5	
Business travel	40	
Employee commuting	137	
Working from home	95	
Loans and investments	79,235	
Sovereign bonds	4,785	50.7% of assets
Loans to enterprises	73,918	26.5% of assets
Personal loans	637	0.3% of assets
other investments	532	0.3% of assets
Total emissions	80,190	
Emissions avoided due to loans	82,439	
Emissions avoided due to hybrid working	164	
Total emissions avoided	82,603	

On the whole, Banca Etica's activities generate 82 thousand tonnes of CO₂ equivalent emissions.

Banca Etica financed activities leading to the saving of energy or the installation of systems for generating energy from renewable sources avoiding the emission of 82 thousand tonnes of climate-altering gases every year. To this we may add 164 tonnes of emissions avoided through hybrid working from home.

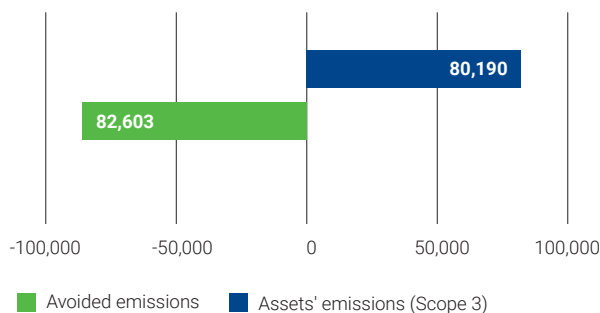
In terms of energy intensity, every million euro invested by the bank generates an average of 27.7 tonnes of CO₂ emissions.

In accordance with the PCAF method, these estimates do not include **Scope 3 (upstream)**¹² emissions in various sectors financed.

For the sake of completeness, we report that these would represent an additional:

- 4,068 tCO₂e for sovereign loans;
- 144,200 tCO₂e for loans to enterprises.

Greenhouse gas emissions of assets (Scope 3)



¹¹ The method used to come up with these estimates is described in the Methodological Note in the complete Report.

¹² **Scope 3 upstream emissions**, meaning emissions generated indirectly by organisations' consumption, but not downstream emissions (such as those that would be generated if, for example, we were to finance an automobile manufacturer – something we do not do – in which case we would consider the emissions produced by the industries supplying automobile components, but not the emissions produced by use of the vehicle once sold)

IMPACT APPETITE FRAMEWORK (IAF)

Construction of an impact-based model of finance cannot be limited to annual reporting on the expected effects of a bank's actions and strategies. This is why Banca Etica makes use of a tool for ongoing monitoring of the social and environmental impact of its activities, made available to the Board of Directors. This is referred to as **Impact Appetite Framework (IAF)**.

It is intended to ensure that the bank's key goals for social and environmental impact are achieved and that, above all, failure to achieve them would not result in a risk to the bank's reputation.

IAF adds to the Risk Appetite Framework (RAF), a document required under banking regulations for the determination and monitoring of propensity to take risks.

The IAF is also produced every quarter, and borrows the RAF's conceptual monitoring method based on thresholds for:

- **Appetite**
- **Early warning**
- **Tolerance**

These are defined as follows:

- **Appetite:** the goal the Board of Directors intends to achieve for each social and environmental indicator.
- **Early Warning:** a threshold signalling that results may be worsening for each of the indicators to a degree requiring corrective action.
- **Tolerance:** the minimum level for the figure, below which there is a serious danger of failure to achieve the statutory goals and/or mission of the bank, and therefore a risk to its reputation.

Environment	Rights	Governance	International peace and justice	Promotion of ethical finance
A1. Loans for combating climate change	D1. Loans for social welfare	G1. Pay gap within the bank	PG1. Loans for international cooperation	FE1. Organisation of public events by the bank
A2. Loans for protection of the environment	D2. Loans for employment	G2. Active members of the bank	PG2. International loans micro-finance	FE2. Participants in public events
A3. Loans for organic agriculture	D3. Financial inclusiveness: a. Loans/savings collection in southern Italy b. Loans in the 10 provinces excluded from financing c. Loans to enterprises run by women	G3. Members voting at meetings	PG3. High-impact investments	FE3. Single website visitors
A4. The bank's direct CO ₂ emissions	D4. Loans for the right to housing	G4. Gender equality in the bank		FE4. Press releases about the bank
	D5. Loans in micro-finance in Italy	G5. Resignation rate of bank employees		FE5. Impressions of the bank in social media
	D6. Loans to the non-profit sector	G6. Average ESG rating of customers granted loans		
	D7. Jobs generated by loans granted			

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