



BANCA D'ITALIA
EUROSISTEMA

Strategic PLAN

2023 - 2025

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PRINTER FRIENDLY VERSION

www.bancaditalia.it

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Letter from the Governor

This update of the Strategic Plan 2023 – 2025, published one and a half years after its launch, captures the changing environment affecting our strategic priorities and the organizational and managerial measures we plan to take to make the Bank of Italy's work more effective and efficient, while using resources wisely.

The Bank continues to work to strengthen the financial system and improve its ability to manage the risks that may arise from the digital transition, in a phase dominated by technological innovation. In fulfilling our role, we aim to promote the energy and environmental transition and lay the foundations for the digitalization of business processes and services provided to the general public. We firmly believe in the importance of the Bank's role at a local level and in developing our most important asset: our people, their skills and knowledge, and their commitment to their work.

We are introducing major changes, such as the creation of a Digital Euro Unit and the exploration of generative AI techniques. These challenges require professionalism, commitment and determination, but also critical reflection, especially from an ethical perspective.

The strategic priorities outlined in this plan underpin a corporate culture that aims to strengthen our sense of belonging and is based on collaboration, continuous learning and conscious risk-taking. It is essential that everyone in the Bank is motivated to actively contribute ideas and is committed to achieving the ambitious goals of this Strategic Plan.

In brief

The Bank of Italy has considerable experience in strategic planning. Every three years, the Bank draws up a strategic plan setting out its priorities and the main innovations it intends to promote.

The Bank's various functions are greatly involved in drawing up the Plan, especially for the analysis of possible scenarios. The Governing Board guides the whole process, sets out the vision and the strategic objectives, appoints the managers responsible for the action plans for each objective, approves the work programmes and evaluates the results achieved. The process includes a regular review of the activities carried out, the resources deployed, the progress made and the adjustments needed.

For the three years 2023-2025, we have selected five strategic objectives, divided into seventeen action plans, covering the Bank's various areas of activity and involving all functions and the Italian branch network:

1. *a stable and secure financial system*, with actions focusing on: safeguarding against risks and protecting stability, the development of FinTech and the evolution of the retail payments market, the fight against illegality in the financial sector, and the cyber resilience of the financial system;
2. *the Bank's commitment to economic and financial innovation in Italy and in Europe*, with action plans aimed at: actively contributing to the possible introduction of the digital euro and to the Eurosystem Integrated Reporting Framework (IReF) project, promoting innovation in payment infrastructures, upgrading our statistical function, stepping up research in support of economic policies in Italy and Europe, and systematizing and enhancing our relationships and presence throughout the country;
3. *the protection of customers of banking and financial services and dialogue with the outside world*, strengthening supervisory protection and financial education, and increasing the widespread and specialized knowledge of the Bank's various activities and its ability to communicate with the general public and other stakeholders;

4. *the Bank's commitment to the challenge inherent in the energy and environmental transition*, strengthening the overall initiatives for sustainable finance and for combating climate change and reducing the Bank's carbon footprint by deciding on a long-term target and a detailed programme for achieving net zero emissions;

5. *a Bank that is inclusive, efficient and able to innovate*, through the improvement of skills to meet the new challenges and the promotion of diversity, the extensive use of digital technologies, the consolidation and innovative use of the new hybrid work model, the continuous rationalization of its organization and its operational processes, in part by stepping up the monitoring of corporate activities, and the integration of the risk management system.

The following pages illustrate the Bank's Strategic Plan for the three years 2023-2025 and the many initiatives under way, updated after the mid-term review of the scenario analysis carried out at the start of the Plan. This edition also reports on the relationship between the objectives of the Strategic Plan and the Sustainable Development Goals of the UN 2030 Agenda.



An ever-changing context



The numerous external changes (political, economic, social, technological and environmental) are continually creating challenges for the Bank of Italy



**Institutional and
regulatory
factors**

- » The institutional and regulatory framework at European and national level continues to evolve; the changes with a more direct impact on the Bank include:
 - the resumption of discussions on European economic governance and on a common fiscal capacity
 - the establishment of the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA)
 - the significant changes to the regulatory framework envisaged in the European strategy for digital finance and retail payments, e.g. the pilot regime for market infrastructures based on distributed ledger technology (DLT Pilot Regime), the negotiations for the Financial Data Access regulation, the Payment Services Regulation (PSR) and Payment Service Directive (PSD3) package, and the start of the implementation phase of the Market in Crypto-Assets Regulation (MiCAR)
 - the effects of the adoption of Basel III in Europe
 - the inclusion of climate-related aspects in primary and secondary legislation and, more generally, the growing awareness of environmental, social and governance (ESG) issues



**Economic and
geopolitical
factors**

- » The international economic and financial situation continues to be marked by considerable uncertainty stemming from ongoing geopolitical tensions and international conflicts
- » These developments call for careful and close monitoring of the implications for growth and inflation, the effects on global value chains, the increased risks of money laundering and terrorist financing, and the impact on supervised intermediaries



Technological factors

- » Technological innovation is having a profound impact on the financial system, transforming market operators' business models and strategies and requiring increasing attention to the latest developments in artificial intelligence (e.g. generative AI)
- » There is an increase in cyber risks, amplified by ever more insidious attacks by actors with considerable resources and technical capabilities which, without adequate safeguarding, could compromise the continuity of operational processes
- » Central banks need increasingly granular and timely data and statistics on a broader range of phenomena and harmonized across countries
- » Preparations continue in the euro area for the possible introduction of a central bank digital currency
- » Opportunities are emerging for new technologies to be used in work processes, including to ensure protection against cyber risks, operational and organizational resilience and, more generally, the security of people and infrastructure



Social and behavioural factors

- » New ways to use financial services and new risks for customers are becoming more widespread
- » The possible introduction of the digital euro will complement cash, which will continue to play an important role
- » The risk of crime in the economic and financial sector remains high
- » There is a need to reduce Italy's structural lag in terms of financial knowledge
- » A profound change in working methods is under way, affecting organizational and management models, with remote working complementing in-office work



Environmental factors

- » Climate change and policies to counter it pose new risks to the economic system and require sustainable finance to develop in a balanced way. Stronger action is needed, including transparent reporting
- » The general public is paying increasing attention to the environmental sustainability of the activities carried out by organizations and to social and governance issues

The strategic vision

Providing Italy and Europe with high-quality services in all the areas in which we are involved

In a generally uncertain and changing environment, we are working to ensure a stable and secure financial system, which is essential for the development of the economy

We are making every effort to ensure that all savers are protected and in a position to make informed financial decisions. It is fundamental for us that people and firms trust the financial system

We are in the front line when it comes to contributing to a sustainable economic and financial system and to significantly reducing the carbon footprint of our activities, for the benefit of the community and of future generations

We aim to make effective use of cutting-edge technologies, to stimulate the financial sector to move towards greater innovation, and to safeguard against possible risks

We intend to strengthen our role as a service provider at international level and in particular within the European System of Central Banks

We increasingly want to be an innovative and efficient organization that manages the resources allocated to us by the community in a responsible way

To perform our functions to the best of our ability, we invest in people, as they are our most important asset. Promoting diversity and focusing on the uniqueness of each individual is key to making our working environment increasingly inclusive and open to change

Strategic objectives and action plans



To achieve our vision, we have defined five strategic objectives for the three-year period 2023-2025, divided into 17 operational action plans

1

A stable and secure financial system

- 1.1 Supervising risks for intermediaries
- 1.2 The development of FinTech and the evolution of the retail payments market
- 1.3 Combating illegality in the financial sector
- 1.4 The cyber resilience of the financial system

2

Commitment to economic and financial innovation in Italy and in Europe

- 2.1 The challenge of the digital euro and innovation in payment infrastructures
- 2.2 The Integrated Reporting Framework (IReF) project and the strengthening of the Bank's statistics function
- 2.3 Research in support of economic policies in Italy and in Europe
- 2.4 The Bank's activity across the country

3

Protection of customers of banking and financial services and dialogue with the outside world

- 3.1 Customer protection and financial education
- 3.2 Awareness of the Bank's activities and communication with the public and other stakeholders

4

The Bank's commitment to the environment

- 4.1 Sustainable finance and combating climate change
- 4.2 The net zero target: reducing our greenhouse gas emissions and our carbon footprint

5

An inclusive, efficient and innovative Bank

- 5.1 Skills for tackling new challenges and the promotion of diversity
- 5.2 Digital technologies
- 5.3 The hybrid model and new ways of working
- 5.4 Streamlining organizational structures and operational processes and providing informational support for corporate decisions
- 5.5 An integrated risk management system



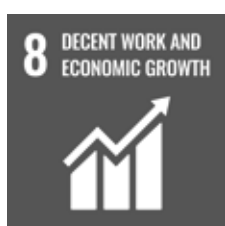
1. A stable and secure financial system

A healthy, modern and efficient financial system plays a pivotal role in a country's economic development, allocating resources efficiently and supporting workers, households and firms.

Developments in the geopolitical, economic and technological environment affect the banking and financial system, increasing the scale of existing risks and introducing new ones. At the same time, the use of technology contributes to transforming how the financial sector works and interacts with customers and technical service providers, and to creating new opportunities for development. Supporting financial innovation is a priority, whilst paying the utmost attention to risks, including cyber risks. It is also essential to continue tackling illegal economic and financial activities and to strengthen international cooperation.

The Bank of Italy has always been committed to ensuring the stability and smooth functioning of the financial system and will step up its action in the coming years to make this complex system stronger and more resilient.

This objective is in line with the following Sustainable Development Goals of the UN 2030 Agenda



1.1 Supervising risks for intermediaries

Led by: *Giuseppe Siani*, Director General for Financial Supervision and Regulation; *Roberto Cercone*, Head of the Resolution and Crisis Management Unit (for all activities relating to resolution and crisis management)

In the current scenario, which is marked by great uncertainty due to ongoing geopolitical tensions, the risks to the banking system stem mainly from the weak economic phase and the impact of high interest rates, which affect borrowers' ability to repay and, therefore, the credit quality of banks. The prudential, accounting and organizational safeguards put in place by intermediaries against traditional risks (credit, market, operational, interest rate and liquidity risks) must continue to be monitored. At the same time, the challenges posed by technological innovation and climate risks are significantly affecting the sustainability of business models, an issue that intermediaries need to take into account when reviewing their strategic plans.

The action plan fully integrates the Single Supervisory Mechanism (SSM) planning and the European Banking Authority's supervisory priorities. It takes into account national priorities and aims to increase the resilience of the banking and financial intermediation system in a challenging and ever-changing environment. Its actions aim to strengthen the monitoring and analysis of the impact of current and future economic developments, to update regulations and the supervisory toolkit, and to encourage the financial system to adapt to the challenges posed by innovation and the climate transition.

Lines of action

- Develop up-to-date methodologies and tools for an ongoing monitoring of the Italian banking and financial system's capacity to manage the business impacts of the protracted uncertain economic environment, partly reflecting geopolitical tensions, while assessing financial assets in a timely and correct way and maintaining a prudent and proactive approach to loan loss provisioning, risk management and credit policies
- Closely monitor risks associated with technological innovation in the banking and financial system, supervise the digital transformation of the financial industry, complete the transposition of the Digital Operational Resilience Act (DORA) and MiCAR, and direct the most innovative initiatives towards the Regulatory Sandbox
- Continue to assess the business models of banks and financial intermediaries and analyse their technical profiles in the light of the ever-changing environment, with the aim of evaluating business sustainability in the medium term
- Complete the projects aimed at improving the governance mechanisms of supervised entities and the quality and composition of decision-making bodies, including by using SupTech tools
- Actively participate in the development of international and national banking and financial standards and regulations, with a special focus on the secondary loan market, crowdfunding, asset management, crypto-asset service providers and the operational implementation of international negotiations (e.g. 'Final Basel III')

A specific section of the plan is dedicated to the Bank's activities in its role as a national resolution and crisis management authority.

The entry into force of European regulations for a framework for the recovery and resolution of central counterparties (CCPs) requires all Member States to adopt measures to provide the support needed to manage the resolution of CCPs: with the legislative decree implementing the European regulation (Legislative Decree 224/23), the Bank assumed the role of national resolution authority for CCPs as of 31 January 2024. The Bank of Italy, as the designated authority for the supervision of deposit guarantee schemes (DGSs) at national level, is also called upon to strengthen the exercise of supervisory powers over the operations of DGSs, while complying with the guidelines laid down and recently updated by the European Banking Authority, in order to ensure a consistent level of protection for depositors and to promote the stability of the banking system.

Lines of action

- Continue to take steps to facilitate our role as the national resolution authority for CCPs, including in cooperation with other national and international authorities
- Draft secondary legislation on DGS supervision, strengthen reporting requirements for DGSs and assist in defining the international regulations on this subject
- Contribute to defining the crisis management framework at international level and in national coordination forums

1.2 The development of FinTech and the evolution of the retail payments market

Led by: *Massimo Doria*, Deputy Director General for Currency Circulation and Retail Payments

Technology is profoundly changing how the financial sector operates, cooperates and interacts with its customers, regulators and technical service providers. The development of distributed infrastructures – where the provision and marketing of payment and financial services no longer require the presence of an intermediary or a trusted central entity – changes the observation and regulation categories. New forms of control and an appropriate framework of rules and standards are needed.

We aim to boost the digitalization of the Italian financial market – including through the cooperation forums we coordinate, such as the Italian Payments Committee – by promoting an innovative, efficient and secure payments market that benefits the entire economy and the individual stakeholders, as well as by fostering dialogue with the outside world and strengthening synergies between the various areas of the Bank.

Lines of action

- Increase the capacity to monitor the market for traditional and innovative payments by developing an integrated information system and indicators for the sector's efficiency and security, and by introducing new ways of disseminating studies
- Provide support in defining the application conditions for the new PISA (Payment Instruments, Schemes and Arrangements) oversight framework to sectors that use decentralized technologies in payments and finance; contribute to the entry into force of MiCAR, promoting operators' full understanding of the risks associated with the functioning of the new crypto-asset markets and their user protection requirements; work with academia, institutions and the market to formulate reference principles for drawing up smart contracts in the financial and payments industry; and give further impetus to the oversight of open banking platforms, with a view to monitoring and promoting systemic performance
- Foster the development of FinTech in the Italian financial market, by strengthening the stimulus and support to financial sector operators, promoting new technologies, actively participating in national and international initiatives, and supporting market innovation through the innovation facilitators promoted by the Bank (FinTech Channel, Milano Hub and the Regulatory Sandbox)

1.3 Combating illegality in the financial sector

Led by: *Bruna Szego*, Head of the Anti-Money Laundering Supervision and Regulation Unit

The risk of crime in the economic and financial sector remains high. The Anti-Money Laundering (AML) package, consisting of a Directive and two Regulations, was published in the Official Journal of the EU in June 2024, fundamentally overhauling the legal and institutional framework for combating money laundering and terrorist financing. The aim is to increase the degree of harmonization of rules and to establish an EU-integrated AML control system, in which national authorities work closely with a new EU authority (AMLA), which will, among other things, be entrusted with the direct AML supervision of a small number of European financial and banking intermediaries and groups. In the coming months, work will begin on adapting the national legal system to the new rules, while at the same time moving forward with the establishment of the new authority and the definition of some of the key rules and tools of the new European AML system.

To address these challenges, we set up a new Anti-Money Laundering (AML) Supervision and Regulation Unit in June 2022, which brings together the Bank's various regulatory and control functions for the financial system for anti-money laundering purposes. We also improved the organizational structure of Italy's Financial Intelligence Unit (UIF) to support its growing role at national and international level and its increased institutional efforts.

We want to continue to make a strong contribution in Europe and to increase the effectiveness and timeliness of our supervisory activity on supervised intermediaries' safeguards and controls for anti-money laundering and combating the financing of terrorism, in full cooperation with prudential supervision and the UIF.

Lines of action

- Actively participate in the process led by the Italian Ministry of Economy and Finance to implement the new regulations in the national system. Contribute to the ongoing work at European level to define the main rules and tools of the new AML system and actively partake in the work of the new European authority
- Further refine the analysis methodologies for the assessment of money laundering and terrorist financing risks, in line with the guidelines of the European Banking Authority and, once operational, of AMLA, and draw up an AML supervisory manual
- Complete the process of equipping the recently established Anti-Money Laundering Supervision and Regulation Unit with an organizational structure suited to facing the challenges ahead, taking into account the establishment of the new European authority

1.4 The cyber resilience of the financial system

Led by: *Giuseppe Zingrillo*, Director General for Information Technology

The increasing digitalization of financial services calls for efficient, secure and resilient Information and Communication Technology (ICT) services. New risk profiles are emerging — partly as a consequence of the widespread use of remote working and escalating cyber threats due to heightened geopolitical tensions — which require careful management and proper mitigation. The institutions must promote and monitor the adoption by intermediaries of protection and prevention safeguards to guarantee the financial system's stability and security, including its cyber security.

All actions must take into account the global and intertwined nature of threats and the need for coordinated systematic action, in Italy, Europe and worldwide. They should also be aligned with the cyber security strategies and the relative standards set at national and international level, including through cooperation between institutions and operators, and between them and the end-users.

Over the coming years, we will step up our efforts along two main paths: one focusing on the financial system as a whole, and the other on the Bank itself, which is a key part of the system.

Lines of action

- Improve the security and resilience of the Bank's ICT services by taking the following actions: increasing our cyber threat information acquisition, production and sharing capacity (cyber intelligence); and raise awareness of cyber threats within the Bank
- Improve the efficiency and effectiveness of our cyber defence systems, in order to detect and handle increasingly advanced attacks in a timely manner
- Strengthen the resilience of ICT processes and services to ensure operations even when adverse cyber events occur (cyber resilience), including through the implementation of a dedicated network infrastructure to manage the Bank's processing and transmission systems, the provision of tools for mass communication in emergencies, and the launch of simulated Threat-Led Penetration Testing cyber attack campaigns
- Contribute to strengthening the cyber resilience of the Italian financial system and the security of digital infrastructures and payments by intensifying coordination with international policy forums, other national authorities – especially the National Cyber Security Agency – and the private sector, with a view to adapting strategies, rules and instruments and to improving knowledge of phenomena
- Supervise cyber risks through ongoing prevention and preparedness of individual operators and the financial sector as a whole, increasing the cyber resilience of individual operators and promoting exercises, communication initiatives for risk prevention in the Italian financial community, and awareness programmes for citizens and companies



2. Commitment to economic and financial innovation in Italy and in Europe

The new challenges arising from technological innovation, geopolitical developments and novel risks require further improvements in analytical and forecasting capabilities in support of monetary policy and financial stability and of effective advice to the Government and to institutions on fiscal and economic policy issues.

There is a growing need, in this rapidly changing environment, for adequate data and information and for the ability to fully exploit them using new tools to better analyse economic phenomena and to support institutional tasks.

Since the conduct of institutional functions is changing, the Bank of Italy's network of relations across the country must evolve accordingly to best reap the benefits of our presence across Italy and to deliver top-quality services.

This objective is in line with the following Sustainable Development Goals of the UN 2030 Agenda



2.1 The challenge of the digital euro and innovation in payment infrastructures

Led by: *Luigi Cannari*, Director General for Markets and Payment Systems

Growing competition in the financial and payment services sector, driven by technological innovation, will require continual improvement in the range and quality of services provided by the Bank to external parties (the general public and firms, banks, public administrations and other domestic and foreign institutions) both directly and as part of Eurosystem projects.

The promotion of new technological solutions to achieve immediacy in financial transactions is necessary to safeguard the competitiveness of the Italian and European financial system, while at the same time preserving monetary and financial stability. In this context, the range of services provided through the pan-European Target Instant Payment Settlement (TIPS) platform should be expanded with new functions for users, and new business scenarios should be explored. The effective contribution of the Bank to the possible introduction of a central bank digital currency is a priority, in order to ensure our autonomy in the performance of institutional functions while supporting innovation, safety and efficiency in the euro payment system.

To meet the challenges posed by digital innovation, the Bank is already playing an active and leading role in initiatives at European and international level. We must now press on with our efforts for transformation, and push the boundaries of technological innovation in order to respond effectively to the growing demand for efficiency from intermediaries, the general public and firms and to act as a catalyst in collaboration with other national and European authorities.

Lines of action

- Enhance the Eurosystem's role as a provider of market infrastructure services by expanding the services offered by the TIPS platform
- Promote the introduction of innovative technologies in the European payment infrastructures
- Actively participate in designing the regulations and the oversight framework for market infrastructures based on distributed ledger technologies (DLTs) and promote experimentation
- Be at the forefront of the Eurosystem's work on the possible introduction of the digital euro, including by promoting the Bank's technological solutions
- Collect new data and information, thereby expanding the existing statistics on payment instruments and schemes

2.2 The Integrated Reporting Framework (IReF) project and the strengthening of the Bank's statistics function

Led by: *Roberto Sabbatini*, Head of the Statistical Data Collection and Processing Directorate

A paradigm shift is under way in the area of statistics production. The growing importance of granular data, the development of new areas of statistical analysis (e.g. FinTech and sustainable finance), the possibility of complementing the data that the Bank collects from reporting agents (banks and other financial intermediaries) with large volumes of alternative data, often unstructured and drawn from the web (i.e. big data), call for the use of novel statistical methodologies and appropriate technological and organizational solutions for managing and fully exploiting the informative content of these data.

Some of the strategic projects launched by the Eurosystem are expected to lead to a radical change in how European banking statistics are organized in the coming years: specifically, the Integrated Reporting Framework (IReF) project aims to integrate the various statistical data collections of the European System of Central Banks (ESCB) and to harmonize them across countries, while the complementary Banks' Integrated Reporting Dictionary (BIRD) project provides standardized guidance on statistical reporting for European banking supervision and resolution.

Lines of action

- Play a leading role in the development of bank reporting (IReF) and in the design of the new cooperation model for the compilation of statistics within the Eurosystem
- Actively participate in the development of the BIRD project with the aim of taking direct responsibility for its operational management
- Promote the use of innovative statistical methodologies (artificial intelligence and, above all, machine learning); catalogue and document the alternative databases available in the Bank in a structured and easily accessible way to maximize their use by internal users, create new technological solutions for the integrated use of the Bank's information assets (including company data and their monitoring), in order to improve the analytical capacities of the Bank's various functions, the efficiency of processes and the quality of statistics production, which would also benefit external users
- Develop new data visualization tools to make statistical information more effectively available to the general public
- Take part in the G20 Data Gaps Initiative (DGI-3), in cooperation with the International Monetary Fund, aimed at filling information gaps on specific innovative topics

2.3 Research in support of economic policies in Italy and in Europe

Led by: *Sergio Nicoletti Altimari*, Director General for Economics, Statistics and Research

Instability in the geopolitical landscape and the subsequent scaling back of economic and financial integration between different areas are making international cooperation for supplying global public goods (peace, health, the environment, financial stability) more difficult. Climate change and environmental sustainability, energy policies, the spread of new technologies and the regulation of digital markets play an increasingly important role, due in part to their significance for monetary policy. Discussions surrounding the implications for monetary policy and financial stability of the changed macroeconomic environment in the euro area have intensified. It is necessary to ensure a stable return of inflation to the price stability target and to monitor and analyse the impact of geopolitical tensions on growth and inflation. New challenges have arisen regarding the analysis of the impact of the digital transformation of the financial system and the possible introduction of the digital euro on monetary and financial stability.

All of this has elicited common economic policy responses at European level and has again sparked discussion on European economic governance and on creating an EU fiscal capacity. The Committee for Macprudential Policies was set up, chaired by the Governor of the Bank of Italy, with the participation of the Presidents of the other financial supervisory authorities (IVASS, CONSOB, COVIP) and the Director General of the Treasury as an observer. As regards Italian economic policies, the effective implementation of the National Recovery and Resilience Plan is crucial for boosting Italy's economic growth potential, as well as for European integration processes.

Against this backdrop, we continue to strive to expand our role in national and international discussions and to raise our profile as a research centre of excellence in applied economic and policy-oriented analysis.

Lines of action

- Broaden the range of analytical and research tools for interpreting real and monetary cyclical developments, making forecasts, and contributing to deciding on monetary policy and macroprudential stances
- Provide advice on economic matters to the Italian authorities and participate more in the economic policy debate on public finance, the labour market, demographic trends, poverty and inequality, regulation, the structure of the production system, and European economic governance

2.4 The Bank's activity across the country

Led by: *Paolo Sestito*, Director General for Planning, Organization and Accounting

The Bank's presence throughout Italy is closely linked to the performance of its institutional functions, with the aim of providing services to the public and to institutions, and to fostering an understanding of the economic and social realities of a country as diverse as Italy.

Significant changes and drivers of innovation have emerged in recent years, profoundly affecting the functions performed by the branch network: alongside the traditional functions – monetary circulation, prudential supervision and treasury services – the performance of which has become increasingly diverse at local level, other activities are being expanded, such as consumer protection in banking and financial services, anti-money laundering, credit assessments for non-financial corporations, and public information services. Moreover, technological innovation has paved the way for new operational processes.

We intend to complete the process of reforming our branch network, bearing in mind the interests of a wide range of stakeholders, the specific nature of our various functions, and the differing demand for current and potential services to be offered over the medium and long term to the public, firms and institutions. We also plan to develop new organizational solutions, building on the possibilities offered by the hybrid work model and remote operational coordination, and integrating the planning of the activities and resources of the branch network and of the Head Office in its various functions.

Lines of action

- The initiatives will be conducted along the following lines: enhancement of our institutional and representative role in all of Italy's regions and diversification of local services; and greater system-wide integration between the central functions and the branches in the performance of institutional tasks and in the provision of services offered locally



3. Protection of customers of banking and financial services and dialogue with the outside world

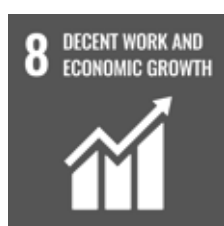
The Bank's efforts to strengthen the financial system go hand in hand with its endeavours to ensure substantial protection for customers of banks and financial intermediaries by using a variety of tools (rules, supervision, instruments to protect individual customers, financial education). This is a critical task for the Bank, not least because of the information asymmetry in financial markets between consumers and suppliers of products and services.

In the current economic environment, our customer protection function can help better prepare the system and the public, especially those who are more vulnerable and more at risk of financial exclusion, to tackle difficult situations, and it provides tools to make people more financially aware. In addition, customer protection must support innovation and translate it into new and more value-added services for customers, while controlling risks for users.

Effective customer protection and adequate financial education improve the economic well-being of citizens, promote more active and responsible participation in the economic life of the country and quality financial inclusion, and contribute to the financial stability of the system.

Communication plays a key role in this, as the Bank engages with all stakeholders and strives to make the public aware of its tasks and the tools available, with the aim of increasing the public's trust in the Bank's actions and in the financial system.

This objective is in line with the following Sustainable Development Goals of the UN 2030 Agenda



3.1 Customer protection and financial education

Led by: *Magda Bianco*, Director General for Consumer Protection and Financial Education

We attach the utmost importance to the protection of consumers of financial services and we have undertaken major programmes over the years to expand and strengthen the tools to safeguard them.

In the current complex economic environment, where heightened geopolitical tensions and inflationary trends have increased uncertainty, which may affect the income prospects of firms and households and the climate of confidence, it is necessary to improve the resilience of the system and of the public to face difficult situations – including in the future – and to provide the tools for better and more informed financial citizenship, especially for the most vulnerable groups and those at greater risk of financial exclusion.

Only by ensuring effective customer protection and adequate levels of financial education can greater financial prosperity and quality financial inclusion be achieved.

It is also necessary to ensure that the public can benefit from the opportunities offered by technological and financial innovation, including through the use of artificial intelligence, while defining the most effective safeguards to mitigate the risks for users in this new ecosystem.

The three-year objectives of our customer protection function will develop along two main lines: guaranteeing effective consumer protection and promoting more widespread and better informed access to traditional and innovative financial services.

Lines of action

- Financial and technological innovation: track and monitor market developments and their effects on intermediary-customer relations so as to update existing tools and ensure they remain effective; and exploit the opportunities offered by technology to improve the quality and coverage of the Bank of Italy's customer protection services (financial education programmes, instruments to protect individual customers and so on)
- Dialogue with the outside world: improve the listening channels, including by simplifying communication with a dedicated single customer service phone line, in order to quickly identify actual and emerging needs for protection, and communication initiatives to raise awareness of the Bank's activities and the consumer protection tools available to users

3.2 Awareness of the Bank's activities and communication with the public and other stakeholders

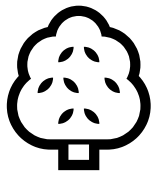
Led by: *Angela Barbaro*, Head of the Communications Directorate; *Paola Ansuini*, Principal Director in the Directorate General for Consumer Protection and Financial Education (in charge of communications on consumer protection and financial education)

Given the complex environment in which we perform multiple functions to the benefit of society, we plan to enhance communication with the public and with our various stakeholders. Our goal is to inform them in a clear and simple way about the many tasks that we perform, the services we provide and how they benefit people, as well as to raise the public's and firms' levels of awareness and financial literacy.

In this way, we also seek to increase the public's trust in the Bank as a reliable organization, which operates in society's best interests and is ever more committed to engaging, listening, embracing inclusiveness and operating transparently.

Lines of action

- Raise awareness of the Bank's activities and objectives, which includes new and wider audiences
- Increase the Bank's visibility throughout Italy by fostering dialogue with local communities and institutions, including through our branch network
- Strengthen relations with traditional stakeholders (institutions, financial system, academia) and improve communication through both traditional and new media
- Better integrate the Bank's communication with its other functions
- Improve the ability to monitor and measure the effectiveness of communications
- Empower people at all levels of the organization to be ambassadors for the Bank, fostering an increasingly receptive and open culture, embracing the challenges of innovation, embracing diversity and promoting inclusion



4. The Bank's commitment to the environment

The United Nations' 2030 Agenda for Sustainable Development, the Paris Agreement and the EU's targets for reducing greenhouse gas emissions and achieving carbon neutrality call for a profound transformation of the energy and economic system. This need is even more critical, given the recent tensions involving the supply of gas and other commodities and the escalation of the impacts of climate change in Italy. There is a growing awareness among the general public and firms of ESG issues, along with a call for transparency and accountability regarding the contribution of firms and public administrations to sustainable development goals, particularly environmental ones.

These changes also have a sizeable impact on central banks' roles (financial stability, sustainable investment, supervision, economic research, financial education, responsible use of resources, reduction of emissions, accountability). The growing focus on ESG issues calls for stronger action to address climate change risks and contribute to sustainable development goals.

The Bank of Italy is therefore committed to supporting actions in line with the principles of the ecological and digital transition and aims to play a leading role in the commitment to the environment, with two action plans to step up sustainable finance initiatives and the fight against climate change and to steadily reduce its environmental footprint, in order to achieve a long-term net zero carbon emissions target.

This objective is in line with the following Sustainable Development Goals of the UN 2030 Agenda



4.1 Sustainable finance and combating climate change

Led by: *Patrizio Pagano*, Head of the Secretariat to the Governing Board

The profound consequences of climate change are exposing the entire ecosystem to risks of irreversible damage. Events in recent years have also highlighted the fragility of the economic system and the importance of solutions that provide energy in a sustainable, secure and affordable way.

Tackling climate change-related phenomena is primarily the responsibility of national governments and, in Europe, of the EU authorities, which can steer economic activities towards greater sustainability. However, central banks can make an important contribution both by facilitating the transition to a green economy and by helping the financial system to increase its resilience to risks relating to the impacts of climate change.

For some years now, the Bank has been committed to assessing the implications of these risks for the economic and financial system, promoting a balanced development of sustainable finance. It has also launched numerous projects and plays a proactive role in international forums, including the G7, of which Italy has taken over the presidency in 2024, and in particular the G7 Climate Change Mitigation Working Group (CCMWG), and the Network for Greening the Financial System (NGFS), in which the Bank is an active participant with a coordinating role in several working groups. The decision to set up a Climate Change and Sustainability Committee in 2022, chaired by a member of the Governing Board and supported by a team of experts, bears witness to the growing importance of these issues.

Lines of action

- Expand economic research on ecological transition issues, in cooperation with external institutions and with academia
- Improve the sustainability of the Bank's investments by reviewing the governance of investment processes, adopting instruments to raise the focus on decarbonization by businesses, setting targets and selecting indicators to measure the effectiveness of the strategies adopted
- Promote the integration of climate-related and environmental risk assessment into the business strategy, governance, risk management and market disclosure of financial intermediaries
- Reinforce coordination across various institutional activities and expand relationships with external organizations, thereby ensuring a driving role for the Bank, especially through the Platform on Sustainable Finance, launched by the Italian Ministry of Economy and Finance
- Set up financial education courses on the climate transition and sustainable finance, with a view to improving financial literacy and inclusion and analysing the impact of the green transition on financial risks for banks' customers

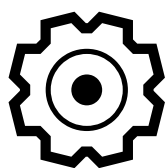
4.2 The net zero target: reducing our greenhouse gas emissions and our carbon footprint

Led by: *Paolo Sestito*, Director General for Planning, Organization and Accounting; *Livio Tornetta*, Director General for Currency Circulation and Retail Payments; *Ciro Vacca*, Director General for Property and Tenders

We have had a programme to reduce our environmental footprint in place for several years now, which is set out in the Environment Report published on the Bank's website. The importance of this issue means we have to step up the pace on this front: in the coming years, we intend to lay the foundations, by drawing up a detailed plan in terms of time and methods (indicating the achievable objectives and the various measures and investments to be introduced in a gradual and cost-effective way), in order to achieve a net zero carbon emissions target in the long run. We also want to adopt an integrated approach to ESG issues.

Lines of action

- Improve the energy performance of the Bank's buildings and technical installations, starting with those that consume the most energy, in order to reduce energy needs; reduce the consumption of fossil fuels (methane gas and heating oil) for heating buildings, also via the electrification of technical installations; increase the share of energy that is self-produced using renewable sources; optimize the property holdings and the management of buildings and technical installations, including by improving automated tools for regulating and monitoring energy consumption; adopt ICT solutions with a low environmental impact (green ICT)
- Encourage sustainable mobility for home-office commuting and reduce the greenhouse gas emissions produced by business travel
- Reduce greenhouse gas emissions and the environmental impact of the life cycle of banknotes (raw materials, production, transport and final disposal)
- Offset the Bank's greenhouse gas emissions and promote biodiversity through direct reforestation, the purchase of carbon credits on the voluntary market and the maximization of the Bank's green assets; promote awareness and staff training and step up cooperation on environmental issues with other institutions
- Improve reporting on sustainability, set up an integrated framework and create performance indicators



5. An inclusive, efficient and innovative Bank

Over the past decade, the Bank has implemented many projects aimed at innovating how its functions operate in terms of organization, management control and risk monitoring tools, personnel development and technologies. However, change has become so rapid, extensive and pervasive that a sustained commitment to improving management activities is needed.

The pandemic and the continuing uncertainty in the external environment have also profoundly affected how tasks are performed, revealing how important it is for the organization to be agile and resilient and thus able to anticipate and react quickly and effectively to changes. It needs to focus on the objectives and results to be achieved by using resources efficiently, and to be attentive to people and inclusive, so as to foster trust, motivation and empowerment; and it has to be sustainability-oriented, also by reducing travel and optimizing the use of workspaces.

Technological innovation brings highly topical issues to the fore, creating new opportunities in business processes. Generative AI techniques, which have made tremendous strides in recent years by enabling the development of easily accessible and widely used solutions, play an important role. Although these techniques are not without limitations and risks, they provide valuable support for creating multimedia content or performing complex tasks based on text and natural language understanding.

In human resources management, careful risk monitoring is required to ensure that AI is used in a way that fully embraces the principles of diversity and inclusion.

This objective is in line with the following Sustainable Development Goals of the UN 2030 Agenda



5.1 Skills for tackling new challenges and the promotion of diversity

Led by: *Alberto Martiello*, Director General for Human Resources and Information

The ability to acquire and develop key competences is increasingly important for the success of an organization. Many companies and institutions are progressively refocusing management systems on a competence-based model that guides the development of technical, behavioural and managerial skills, with an emphasis on those that, in the future too, will be central to the success of the organization.

We have already completed several initiatives in this area, including the mapping of skills and professional profiles and the activation of professional and managerial pathways for specific resource pools, in order to plan and manage our capacity building based on the qualitative and quantitative needs of our functions. Our training portfolio is constantly expanding, not least through the creation of thematic schools and the extensive use of learning platforms.

In building career paths, we place increasing emphasis on each employee's unique qualities by listening to them and providing one-on-one coaching to support professional development. As part of our Diversity and Inclusion (D&I) policy, we have recently obtained the EDGE (Economic Dividends for Gender Equality) certification and are actively participating in the D&I network of G7 central banks under the Italian presidency, as well as in the network of Eurosystem central banks and Banking Union supervisors.

As for the presence and role of women in the Bank, we have carried out numerous initiatives that have enabled us to reduce the gender gaps among our staff as a whole and at management level.

We intend to press ahead on these fronts in order to maximize the development of our human capital, to create a climate conducive to change and the diversification of experiences, and to strengthen our focus on D&I, the work environment and employee well-being.

Lines of action

- Strengthen measures to develop the skills needed for the Bank's various functions by monitoring (and anticipating) their evolution and, by doing so, improving the key management processes of human resources: staff planning and labour costs, external and internal recruitment, training, mobility and assessing performance
- Promote, in a proactive, strategic and systematic way, a corporate culture and management that focuses on each individual's unique qualities, and the specific needs of minorities, disadvantaged groups and those who are going through transitions or difficult phases in their personal or professional lives, so as to nurture an open work environment that can capitalize on the contribution of each person, and make gender balance policies even more effective

5.2 Digital technologies

Led by: *Giuseppe Zingrillo*, Director General for Information Technology

The digital transformation process, which is profoundly and irreversibly changing organizations and society as a whole, requires efficient, secure, resilient and sustainable data, information and ICT services.

Here in the Bank, we have been radically digitalizing our work processes for years and we intend to continue to do so in the light of the many innovations in a particularly dynamic and fast-changing sector such as ICT, exploiting the full potential of new technologies and strengthening our role as a provider of advanced IT services at national and European level.

The focus on generative AI has led to the inclusion of a new activity in the action plan to develop generative AI methodologies, tools and skills for research, training of human resources and the creation of computational infrastructure designed to exploit the full potential of this technology.

As an IT service provider at European level, in addition to our commitment to the digital euro project, we see significant development opportunities in the payment systems area, in connection with the possibility of extending the use of the TIPS platform to create a cross-border payment system in euros. In the field of statistics, work is under way on the possible provision of IT services by the Bank to other central banks. Finally, the Bank of Italy plays a particularly important role as a service provider in the project to renew the network infrastructure of the ESCB and the SSM.

Lines of action

- Promote the widespread and structural deployment of AI models and techniques in the Bank's work processes, including by creating a supporting technology platform; develop generative AI methodologies, tools and skills
- Improve security and internal efficiency by migrating the Bank's Data Center to a private cloud, developed based on the Software Defined Data Center model
- Step up efforts to expand the use of the public cloud for standardized and cross-cutting ICT services or in support of specific business processes
- Maintain the momentum of technological innovation in international initiatives where the Bank intends to play a leading role as a service provider

5.3 The hybrid model and new ways of working

Led by: *Alberto Martiello*, Director General for Human Resources and Information; *Paolo Sestito*, Director General for Planning, Organization and Accounting

The way we work is changing at an unprecedented rate.

Since April 2022, we have formally employed a new hybrid model that blends remote and in-office work. This transition offers a strategic opportunity for a deeper transformation of our organization.

We are implementing an extensive programme of innovations to increasingly align the organization with the principles of smart working and thus reap the greatest benefits for the Bank, for our employees and for society at large. As part of this programme, we plan to fine-tune the analysis of business processes within the context of the new hybrid working environment, with the aim of quickly recognizing both opportunities for improvement and any undesirable effects, in order to make the necessary adjustments.

These innovations broaden the range of tools we have at our disposal for managing organizational variables, including those for tackling the challenges posed by the climate emergency and the energy transition, and those for reinforcing business continuity in an uncertain environment.

Lines of action

- Assess the functioning of the new hybrid model and its effects on our key observation parameters (effectiveness, efficiency, operational risks, social interaction, health, environmental footprint) using a wide range of survey tools and with help from the Bank's staff
- Fully support the new model by introducing new tools in the areas of time management, training, health and safety, including to improve our corporate well-being
- Take a series of actions on our organizational systems, in line with the new ways of working, to simplify and make the organization and processes more resilient, to enable people to work together effectively to achieve common goals, and to further promote delegation and decentralization
- Improve ICT services to make the model work better and tap into its potential, including by adapting IT tools for effective in-office and remote interaction
- Plan and gradually implement building redesign projects aimed at making the use of office space more flexible and efficient, based on a smart office model (diversification and reduction of the total space used and its costs)

5.4 Streamlining organizational structures and operational processes and providing informational support for corporate decisions

Led by: *Paolo Sestito*, Director General for Planning, Organization and Accounting

The Bank aims to manage its resources efficiently and responsibly and to mitigate potential operational risks: measuring economic performance (in terms of costs, revenues, risks, efficiency and so on), rationalizing operational structures and processes, and monitoring the achievement of strategic objectives are guiding factors for organizational design and management control.

Cost management is especially important in a context of uncertainty about the evolution of the main income streams, in particular those resulting from the implementation of monetary policy, so as not to affect the resources that the Bank allocates to the Treasury.

Over the past few years, we have improved our understanding of organizational management and innovation and expanded the tools available for supporting them.

We plan to continue on this path in order to consolidate what we have already achieved, to build and test new solutions, and to connect tools within a coherent system of measurement, analysis and organizational intervention.

Lines of action

- Build a single system for detecting and measuring corporate phenomena (activities, products, processes and structures) based on process maps revised according to new criteria, on the integration of existing business databases and on a structured system of performance indicators
- Develop methodologies for forecasting full and marginal costs and for analysing efficiency and effectiveness – including on a comparative basis – in order to support decision making, benefiting further from the information collected and the indicators developed under the single system for detecting and measuring corporate phenomena
- Initiate periodic assessments of the quality and efficiency of the Bank's units and processes, using zero-based budgeting approaches, which are also designed to better support staff planning

5.5 An integrated risk management system

Led by: *Paolo Sestito*, Director General for Planning, Organization and Accounting; *Pier Francesco Ferrari*, Deputy Director General for Planning, Organization and Accounting

At this time, the uncertainty regarding international geopolitics is growing, the relevant legal framework is constantly evolving and technological development is exposing systems and organizations to cyber threats. A flexible, resilient and agile organization is therefore needed.

For this reason, we aim to enhance the responsiveness and organizational robustness of our operational processes, to be better prepared not only to address risk situations and ensure high business continuity standards, but also to seize new opportunities.

Lines of action

- Increase the Bank's operational resilience by enhancing methodologies, tools and reporting on operational risks and incidents in light of new risk factors, and by fully integrating cyber risk into the Bank's operational risk management system
- Strengthen our business continuity methodology system by revising sectoral continuity plans and consolidating testing activities
- Develop a unified methodology for managing the risk of non-compliance with the regulations affecting the Bank's activities
- Streamline the system of second lines by integrating reporting and enhancing coordination between them and the third line
- Develop a methodology for organizational resilience, aligned with best practices, that internal structures can adopt to assess and step up the resilience of their activities
- Integrate physical and counter-crime security with information and cyber security, starting with the IT equipment used for physical security, and building automation systems



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