



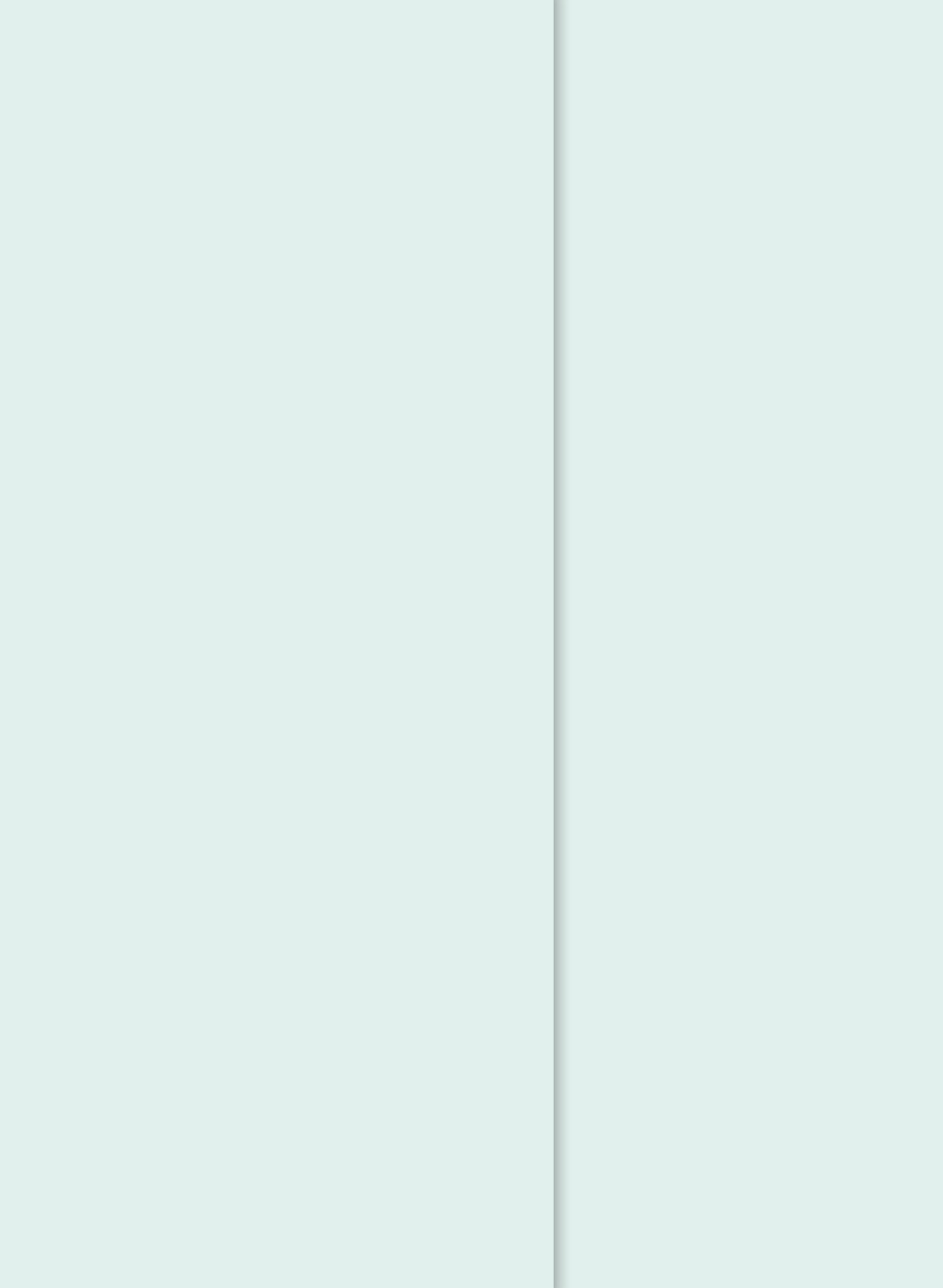
Banca Popolare di Sondrio

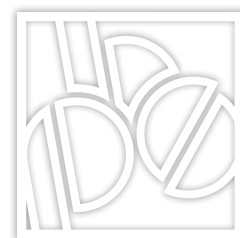


2019 CONSOLIDATED NON-FINANCIAL REPORT

PURSUANT TO LEGISLATIVE DECREE 254/16







**Banca Popolare
di Sondrio**

2019
CONSOLIDATED
NON-FINANCIAL
REPORT



Banca Popolare di Sondrio

Founded in 1871

ORDINARY SHAREHOLDERS' MEETING OF 12 JUNE 2020

Società cooperativa per azioni

Head office and general management: Piazza Garibaldi 16, 23100 Sondrio, Italy

Tel. 0342 528.111 - Fax 0342 528.204

Website: <http://www.popso.it> - E-mail: info@popso.it - Certified e-mail address: postacertificata@pec.popso.it

Sondrio Companies Register no. 00053810149 - Official List of Banks no. 842

Official List of Cooperative Banks no. A160536

Parent Company of the Banca Popolare di Sondrio Group - Official List of Banking Groups no. 5696.0 - Member of the Interbank Deposit Protection Fund

Fiscal code and VAT number: 00053810149

Share capital: € 1,360,157,331 - Reserves: € 983,893,092

(Figures approved at the shareholders' meeting of 27 April 2019)

Rating:

- Rating given by Fitch Ratings to Banca Popolare di Sondrio scpa on 19 May 2020:
 - Long-term: BB+
 - Short-term: B
 - Viability Rating: bb+
 - Outlook: Rating watch negative
 - Long-term Deposit Rating: BBB-
 - Long-term subordinated debt: BB-
- Rating given by DBRS Morningstar to Banca Popolare di Sondrio scpa on 2 April 2020:
 - Long-Term Issuer Rating: BBB (low)
 - Short-Term Issuer Rating: R-2 (middle)
 - Trend: negative
 - Long-Term Deposit Rating: BBB
 - Short-Term Deposit Rating: R-2 (high)
- Rating given by Scope Ratings to Banca Popolare di Sondrio scpa on 8 April 2020:
 - Issuer rating: BBB-
 - Outlook: Stable

PREFACE

STEFANO ZAMAGNI

Chairman of the Pontifical Academy of Social Sciences

There are many reasons to congratulate Banca Popolare di Sondrio for this “2019 Non-Financial Report”, which is presented here for the attention and consideration of readers. Firstly, for the clarity and completeness of the information provided. Secondly, for the methodology chosen, which draws on the best practices described in the relevant scientific literature. Lastly, for the message discernable by reading between the lines of this document. I would like to focus my attention here, albeit briefly, on this last point.

Banca Popolare di Sondrio is a cooperative society, with a corporate identity that is deeply rooted in this movement. Credit cooperation is a highly morphogenetic phenomenon, ready to change, evolve and take shape in response to internal pressures and the socio-economic transformations that characterize the environment to which it belongs. During the nineteenth century and for most of the twentieth, credit cooperatives started and expanded in areas that were already well developed, so that weaker segments of the population would not become marginalised. However, alongside the transition from an industrial to a post-industrial society over the past forty years, credit cooperation has also proved capable of finding new reasons to exist that justify consolidation of the movement and define its new identity.

One of these reasons is linked with a special feature of the phenomenon recognised as globalisation. Until recently, it was widely expected that the process of globalisation would result in gradual disappearance of the local dimension: elimination of the borders between countries – it was said – would cause all economic relations to become global. However this has not happened, contrary to the conjectures of many well-respected academics. By contrast, globalisation has generated the new phenomenon of “glocalisation” (from global+local) that is observable at all economic, social and political levels. In truth, globalisation has “reinstated” the importance of the local dimension. In the past, it was considered best to set economic policy at national level. Now, on the other hand, innovations are tested primarily at territorial level, from where the most significant drivers of growth emerge. The declining importance of the debate about national industrial policies - no more than twenty years ago, still a key topic on the agenda of any national government - highlights this shift in the focus of political and economic debate.

The point here is that globalisation has not only eliminated the importance of the territory, but also relaunched it in the sense that the competition game is now played at territorial level. While past competition took place among individual businesses or groups, with potential winners and losers depending on the circumstances, now we find that the destiny of businesses is most

closely tied to that of their territories. If a territory “fails”, the businesses operating there fail too, and vice versa: the success of a territory is inextricably bound to the success of the businesses active within it. This change of outlook has caught many observers by surprise, forcing them to rethink radically the policies adopted at national level; Italy, it must be said, has only achieved full awareness of these dynamics in recent years. The programmed action to develop the south has proved to be a failure, expressing the obsolete opinion that growth there should be planned and governed from the centre, without taking account of the cultural factors that define the identity of a given territory. Similar logic might have made some kind of sense once, but certainly does not do so now. Major development strategies can no longer be decided at national level, with transfer to the periphery for implementation; rather, the ability to innovate must now be regenerated at local level, after having been set aside for so long, during the season dominated by the industrial society.

This evidences the vital importance of the territorial bank, which must be distinguished from banks that are merely local. In this context, BPS is truly a territorial bank (rather than just a bank in the territory). Our market economies clearly need operators that, like People's Banks, know how to direct their actions towards objectives that go beyond the maximisation of shareholder value. Credit cooperation - it must be emphasised - has never sought to displace speculative finance; rather, it has always defended the importance of strategic complementarity. This is why the People's Banks have always sought to position themselves within (not outside or alongside) the market, despite the adoption of non-capitalistic logic. This indeed is the “blasphemy” that provokes: how is it possible to operate in the market, respecting its basic principles (efficiency, productivity, competition, growth), without pursuing solely the profit objective, but also the common interests of both members and the territory served?

While a commercial bank adds value to the market - in itself a good thing - a People's Bank gives market room to such values as mutual concern, democratic governance, reciprocity and fraternity. This indeed is the complementarity that I mentioned before. A society has no future if it lauds, recognises value in, those who only seek profit. The market will never become civilised as a tool for the common good, if the values described above are marginalised and restricted to such spheres as the family, social groups and community associations. A market that is merely efficient does not advance the human condition. This is why I believe the time has come for “banks with a spirit” to develop a metric that measures their specific contribution to the creation of social value added: a contribution that, still today, escapes entirely the national accounting system. In other words, it is necessary to measure the value of the positive external effects created by the cooperative credit system, moving from a social report that merely describes the work of individual banks in the territory, to a report that also measures the benefits

they generate in terms of the dissemination of democracy; the reduction of inequality; the strengthening of freedom (in the positive sense).

The question arises: can these qualitative attributes be measured? Of course they can; it is obviously untrue that only quantities can be measured. As an example, the IAS specifically allow intangible assets to be measured, specifying the methodologies to be used. How come, therefore, a capitalistic business can recognise a wide range of intangibles in its balance sheet, while a cooperative is prevented from doing so? Notably, the European Parliament resolution on Social Economy (2008/2250 INI) envisages at point 15: «Calls on the Commission and the Member States to support the creation of national statistical registers... for each institutional sector and branch of activity and allow for this data to be collated by Eurostat...». This clearly represents a great step forward. It would be hugely irresponsible to let this opportunity slip. European "banks with a spirit" must take the lead in this process, not least to avoid the risk of assigning technicians to identify the new statistical reporting criteria who, while theoretically competent, may not understand the depth of thought that has always guided the actions of these banks.

Given the above, it is easy to understand why approval by the Italian government of the so-called "People's Banks Decree" in January 2015 raised so many criticisms and contrarian views.

In fact, careful reading of the statements and reports issued in support of the Decree quickly reveals that the core argument revolves around efficiency. Three requirements are listed as justification for the measure. The first is to provide more credit to firms and, therefore, relaunch the economy; the second is to support the process towards a European Banking Union; and, lastly, the third is to strengthen banks after the devastating 2007-2008 crisis.

The allegation drawn from the above is that the People's Banks - whose historical merit in promoting and supporting local development is unchallenged - are no longer suited to the needs of the new geo-economy and the characteristics of the current financial industry (economies of scale; ability to assess major risks; access to global markets; etc.).

On condition of intellectual honesty, even non-specialists can understand that the reasoning adopted does not support the allegation that, instead, is promoted as a firm conclusion founded on solid arguments. This is why, from the ivory tower of economic theorisation, another line of justification has recently been advanced. In short, the following argument has been developed. In addition to flexible working, the new growth model also requires room to be made for flexible capital, being the ability to reallocate capital among businesses so that the mechanism of creative destruction (J. Schumpeter) can be given free reign. In substance, the idea is to prevent inefficient businesses from obtaining too much capital, while also preventing highly efficient businesses from obtaining too little. How can this be achieved? By facilitating in every way the reallocation of credit and, above all, the reallocation of risk capital. In this context, the "natural" characteristics embodied in credit

cooperation would impede the full expression of this mechanism: by giving preference to the provision of credit to members already active in the territory, People's Banks would discourage the market entry of businesses with greater growth potential.

What is wrong with this argument? There are two aspects. In the first place, those who think in these terms forget that efficiency is not a core characteristic, because a behaviour or an outcome can only be judged efficient after discovering the objective that the economic operator freely seeks to pursue. We should remember that Vilfredo Pareto, inventor at the start of the 20th century of the concept of economic efficiency, was very clear about the difference between efficiency-ophelimity (wantability) and efficiency-utility, meaning that an action efficient for the individual – first concept – might not be efficient for the system as a whole – second concept. However the subsequent development of economic analysis has merged the two concepts of efficiency - certainly not by mistake or lack of knowledge - so that now talk of efficiency only refers to the maximisation of profit (or shareholder value). It is clear, then, that a business such as a People's Bank with no intention to pursue this objective must be deemed inefficient. The fact that even illustrious scholars are unable to identify the dubious nature of this line of thinking is a matter of great concern.

The second consideration regards the answer to this question: who is responsible for defining the yardstick used to measure the efficiency of economic performance? Certainly not those who already hold dominant positions in the market: that would be like asking the host if his wine is good. Responsibility for this task can only be assigned to society as a whole, and not to an individual component, however strong and authoritative. And, in addition to efficiency, what other objectives could a mature society reasonably identify if truly placed in a position to decide? Three spring to mind immediately.

The first is to expand the space assigned to economic democracy. We know that political democracy cannot survive long unless supported by true economic democracy, as represented by a plurality of businesses operating in the market (this was already understood by Albert Gallatin, one of the signatories of the US Declaration of Independence, when he wrote in 1795: «The democratic principle on which this nation was founded should not be restricted to the political process but should be applied to industry as well»).

The second objective would be equity or social justice. It is pointless to tear our clothes in sorrow about the scandalous increase in inequality between social groups in a given country and, indeed, between different countries, if we also prevent businesses - including banks - from performing their function to mitigate this endemic increase in inequality.

In the season of globalisation, the pecuniary implications have taken on an importance unknown in previous times. By contrast with the technical implications, which create divergence between the private cost and the social cost of goods and services - think of a factory that pollutes the atmosphere

by emitting fumes - the pecuniary implications comprise the unexpected consequences of price changes. This means that the price system is not just a mechanism for the efficient allocation of resources, but also an invisible tool in the distribution of income and wealth. Accordingly, the pecuniary implications of globalisation – almost never mentioned by economists – represent the principal factor in the generation of social inequality. In this context, cooperation reduces the rampant strength of these pecuniary implications and, therefore, works to improve the situation via corrective justice.

Lastly, it is important to talk about the freedom to choose (as opposed to freedom of choice) the form of banking that a given community considers most responsive to its history and able to interpret its prospects for growth. Forbidding banking biodiversity, in the name of the brutal "one size fits all" principle, represents a blatant violation of the principle of freedom that a civil market economy should not and cannot tolerate.

Given all of the above, it is clear that the attempts made to silence the cooperative credit movement are terribly unwise, with followers of the false religion of efficiency arriving from different directions with specious arguments that seek to relegate People's Banks to insignificant market niches. This is why fighting to defend financial biodiversity means striving for an authentic victory by civilisation, which can never accept the sacrifice on the altar of efficiency, and therefore of growth alone, of such fundamental expressions of human life as democracy, equity and freedom.

It is time to conclude. My hope for Banca Popolare di Sondrio and all those who work for and with the bank is to remember the warning provided by Antaeus. Whenever the giant Antaeus, son of Poseidon and Gaia, managed to remain in contact with the earth, he was invincible against all adversaries – such was the power inherited from this mother. Heracles, an antagonist, realised the situation and managed to beat Antaeus by lifting him off the ground and crushing him in a bear hug. In our case, while Banca Popolare di Sondrio remains anchored to the earth – close to the real needs of its community, interpreting its desires and aspirations – it will have nothing to fear, regardless of the many Heracles that seek to divert the bank from its true mission. The best way to achieve this objective is to invest systematically in the corporate culture. T.S. Eliot, the celebrated 20th-century Anglo-American poet and writer, wrote that culture is like a tree. You cannot build a tree, you can only plant it, and care for it, and wait for it to mature.

Of course, I add, that means providing fertilizer and water, if you want it to grow fast and strong. And this is the secret of the success of Banca Popolare di Sondrio, to which I extend my congratulations.

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Letter to Stakeholders

RESPONSIBLE COMMITMENT

Banca Popolare di Sondrio has published a "Non-Financial Report" for the third consecutive year. This document responds to a mandatory requirement demanded by the legislator, but in our specific case simply photographs what we do every day as a "territorial bank" with "feet in the village" and "mind in the world".

Accordingly, this report just gives "flesh" to our "essence", as confirmed by the work performed for almost 150 years since our inception in 1871.

"Do sustainability" is just another way for Banca Popolare di Sondrio to present the multiple initiatives traditionally pursued in support of the territory and the community: in fact, it is sufficient to read our financial report carefully, once again, to follow what we have done as we seek, with zeal and great passion, to accomplish our corporate mission. On the social aspects, Banca Popolare di Sondrio is proudly and "intrinsically sustainable", not least by virtue of the self-analysis required by this document; however, undeniably, much work still needs to be done on environmental matters. The green economy has become a priority for financial institutions as well, with the complex struggle against climate change driving our sector to accelerate the measures adopted in all areas of corporate life.

Partly for this reason, we asked Stefano Zamagni, noted academic and international expert on the circular and civil economy, to make a contribution that analyses our document and serves as an introduction to this report. The outcome is a rich and highly explanatory text, which we invite our stakeholders to read with care and attention.

150 years, as we mentioned at the start. If we have come this far, with growing activism, it is partly because we have had the ability and strength to adapt to change: both physiological, arising over time, and - poor us - sudden and unexpected. As a consequence, we have developed the antibodies that, by enhancing our resilience, have assured continuity for our way to interpret the role of bankers. Of course, we remain fully aware of the fact that, downstream, our actions have effects on and consequences for the community in which we participate.

The ability of a country to hold together, something that unfortunately we have experienced first hand in recent months, working side by side to tackle the healthcare emergency, can only be confirmed by a deep sense of belonging to the community that promotes virtuous and cooperative behaviour.

Ethical and sustainable choices do not conflict with economic success, indeed they promote it over the medium to long term. This is because businesses also create social value, not just economic wealth. In this context, a new paradigm for doing business must draw inspiration from such guiding values as transparency and economic, social and environmental sustainability, as well as responsibility towards all stakeholders.

The bank – never more than now, at the start of 2020 – is an important driver and funder of the economy, while also playing a significant role as a social operator. An ever increasing and all-encompassing commitment to achieve an ambitious and virtuous goal: to create a "human-friendly" economy, not least for the benefit of future generations.

As Adriano Olivetti, enlightened entrepreneur, had occasion to observe «... there's a purpose to our daily efforts [...] and without early awareness of its nature, it's useless to hope that our work will be successful».

Sondrio, 8 April 2020

Mario Alberto Pedranzini
Managing Director and General Manager
of Banca Popolare di Sondrio

Methodological note

The Consolidated Non-Financial Report (hereinafter «NFR») of the Banca Popolare di Sondrio Group has been prepared in compliance with Legislative Decree (Decree) 254/2016 on the disclosure of non-financial information by certain large and public interest businesses, as well as with the Global Reporting Initiative Sustainability Reporting Standards, defined in 2016 by the Global Reporting Initiative (GRI), applying the “in accordance – Core” option. Additionally, the Financial Services Sector Disclosures, defined by the GRI in 2013, have also been adopted.

The Global Reporting Initiative (GRI) was established to help both public and private operators understand, measure and communicate the impact that their activities could have on the various dimensions of sustainability (economic, environmental and social) in all their different aspects.

The purpose of the NFR is to ensure an understanding of the Group's policies, organisational model, risks and performance indicators and the related results, with particular regard for the social aspects associated with the management of personnel, the fight against active and passive corruption and respect for human rights.

In order to address the suggestions made following the assurance work carried out on the last NFR, the Bank has started to document an ad hoc procedure that formalises the process of preparing the NFR.

This procedure dedicates particular attention to certain key aspects:

- the corporate structures involved;
- the scheduling of data and information flows;
- the first-, second- and third-level controls over the qualitative data and information collected;
- the calculation methodologies used to analyse and present data in the NFR.

This Consolidated Non-Financial Report was approved by the Board of Directors of Banca Popolare di Sondrio Scpa on 09/04/2020.

This document has been subjected to a limited assurance engagement carried out by EY S.p.A. The results of the checking procedures performed pursuant to art. 3, para. 10, of Decree 254/2016 and Consob Regulation 20.267 are contained in the auditors' report presented at the end of this document. The work was carried out in accordance with the procedures described in the above-mentioned auditors' report on the limited assurance engagement, applying the criteria indicated in standard “ISAE 3000 Revised”.

Principles underpinning the report

- **Inclusivity:** the expectations and interests of all parties that, in various ways, contribute to or are influenced by the activities of the Group are taken into consideration.



- **Context of sustainability:** the report on non-financial results takes account of the socio-economic context in which the Group operates as a People's Bank tied to the territory, as well as the matters of greatest significance to the sector concerned.
- **Completeness and simplicity:** the matters reported and the scope of the Report help stakeholders to form a complete opinion on the matters considered significant that have a social and environmental impact.
- **Transparency:** the Report describes the non-financial performance of the Group, indicating those areas in which the Group has achieved positive results and progression, as well as those where management has already identified room for further improvement.
- **Comparability:** the indicators are consistent with those previously reported, to allow performance to be monitored in a constant and reliable manner.
- **Accuracy and Reliability:** the data reported is collected directly, avoiding recourse to estimates wherever possible and giving preference to the quality of data over the volume of information. The data and information reported are validated by the managers of the relevant business functions, processed based on documents that evidence their existence, completeness and accuracy, and reviewed by top management.

Reporting period and perimeter

The reporting perimeter coincides with that of the consolidated financial statements, including therefore the companies consolidated on a line-by-line basis in the Financial Report. This makes it possible to understand the activities of the Group, its performance and its results.

Any scope limitations affecting specific indicators are identified and explained within the document. They are generally due to their negligible impact on the overall data reported, or to the unavailability of certain data in a few areas of the Group. These limitations do not compromise the reliability of the results and activities reported by the Group, as required by Decree 254/2016.

The reporting year is the whole of 2019, presented in comparison with the information for 2018 and 2017.

This edition of the Consolidated Non-Financial Report is also available on the website, at the link <https://www.popso.it/dichiarazionicarattere-non-finanziario>.

The Consolidated Non-Financial Report is prepared in accordance with current legislation including, in particular, the social and environmental requirements of Decree 254/2016 that are applicable to the Group.

The process of identifying material topics

During the year, the Group decided to revisit its material topics, being the non-financial information needed to understand its performance, results, overall situation, business policies (including the approach taken to due diligence, the results obtained by applying these policies and the related key performance indicators) and impact of its activities.

This work involved carrying out a materiality analysis that comprised 4 phases:

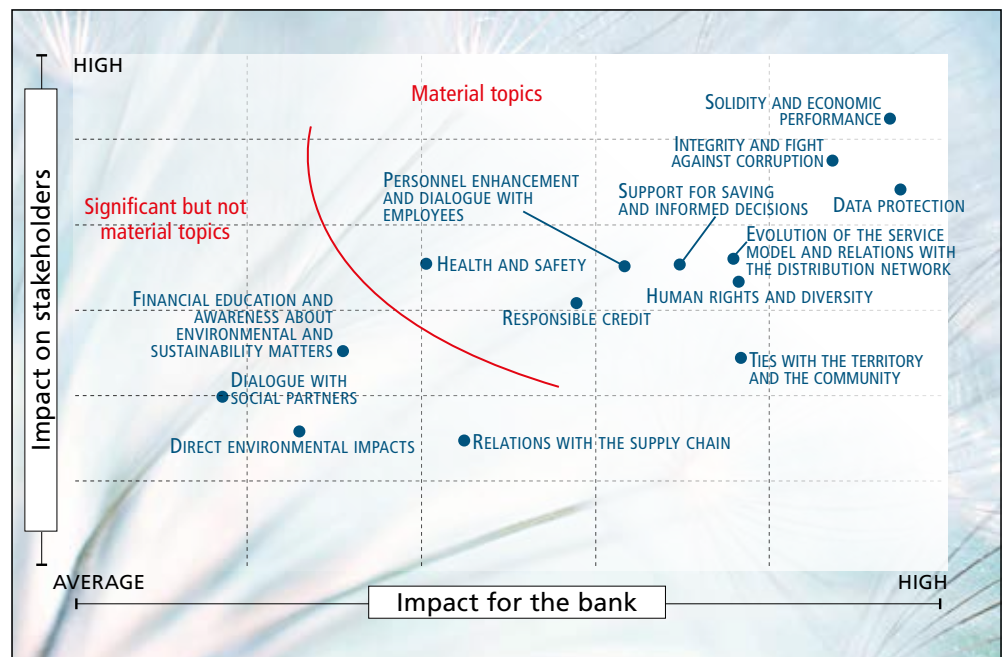
- *Identification of potentially material topics*: Material topics comprise those aspects that, on the one hand, are considered important by our stakeholders, because they could influence their expectations, actions and decisions, and that, on the other, could have a significant impact on the activities of the Group in economic or environmental terms. These topics were identified by analysing the international guidelines, including GRI publications, the values of the Banca Popolare di Sondrio Group and the sustainability reports issued by peers;
- *Prioritisation of material topics*;
- *Involvement of stakeholders*: as last year, central management was requested to rank (on a scale from 1 to 5) the importance of each material topic, for the bank and its principal stakeholders, in relation to the core business, strategies and communications of the bank. In addition, the materiality matrix for the 2019 Non-Financial Report was assessed by managers at two major subsidiaries: Factorit S.p.A. and SUISSA SA. This assessment process was also extended to two additional stakeholder categories, suppliers and employees, who were asked to complete a questionnaire (see the section entitled “Personnel enhancement and dialogue with employees” for more information about the questionnaire and the results that emerged);
- *Preparation of the matrix and validation*: the results obtained from all the above activities were consolidated and a new materiality matrix was prepared, agreed and validated by the General Manager. In order to satisfy the requirements of Decree 254/2016, the General Manager recognised the importance of continuing to report the direct environmental impact of the Group in the 2019 NFR, even though, albeit significant, neither management nor the stakeholders consider this to be a material topic.

The following table summarises the results of the various surveys of the topics identified as potentially material for the Group.

Topic	Topic considered material by management and/or the stakeholders
Solidity and economic performance	✓
Integrity and fight against corruption	✓
Data protection	✓
Support for saving and informed decisions	✓
Personnel enhancement and dialogue with employees	✓
Evolution of the service model and relations with the distribution network	✓
Human rights and diversity	✓
Health and safety	✓
Responsible credit	✓
Ties with the territory and the community	✓
Direct environmental impacts	✗
Relations with the supply chain	✗
Dialogue with social partners	✗
Financial education and awareness about environmental and sustainability matters	✗

The following matrix highlights, on the right, the significant topics that are deemed material by the Group. The material topics together form the materiality matrix of the Group and have therefore been reported on, by the working party, in the Non-Financial Report (NFR). The residual significant topics have only been reported on by the working party where expressly required by Decree 254/2016 being, in this case, the direct environmental impacts of the Group.

Group materiality





GRI CONTENT INDEX (GRI 102-55)

Disclosure	Description of indicator	Material topic	Pages	Notes on omissions
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102-14	Statement from the Managing Director		12	
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102-16	Values, principles, standards and norms of behaviour within the organisation		29, 81, 83, 87	
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102-18	Governance structure		35	
STAKEHOLDER ENGAGEMENT				
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102-47	List of material topics		44-45	
102-48	Effect of any restatements of information given in previous reports and reasons for them		21, 122	
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ECONOMIC PERFORMANCE: TOPIC SPECIFIC STANDARDS

GRI 201: ECONOMIC PERFORMANCE

103-1	Explanation of the material topic and its boundary	Solidity and economic performance	14, 102	
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103-3	Evaluation of the management approach		48, 51	
201-1	Direct economic value generated and distributed		49	

GRI 204: PROCUREMENT PRACTICES

103-1	Explanation of the material topic and its boundary	Evolution of the service model and relations with the distribution network	14, 100	
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204-1	Proportion of spending on local suppliers		78	

GRI 205: ANTI-CORRUPTION

103-1	Explanation of the material topic and its boundary	Integrity and fight against corruption	14, 104	
103-2	Management approach		83-86	
103-3	Evaluation of the management approach		83-86	
205-2	Communication and training about anti-corruption policies and procedures		85	
205-3	Confirmed incidents of corruption and corrective actions taken		86	

GRI 206: ANTI-COMPETITIVE BEHAVIOUR

103-1	Explanation of the material topic and its boundary	Integrity and fight against corruption	14, 104	
103-2	Management approach		83-86	
103-3	Evaluation of the management approach		83-86	
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices		86	

ENVIRONMENTAL PERFORMANCE: TOPIC-SPECIFIC STANDARDS*

GRI 301: MATERIALS

103-1	Explanation of the material topic and its boundary	Direct environmental impacts	15-16, 106, 122	
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103-3	Evaluation of the management approach		120-122	
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GRI 303: WATER			
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103-3	Evaluation of the management approach		120-122
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*With regard to the GRI environmental data provided on pages 18 and 19, the three-year period 2017-2018-2019 excludes the data for Banca Popolare di Sondrio SUISSA because certain inconsistencies and shortcomings were identified during the data collection phase.

The reporting process and calculation methodologies

The process of collecting data and information and drafting the NFR is coordinated and managed by the Parent Company, in collaboration with the representatives of the Group structures and companies responsible for the various areas involved in the document drafting process. Following appropriate adoption of the suggestions made following the assurance work carried out on the last NFR, BPS has started to document a procedure that formalises the process of preparing the NFR.

The following are the main calculation methods used:

- The accident frequency index is the ratio between the total number of injuries and the total number of hours worked, multiplied by 1,000,000.
- The severity index is the ratio between the total number of days lost and the total number of workable hours, multiplied by 1,000.

- The rate of absenteeism is the ratio between the days of absence during the reporting period and the total number of workable days in the same period.
- Direct energy consumption: the conversion factors used are those of the Italian Greenhouse Gas Inventory 1990 - 2015 - National Inventory Report 2017 Annex 6. The gas consumption figures include condominium utilities (i.e. so without a specific meter in the name of Banca Popolare di Sondrio), calculated as a percentage of the total condominium expense reported by the administrators, at 54% of the expense (as per benchmark analysis on the past 2015-2016). The consumption figures of the company car fleet have been obtained on the basis of annual fuel used, as per the fuel card registration associated with each vehicle. Consumption is derived from fuel expenditure, based on an average pump price published annually by the MEF.
- The emission factors used for the calculation of CO₂e (CO₂equivalent) emissions reported in this NFR are the following:
 - Direct emissions Scope 1: the calculation of the emissions is done on the basis of coefficients and formulas defined by ABI in the document entitled "Guidelines on the application in the bank of the Global Reporting Initiative (GRI) Environment Indicators, version G4", December 2017 version.
 - Indirect emissions Scope 2: The calculation of CO₂e emissions is based on coefficients of the ratio of consumption conversion/CO₂, CH₄ and NO₂ emissions, published by ISPRA and ENEA (according to indications defined by ABI in the document "Guidelines on the application in the bank of the Environment Indicators of Global Reporting Initiative (GRI), version G4", December 2017 version.
 - Other indirect emissions Scope 3: Emission conversion factors for business trips taken from the SKY Scanner and ECO Passenger portals for average travel journeys.
 - NO_x, SO_x and other significant emissions: conversion factors from 2017 SINAnet Report.
 - Indicator FS7 Monetary value of products and services designed to deliver a specific social benefit: in order to state this indicator correctly, the related Sae and Noga categories and certain counterparties were identified in collaboration with the colleagues at Prometeia; the following were taken into consideration:
 - Sae
 - Producers of support, recreational and cultural services
 - Producers of healthcare services
 - Other producers of healthcare services
 - Pension and social security institutions
 - Ecclesiastical and religious institutions and bodies
 - Institutions and bodies formed for support, charitable, educational, cultural, union, political, sporting, recreational and similar purpose

Noga

- Parishes and religious organisations
 - Healthcare organisations
 - Youth associations
 - Other activities by unclassified associations
- Indicator FS8 Monetary value of products and services designed to deliver a specific environmental benefit: the financial recipient of the funding was used as the driver for the calculation. This is known solely to BPS, as only the Parent Company analyses the instalment payments using a tool (Elise Engineering) that tracks the financial destination.
- purchase of photovoltaic installation
 - non-specific, for the purchase of PV installations.

KEY FIGURES

Total employees	3,279
% permanent employees	99%
Number of new recruits	214
Number of customers	600,000
Turnover (total income)	903 million
Total economic value distributed	613 million euro
Renewable electricity percentage (just Italian companies)	98%
Loans to customers (million euro)	33,132
Paper per employee (Kg/year)	162.77



BANCA POPOLARE DI SONDRIO: WHO WE ARE AND WHAT WE DO

SOLID, LIKE OUR MOUNTAINS

Our origins are roots in the heart of the Alps: we have served our territories and supported deserving customers since 1871.

A long history, based on mutual trust and fuelled by our passion for work, as well as by the constant attention paid to customers and their changing needs, with strong roots that have enabled us to expand our horizons.

Today, the expansion of our banking group reflects the synergies released by combining the capabilities of all our component parts.

Our objective is to create a complete network of support services for households, from the purchase of homes to the management of savings and support for both small and large firms, as well as from payment systems to credit management, without forgetting our innate focus on agriculture and the promotion of culture and the territory as a whole.

Over 500 branches, more than 165,000 members and 600,000 customers.

We work in Europe and the rest of the world, supporting our customers, for whom we strive to create value.



Our History



All citizens, however dressed up and contemporary, putting on an ultra-modern facade, retain certain ancient values that both represent their roots and shield them too. Only by saving and restoring the emblems of this “antiquity” can we sustain the progress made in the present. Unhappy is he who knows nothing of his history or simply forgets it. He will live as a stranger to himself.

(From the preface by Giovanni Arpino to *Images and messages*, Banca Popolare di Sondrio, 1987)



Knowing our past and our roots, understanding where we have come from – repeating, it seems, the message inherent in the cultural activities of Banca Popolare di Sondrio – enables us to recognise who we are and predict where we will go.





1871

Start of the Bank and opening of branches in Sondrio and Morbegno

EARLY 1900s

Until the 1970s, the Bank was constrained to a local presence; in fact, banks were required to remain in their home territories: **there were 18 branches and 2 seasonal desks**

1973

A representative office was opened in Milan and the first issue of *Notiziario* was published

1983

Banca Popolare di Sondrio started to collaborate with Arca SGR on the development of investment solutions most suited to the needs of customers

1990

A branch was opened in Rome

1991

A representative office was opened in Lugano and the Bank was listed on the Milan Restricted Market

1993

The F. Morani Service Centre was opened, to better manage and develop our IT and telematic systems

1995

Banca Popolare di Sondrio (SUISSE) was formed and the BPS Group took shape

Piero Melazzini became the Chairman of BPS

The SCRIGNObps portal was activated on the Internet with various e-banking and e-commerce applications



Recent developments

2010

Acquisition of Factorit Spa

2009

Listed on the main board

2007

The "Luigi Credaro" library was inaugurated"



2004

BPS became the only Italian member of Eurogiro

The popsoarte.it website was launched



2001

We became qualified intermediaries for the European Investment Bank

1999

Banca Popolare di Sondrio Suisse formed Popsosuisse Investment Fund SICAV

2014

Francesco Venosta became Chairman

2015

BPS Suisse reported a record profit, +73%

2016

Transformation into an Spa deferred

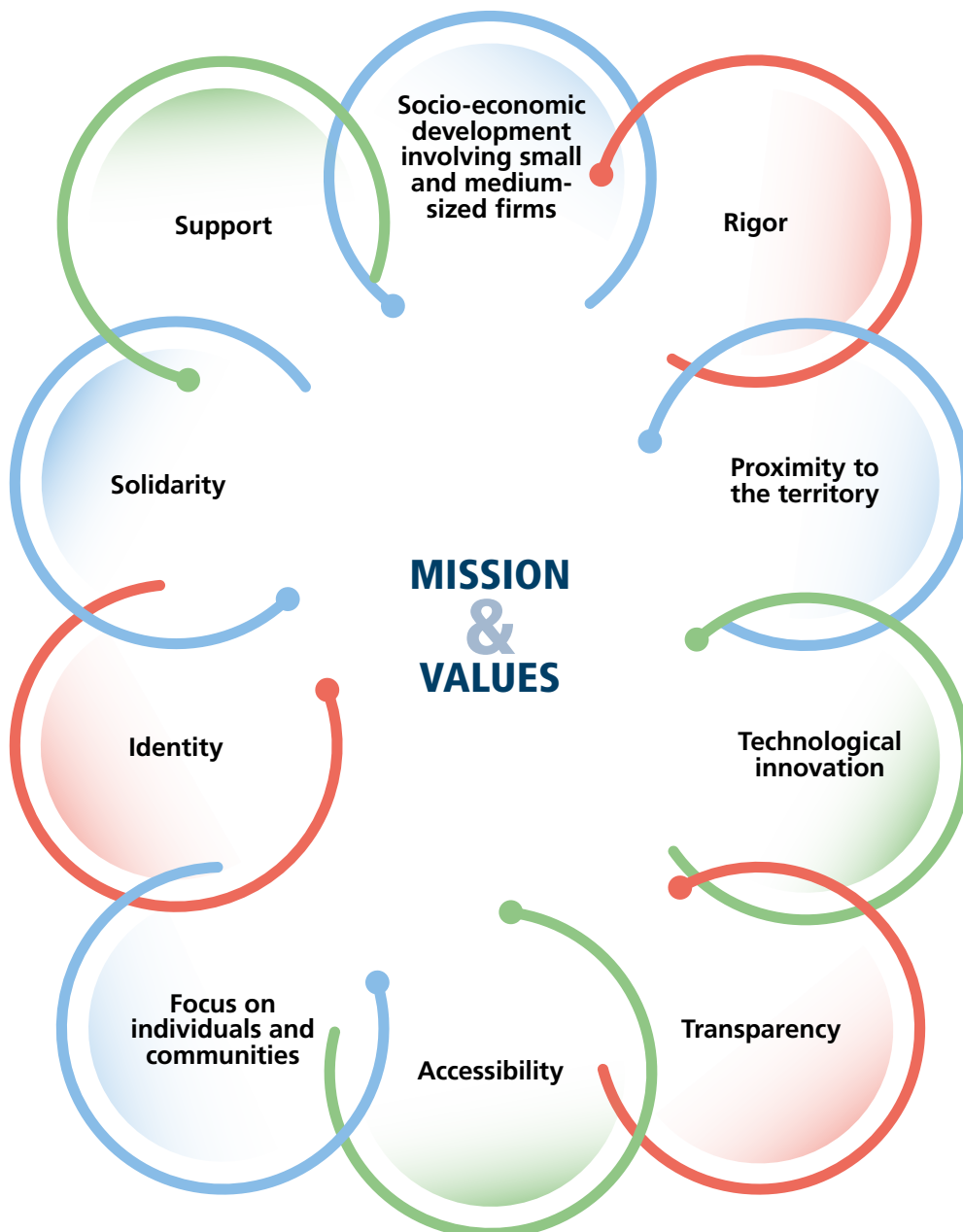
2018

Investment in Rent2go srl



The first thing for me is always to learn from what we do; it is extremely important for us - and part of our mission - to contribute, to the extent possible, not only to economic growth, but also to the cultural, civil and social development of the communities/territories in which we work. We expect to continue our steady, balanced and prudent growth, working as ever with reference to the core values of our bank, while ready for the stream of innovation brought by the market.

(Francesco Venosta, Chairman of Banca Popolare di Sondrio)





In addition to BPS, the Group comprises:

- **BPS (SUISSE) SA**, Swiss bank wholly owned by the Parent Company, formed in Lugano on 3 May 1995, with 20 operational units today – counting branches, agencies and desks – in Switzerland and abroad. Plus, of course, the Direct Banking virtual branch. The broad and diversified activities of BPS (SUISSE) cover all the sectors typical of a universal bank, operating in accordance with the philosophy of the Group: customer-centric banking;
- **Factorit spa**, which factors and manages the collection of trade receivables on a with- or without-recourse basis; it also grants advances on such receivables;
- **Sinergia Seconda srl**, active in the property sector, which mainly provides operational support for the activities of the Bank and other members of the Banking Group;
- **Popso Covered Bond srl**, a SPV involved in the issue of covered bonds;
- **Banca della Nuova Terra spa**, a company that supports the farming and agri-food and serves households and individuals with loans against the assignment of one-fifth of salary or pension and delegation of payment. BNT now also includes Prestinuova spa, a financial intermediary based in Rome that provides loans repayable via the assignment of one fifth of salary/pension.
- The following companies are also part of the Group, even though they are not members of the Banking Group: Pirovano Stelvio S.p.a., Immobiliare San Paolo S.r.l., Immobiliare Borgo Palazzo S.r.l. and Servizi Internazionali e Strutture Integrate 2000 S.r.l.

A GLANCE AT 2019



Ordinary Shareholders' Meeting, held on 27 April in Bormio: three thousand, five hundred members approve by a vast majority the financial statements reporting a net profit of 83.623 million euro



We help save 200 local jobs by rescuing Cossi Costruzioni, based in Sondrio. The successful outcome of this operation protected the loans made by the bank and avoided the bankruptcy of a long-established construction firm



Absorption of Prestinuova spa by Banca della Nuova Terra spa on 24 June 2019



In the context of the "Milano Finanza Global Awards 2019", we win the "Creators of Value" prize as the "Best Bank in the Lombardy Region" and the personal "Guido Carli/Lombard" prize as the "Best People's Banker"



Three new branches: Lissone branch 1, Milan branch 39 and Rome branch 38



Bucking the national trend, 163 deserving young people were hired in 2019



Monday 18 November, DBRS Morningstar completed its assessment process and awarded credit ratings to Banca Popolare di Sondrio for the first time. These ratings reflect the commercial strength of the bank, with leadership in the province of Sondrio and a good presence in Lombardy, supported by the good contribution made by our subsidiaries, especially in terms of diversification



Scope Ratings, a German agency, also assigned its first rating to Banca Popolare di Sondrio, positioning our investment grade status at "BBB - ". Positive outlook

BUSINESS MODEL AND BUSINESS STRATEGY



The economy and businesses need an ethic that puts the individual and the community centre-stage.

(Pope Francis)



While searching for the more profitable opportunities, we continued to support the real economy during 2019, both by investing and by leaving the deposits received in the territory, to the extent possible, via the granting of local loans and credit lines. The way we work demonstrates our ethical approach.

Our Swiss bank operated in a similar manner, remaining close to its local communities.

The solidity – equity, liquidity, human resources and technologies – and profitability of Banca Popolare di Sondrio are reflected in the figures and comparisons that, fairly enough, inspire confidence in our members and customers, many of whom have been with us for a long time.

Business strategies

The search for new products and services to make better use of all market opportunities continues unabated.

The Group continues to prefer strong and effective action, even if for a limited market, rather than going after a wider, but less incisive presence in a much larger market.

With regard to the development of new products and services, attention has focused particularly on the following sectors: mortgages, loans, asset management, services to international operators, on-line current accounts, current accounts for young people, credit cards, insurance policies and innovative products.

The market shares of the bank are growing in the «core» sectors of banking activity, being:

- deposits and loans;
- payment systems;
- administered and managed investments.

This result is attributable to a series of factors that include, without doubt, the "special" relationship that the bank is able to establish with new customers, while at the same time consolidating relations with existing customers.

The branch manager is an important point of reference for small savers, as much as for households and entrepreneurs. Playing an essential role, the branch manager is able to analyse the financial situation of customers, identify their needs and, with a sense of responsibility, guide their decisions, even at times of difficulty.

We believe that the cooperative banking model is underpinned by three elements that characterise its identity and have been internalised by Banca Popolare di Sondrio:

1. bank/member ties
2. business model
3. decentralised organisational model

These are fundamental elements of the philosophy that inspired the creation of People's Banks. Even during these recent turbulent years for the sector, this model - implemented internally with great professionalism and sound ethical values - has proven to be thoroughly modern and highly suitable for the conduct of business.



Products and services, a range that covers every need



Market

The Group is active in Italy and in Switzerland, via Banca Popolare di Sondrio (SUISSE) SA.

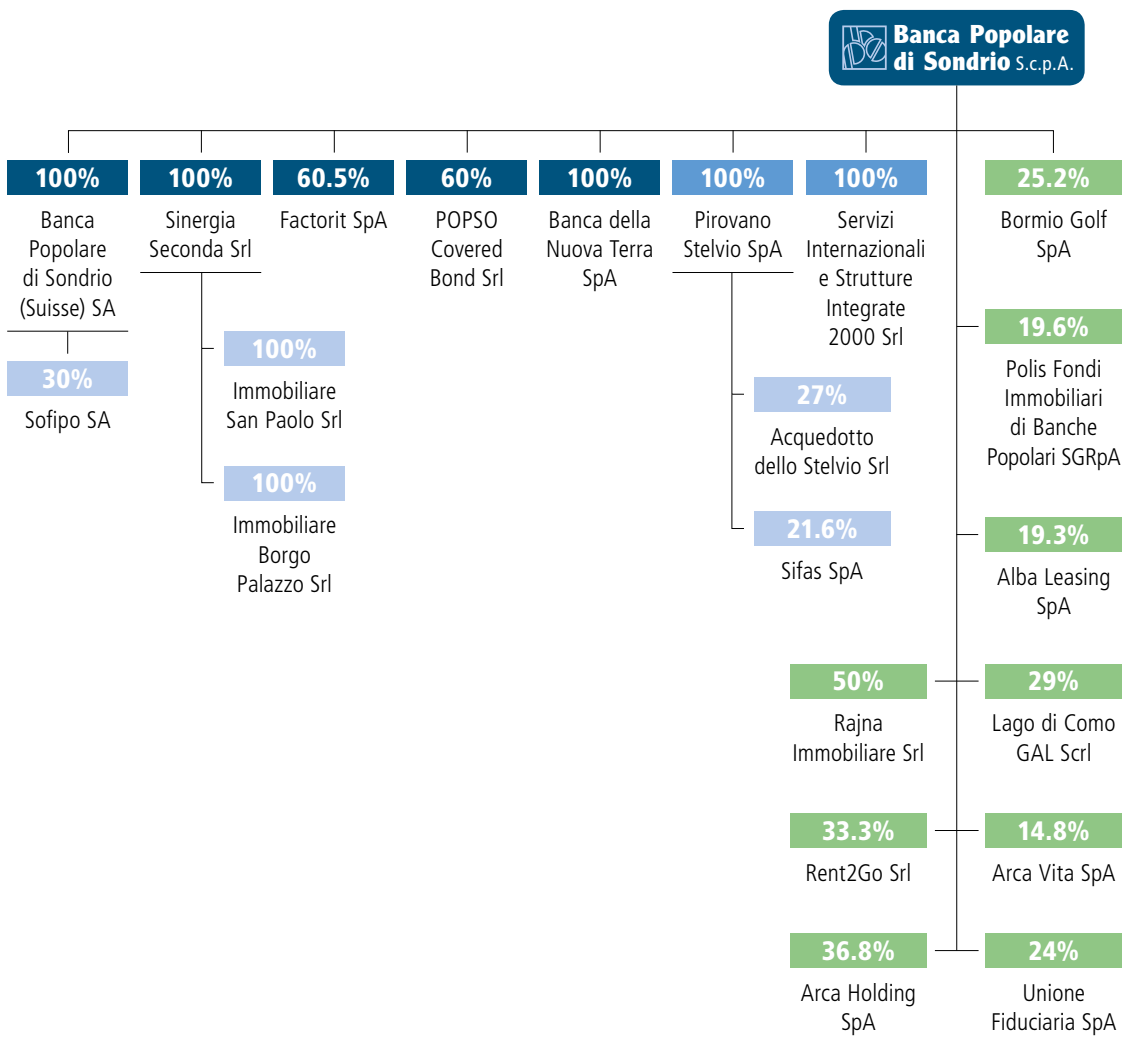
The Banking Group can count on:

- 346 branches located in seven regions of northern Italy, as well as in Rome and its province;
- 136 treasury branches for entities and institutions;
- 18 “SUISSE” branches in the Grigioni, Ticino, Bern, Zurich, Basel,

Neuchatel and Vallese cantons, as well the Direct Banking virtual branch in Lugano, the representative office in Verbier and the foreign branch in the Principality of Monaco.

Group structure

Further information on the Group's structure and equity investments can be found in the Financial Report from pages 44 to page 48, and on the website at this link <https://www.popso.it/informativa-societaria/bilanci-annuali-infrannuali/resoconti-annuali>.



- Banking Group
- Subsidiaries not belonging to the Banking Group
- Associated companies
- Associated companies/Indirect Subsidiaries

NPL - Non-performing loans

The collection of non-performing loans (NPL) is considered to be at risk for various reasons. We are making every possible effort to slim down this sector, giving it priority attention with strong action. Our coverage of these loans exceeds that of the banking system as a whole, although this does not reduce our commitment to improving it even further, by choosing to make the best loans. The objective is to reduce significantly the stock of NPLs, while also decreasing - since elimination is impossible - the flow of performing loans towards impaired status.

The downward trend by more than 2% per annum in the NPL ratio has brought us down to the 12.5% level, with the expectation of a reduction to around 9% following the planned bulk disposal.

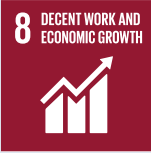




UN 2030 Agenda




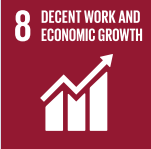

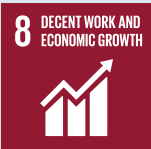


In 2015, 193 countries adopted the 2030 Agenda for Sustainable Development and the related 17 Sustainable Development Goals (SDGs), broken down into 169 targets to be reached by 2030. These objectives are based on the 8 Millennium Development Goals (MDGs), adopted in 2000, and address the most pressing global challenges: poverty, inequality, climate, environmental degradation, prosperity, peace and justice.






Thanks to the commitment made by BPS to create value for all stakeholders, via the adoption of measured strategies towards those topics considered most material, the bank makes a concrete contribution to several of the SDGs indicated by the United Nations.

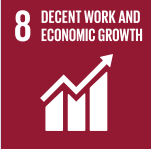

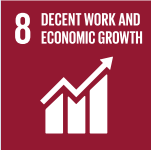

The following analysis associates the material topics identified with the UN SDGs and related goals (further information about how the Group contributes to the achievement of these objectives is provided below, in the respective chapters).

BPS material topics	Associated SDGs	Associated targets
Solidity and economic performance	8. Decent work and economic growth 	8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
	11. Sustainable cities and communities 	11.a: Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.
Integrity and fight against corruption	16. Peace, justice and strong institutions 	16.5: Substantially reduce corruption and bribery in all their forms. 16.6: Develop effective, accountable and transparent institutions at all levels. 16.7: Ensure responsive, inclusive, participatory and representative decision-making at all levels.
Personnel enhancement and dialogue with employees	4. Quality education 	4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
Data protection	9. Industry, innovation and infrastructure 	<i>Protection of the confidentiality and integrity of customer and employee data is ensured by specific operating functions which handle the operational and regulatory aspects. Information is a fundamental asset for the bank and is therefore protected by various levels of security depending on their value and the risks related to their treatment (known as "risk-based security").</i>



BPS material topics	Associated SDGs	Associated targets
Health and safety	3. Good health and well-being 	3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
	8. Decent work and economic growth 	8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
Responsible credit	11. Sustainable cities and communities 	11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. 11.b: By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement holistic disaster risk management at all levels.
	8. Decent work and economic growth 	8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
	15. Life on Land 	15.a: Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems. 15.b: Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation.
	7. Affordable and clean energy 	7.3: By 2030, double the global rate of improvement in energy efficiency.

BPS material topics	Associated SDGs	Associated targets
Responsible credit	1. No poverty 	1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.
	9. Industry, innovation and infrastructure 	9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
Ties with the territory and the community	11. Sustainable cities and communities 	11.4: Strengthen efforts to protect and safeguard the world's cultural and natural heritage. 11.a: Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.
Support for saving and informed decisions	1. No poverty 	1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance. 1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.
	10. Reduced inequalities 	10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

BPS material topics	Associated SDGs	Associated targets
Evolution of the service model and relations with the distribution network	8. Decent work and economic growth 	8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors. 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
Human rights and diversity	5. Gender equality 	5.1: End all forms of discrimination against all women and girls everywhere. 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. 5.b: Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women. 5.c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.
	8. Decent work and economic growth 	8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
	10. Reduced inequalities 	10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard. 10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

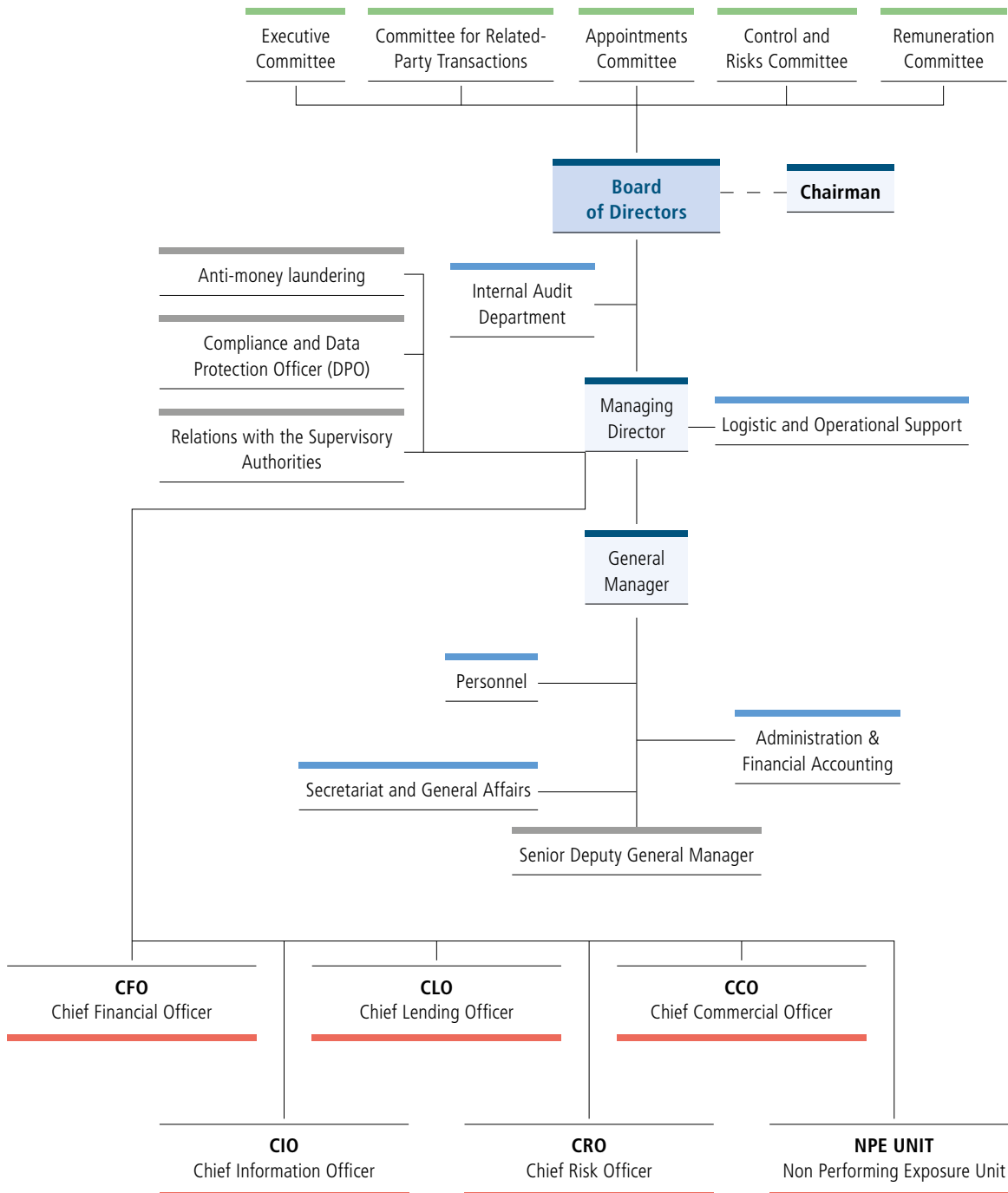
Participation in this initiative demonstrates the attention paid by Banca Popolare di Sondrio to the international call for efforts to tackle the most significant problems that we face in this moment in time.

GOVERNANCE

Banca Popolare di Sondrio adopts the traditional administration and control model.

Detailed information on the corporate governance system and the remuneration policy is provided on the bank's website at www.popso.it, in the section "corporate information".

The main administrative and management bodies are shown below.





RISK MANAGEMENT

The Group's approach to risk management is based on a culture oriented towards building awareness within the entire corporate structure of the critical issues underlying the emergence of adverse events, as well as the need to adopt behaviour consistent with the established internal policies and regulations, not least to protect the tangible and intangible assets of the Group.

Risk governance involves the collaboration of various Group structures, according to a system based on clear identification of roles and responsibilities and generally designed to ensure effective supervision of multiple risk events, through the constant monitoring of issues, as well as actual and potential vulnerabilities, and the identification of possible areas for improvement and mitigation.

The sustainability risks associated with corporate social responsibility are covered by the BPS risk management system, with particular attention to the aspects concerning operational and reputational risks, for which the Group adopts specific management models aimed at identifying, assessing, measuring, monitoring and mitigating potential risky phenomena and the related repercussions, including at an economic/financial and reputational level.

Operational risk is the risk of suffering losses from the inadequacy or malfunctioning of procedures, human resources and internal systems, or from external events; this category also includes losses caused by fraud, human error, operational interruptions, system malfunctions and downtime, contractual non-performance, natural catastrophes, and violations of laws and regulatory requirements.

Specifically, the qualitative and quantitative model adopted by the Group for the management of operational risk envisages, on the one hand, the identification and cataloguing of losses actually incurred in relation to operational risk events and, on the other hand, an estimate of the prospective risk that could potentially be incurred in carrying out company operations. Particular attention is dedicated to the control of legal (including conduct) and IT risks by systematically collecting evidence about payments (mainly compensation/penalties) consequent to legal and out-of-court proceedings and incidents involving ICT systems, as well as by the advance analysis of the risk profiles concerned.

With regard to reputational risk, the Group uses a management model exclusively of a qualitative nature, which identifies factors and events potentially prejudicial to the corporate image and assesses the related exposure in prospective terms.

Specific attention is also paid to the indirect reputational impacts of risks that arise. This involves constant analysis of the principal news disseminated by the mass media or published on the Internet, as well as any complaints/grievances expressed by customers, in order to obtain information about the reputational level enjoyed and ideas for the constant improvement of the services offered.

Analysis of the wealth of information obtained from the risk management processes performed makes it possible to identify how the most frequent and/or significant adverse events occur, as well as the areas in which the perception of risk is greatest, in order to guide the necessary corrective and mitigating actions.

Specific attention is paid to the evolution of the level of risk exposure, also in prospective terms, and, through the direct involvement of the company structures in which the risk phenomenon is generated or managed, to monitoring the progress of measures to strengthen existing controls for their prevention and mitigation.

MATERIALITY ANALYSIS

Materiality is a concept that requires firms to report information on the most influential aspects affecting their ability to create value over time, identifying the topics that are most significant for the business and its stakeholders.

The first step in recognising the sustainability of a business is **to define what is material**, being those topics and indicators that can reasonably be considered important in defining the **economic, environmental and social impacts of the organisation** or that, **by their influence over stakeholder decisions**, merit possible inclusion in a non-financial report.

Materiality corresponds to the **threshold** beyond which a topic or indicator becomes sufficiently important for inclusion in the reporting tool.

In order to address the topics specified in Decree 254/2016 in a more substantial, analytical and detailed manner, the BPS Group decided in 2019 to adopt an approach that is more compliant with the GRI Standards, selecting the «*In accordance-Core*» option.

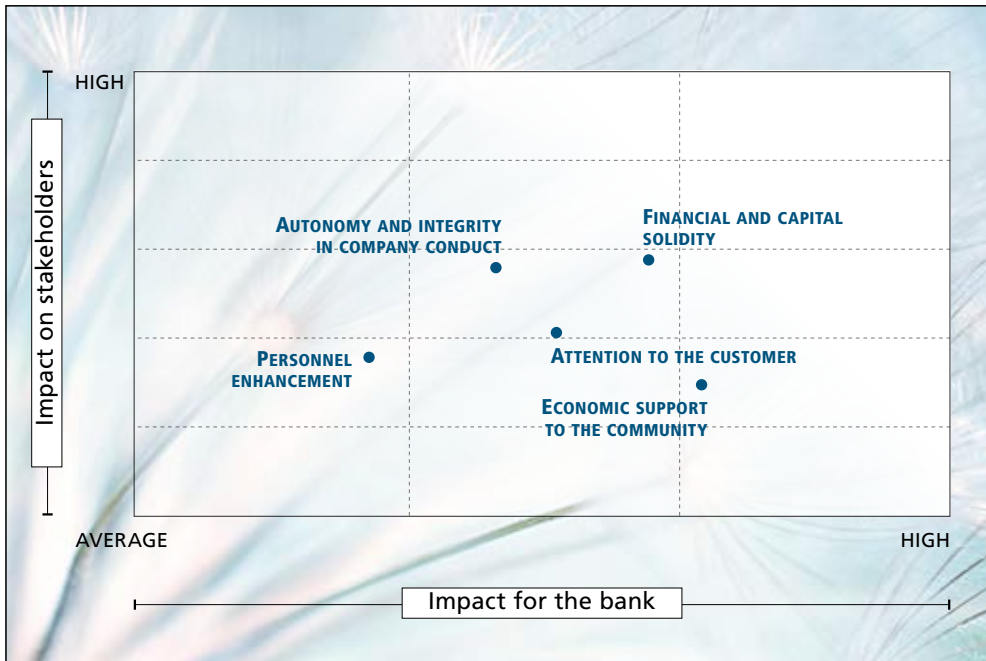
During the year, the Decree 254/2016 compliance team established by the Group continued to implement one of the improvements identified following publication of the first Non-Financial Report, being the need to involve other stakeholders in addition to Group management, so that their expectations can be included when preparing a more accurate and representative materiality matrix; this approach resulted in the identification of 10 material topics, which was almost double the number considered in the prior year; as a consequence, our reporting on non-financial matters is now more detailed, organic and strategic, in line with evolving market practices.

A responsible business understands that relations with the territory it serves are both strategic and central to its sustainability: stakeholder engagement is of fundamental importance in this context, as the tool for listening, dialogue and involvement that firms use with their counterparties in a spirit of mutual collaboration and responsibility.

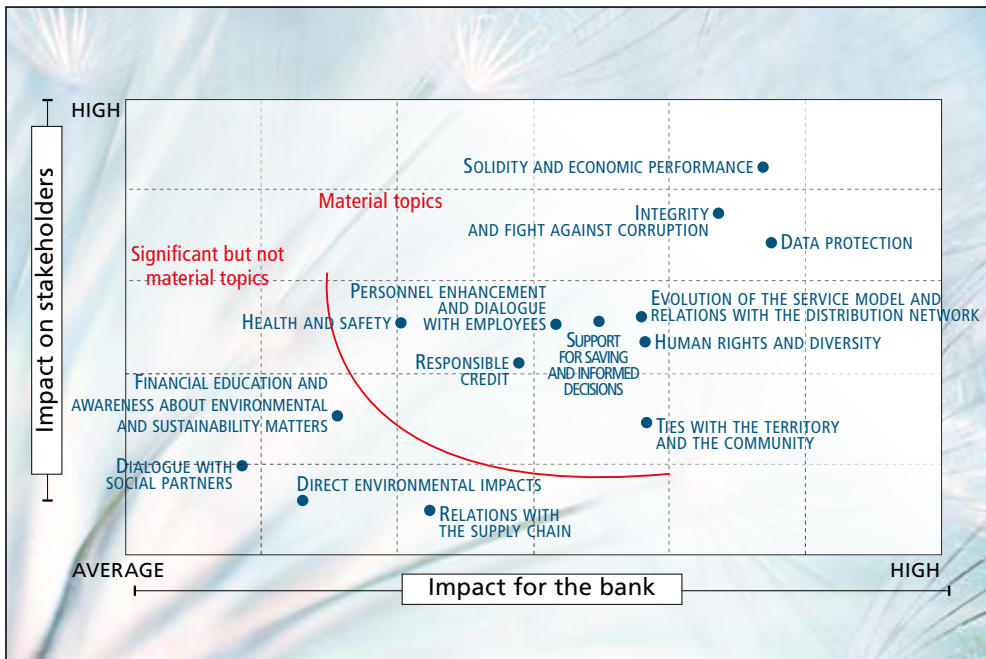
Two categories of stakeholder, employees and suppliers, were selected in 2019 and asked to complete a questionnaire in the autumn.

Since “Personnel enhancement and dialogue with employees” is a material topic, the results of the survey can be found in the relevant section of this report.

2018 Materiality matrix



2019 Materiality matrix





OUR STAKEHOLDERS

Clear, transparent and responsible communications

The Group dedicates much attention to the quality of relations with both internal and external stakeholders, seeking to understand their different points of view, expectations and needs and, consequently, adapt the services that are provided to them. This is achieved by taking a proactive approach towards the many counterparties encountered daily via numerous contact points: this constant dialogue, generating consensus and trust, is of strategic importance in the creation of sustainable value over time.

The Group is, in fact, fully aware that these occasions represent opportunities for mutual growth and enlightenment, laying the necessary foundations for long-term value creation. The principal channels and tools for interaction with the principal stakeholders identified are summarised below.

GRI STANDARD 101.1

Internal Stakeholders	<ul style="list-style-type: none"> • Press conferences • Shareholders' meetings • Media news • Digital channels • Materiality matrix questionnaire • Letter to the Shareholders • Web and Apps for mobile devices • Social activities and community work • Meetings with the Bank and the Networks • Roundtable discussions with trade unions and workers' representatives • Social support activities • Periodic documentation and detailed reports
Members	
Shareholders	
Employees	
Management	
External Stakeholders	
Communities and Markets	
Authorities and Institutions	
Customers	
Suppliers and Business Partners	



MEMBERSHIP OF THE UN GLOBAL COMPACT



I invite you, individually with your companies and collectively through your trade associations, to embrace, support and implement a set of key values in the areas of human rights, labour standards and environmental practices.

(Kofi Annan, Secretary-General of the United Nations, World Economic Forum,
31 January 1999, Davos)



Banca Popolare di Sondrio participates since 2004 in the "Global Compact" project launched in 2000 by the then UN Secretary-General, Kofi Annan, with the aim of creating synergies by involving the world of entrepreneurship and non-governmental organisations in the great challenges of humanity, in order to give further impetus to achieving the objectives of the millennium development.

The Global Compact encourages businesses throughout the world to create an economic, social and environmental framework within which to promote a healthy and sustainable global economy that enables everyone to share in the benefits. For this purpose, the Global Compact requests member firms and organisations to adopt, support and apply, within their spheres of influence, a set of fundamental principles relating to human rights, working standards, environmental protection and the fight against corruption.

Banca Popolare di Sondrio, always attentive to the issues of corporate social responsibility and the protection of moral and environmental principles, welcomed the invitation of the United Nations by signing up to the "Global Compact". In concrete terms, our Bank voluntarily files a report with the UN Office in New York on the progress we have made in implementing the principles of the "Global Compact", underlining the constant commitment of its Directors to uphold the social, ethical and environmental values that are inherent in the very nature of a "Cooperative bank".

Using the assigned area within the "signatory" section of the related official UN website, <https://www.unglobalcompact.org/>, the bank describes the compliance and improvement actions taken, with the presentation of an annual Communication on Progress (COP) (the document filed with the UN Global Compact is the same as the NFR of the Group, after checking that all the COP reporting requirements have been addressed).



A SUSTAINABLE ECONOMIC PERFORMANCE

SOLIDITY AND ECONOMIC PERFORMANCE

BPS has always been known for financial stability and the long-term vision that have enabled us to survive even the least happy moments in the economic history of Italy, assuring the maintenance of strong and lasting ties with the territories served.

Solid and positive economic performance underpins the sustainability of the organisation and ensures, as in the case of the BPS Group, the stability and financial security expected by our customers and members. It is no accident that the Banca Popolare di Sondrio Group and its stakeholders consider solidity and economic performance to be a material topic of primary importance.

Business was not easy in 2019, marked among other factors by the customs duty war between the United States and China and the ups and downs experienced in Italy. These events did not however stop the bank from continuing to support the real economy, investing and leaving the deposits received within the territory, in the form of local loans and lines of credit.

The profit for the year ended 31 December 2019 amounted to € 137.4 million, up by 24% from 110.8 million in the prior year.

The Group produces wealth contributing to the economic growth of the social and environmental context in which it operates and measures this wealth in terms of Value Added produced and distributed to its reference stakeholders. The representation shown is based on the standard drawn up by the Study Group for the Social Report and the guiding principles of the Global Reporting Initiative. The values shown here on a consistent basis over the years refer to continuing operations.

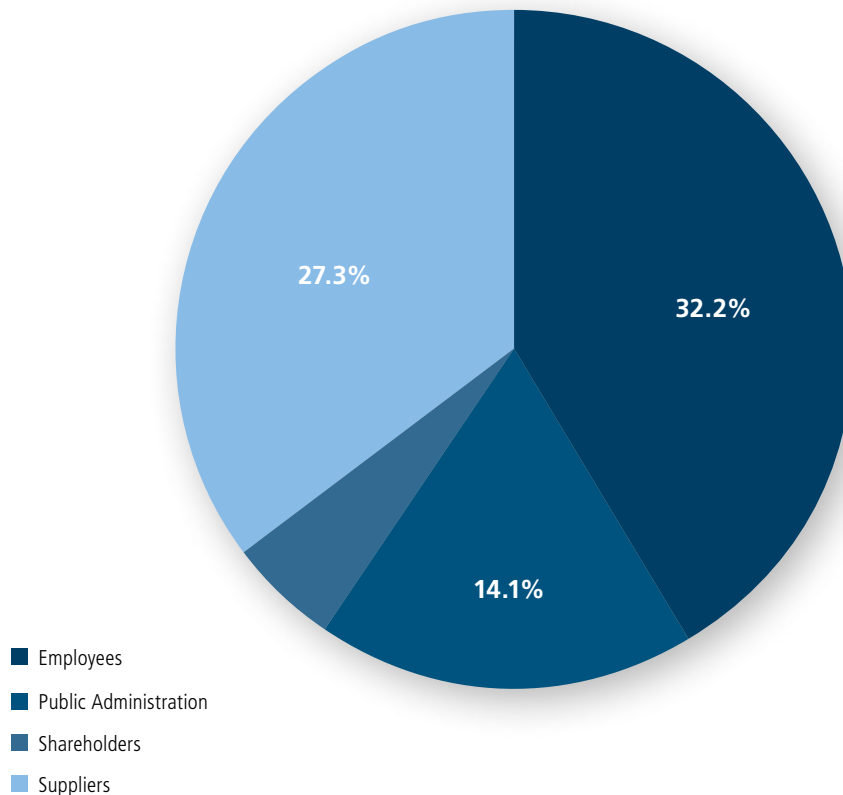
GRI STANDARD 201-1: Direct economic value generated and distributed

Economic value directly generated	UoM	2019	2018	2017
a) Revenue (Net sales + gains on financial investments and sales of assets)	€ thou.	789,191	710,501	786,433
Economic value distributed				
b) Operating costs (payments to suppliers, non-strategic investments, royalties and facilitating payments with a clear commercial objective)	€ thou.	215,804	227,648	223,963
c) Wages and employee benefits [total expenses for employees (current payments, not future commitments)]	€ thou.	253,689	240,542	245,170
d) Payments to lenders (all financial payments made to lenders of the organisation's capital)	€ thou.	0	22,669	34,087
e) Payments to the Public Administration (gross taxes) * the tax charges deducted from operating costs must be added to this caption, which does not include deferred taxes	€ thou.	111,489	82,414	121,664
f) Investments in the Community (voluntary contributions and fund investments in the community, including donations)	€ thou.	213	322	175
Economic value obtained				
Economic value generated less Economic value distributed	€ thou.	207,996	136,907	161,375



The Value Added produced in the year amounted to 789 million euro, an increase of 78 million euro compared with 2018.

With regard to the main reference stakeholders, the Value Added was distributed as follows:



Considering the ECB recommendation that banks should not distribute profits, but give priority to strengthening their capital as part of tackling the COVID-19 emergency, the bank has decided not to propose the payment of a dividend for 2019.

The Value Added produced was also reinvested in the Group in the form of depreciation and amortisation of the tangible and intangible assets used in the production process, as well as in the form of self-financing for the development and supply of new services to the territories and markets served.

An amount of around 0.2 million euro has also been allocated to local and national communities through donations and sponsorships.

RISKS ASSOCIATED WITH THE TOPIC

The Group attaches great importance to the constant management and control of risks, which are essential activities designed to safeguard its financial strength, credibility and reputation, consistent with the principles of healthy and prudent management and in compliance with the prudential supervisory instructions.

RISK: description	Control method
Risk that inappropriate strategic decisions might affect capital adequacy and the ability to source the liquidity needed to satisfy the contractual obligations accepted	Conduct of business founded on healthy and prudent management principles, in compliance with the prudential supervisory instructions
Risks of a reputational nature deriving from the erosion of financial strength or economic/ financial imbalances	
Risks of a reputational nature deriving from inadequate profitability/remuneration of capital or deficiencies in the products/services offered to customers	Conduct of business focused on the reliable and sustainable generation of value for all stakeholders
Risks of an operational (legal) nature deriving from inadequate profitability/remuneration of capital or deficiencies in the products/services offered to customers	

BROAD OWNERSHIP

The share capital of Banca Popolare di Sondrio amounts to € 1,360,157,331.00, represented by 453,385,777 shares.

The shareholder base consists of 165,982 members at 31 December 2019.

The mission of Banca Popolare di Sondrio is to express fully and actively its cooperative role in society. This is confirmed for example by the objective, constantly pursued, to expand membership in line with territorial expansion and the growth in volume, encouraging as much as possible the dual role of member and customer.



In this way, members - normally holders of small quantities of shares - participate in the affirmation of the bank by contributing work and, via positive referrals, new members and customers. These members invest in the shares of the bank for the long term, beyond any merely speculative intent, with the objective of consolidating over time and building on the highly satisfactory relations established.

The bank has dedicated much effort and resources to facilitate participation by members in its activities including, in particular, their attendance at shareholders' meetings.

The functions devoted to relations with the shareholders are carried out by the Secretariat and General Affairs Office and by the Shareholders' Office, under the supervision of General Management.

The Bank's website (www.popsi.it) contains a specific section dedicated to corporate information, in which important news items are made available to the shareholders.

TIES WITH THE TERRITORY AND THE COMMUNITY

A bank for the territory, in the territory

The Banca Popolare di Sondrio Group has always been committed to fostering the economic and social development of local communities and the areas where it has chosen to open a branch, with particular attention to households and SMEs.

Despite the challenging economic and financial conditions experienced over the past year, the bank has not rested on its laurels but, on the contrary, has worked intensively to deliver significant profits. The same is true for the subsidiary companies as well.

Acting with the necessary prudence, loans and lines of credit were granted to creditworthy households and businesses, while investing locally - the extent possible - the savings collected from the territories served.

Customers have also been able to diversify their investments, consistent with their expectations, financial experience and propensity to accept risk, which vary in each case: this is particularly true with regard to asset management and the many financial and insurance products that we offer.

Even in these difficult times, with many banks seeking to reduce their exposures, our Group remains faithful to its mission, which is to support the fabric of the local economy: with enthusiasm and prudence, we continue to select carefully our counterparties by evaluating the personal and entrepreneurial qualities of loan applicants, examining the sustainability and profitability of their projects, considering the information about them derived from our internal rating systems and other available data, and analysing the organisational and financial structure of the businesses concerned.

The rescue of Cossi Costruzioni, a company based in Sondrio, is worthy of mention. We were particularly active in this process, carried out in collaboration with other parties and achieved due to the decisive contribution made by the Salini Impregilo Group. The successful outcome of this operation protected our loans and avoided the bankruptcy of a long-established construction firm that represents well the abilities of Valtellinese entrepreneurs. The loss of almost two hundred local jobs was also avoided, safeguarding workers well known for their commitment and skill.

For us, it is normal to work with prudence, professionalism and commitment, with the people and for the people. This has enabled and will continue to enable us to deliver profits, even when the economic conditions are particularly challenging. Our way of working is always in the spotlight, even capturing the attention of the financial press. So much so, that we won two prestigious prizes at the “Milano Finanza Global Awards 2019”. The “Value Creators Prize” recognised us as the “Best Bank in the Lombardy Region”, while the personal “Guido Carli/Lombard Prize” was awarded to the “Best People's Banker”.

BPS SUISSE - THE TERRITORIAL BANK

- Local printing and production (km 0)
- Event and exhibition stands assembled by local firms (km 0)
- Where possible, signature of local management and maintenance contracts (windows etc.)



FS13: Access points in low-populated areas

Total value of loans granted for social purposes with respect to total loans granted in the reporting period (1)	UoM	2019	2018	2017
Total Group access points (treasury offices, branches, desks)	no.	484	484	483
Number of municipalities < 5,000 inhabitants served	no.	130	130	130
Number of access points in municipalities < 5,000 inhabitants	no.	135	135	135
	%	27.89	27.89	27.95
Number of access points in municipalities < 5,000 inhabitants closed during the year	no.	0	0	0
Number of access points in municipalities < 5,000 inhabitants opened during the year	no.	0	0	0

FS6: Percentage of the portfolio for business lines by specific region, size and by sector

Territorial distribution of the portfolio (1)	UoM	2019	2018	2017
North	%	69.95%	70.59%	70.28%
Centre	%	18.36%	19.02%	19.42%
Switzerland	%	11.69%	10.39%	10.30%
		100%	100%	100%
Distribution of the portfolio by size and type of customers (2)	UoM	2019	2018	2017
Micro businesses	%	14%	16%	15%
SMEs	%	21%	20%	20%
Large Enterprises	%	7%	7%	9%
Individuals	%	37%	34%	34%
Entities and institutions	%	21%	23%	23%
		100%	100%	100%

INITIATIVES IN SUPPORT OF CUSTOMERS

Birth support fund 2019 (formerly new borns fund)

Starting in November 2019, the "Birth support fund" guarantees loans granted to families with new born or adopted children from 1 January 2017 (as envisaged in the 2017 Budget Law).

This operation essentially "photocopies" a similar initiative taken in 2009 (for those born in the 2009-2011 period), which was terminated by the Ministry in 2014 and left dormant for more than five years.

The idea is to support families that have one or more children born or adopted from 1 January 2017 by granting them loans, on "controlled" terms and conditions, that are assisted by a surety - normally covering not more than 50% of the loan - issued by a government guarantee fund.

Agorà

Banca Popolare di Sondrio has always promoted personal relations with its counterparties, with a particular focus on the territory served in order to satisfy the specific needs of individuals and businesses.

Agorà is a virtual space on our website available to all those seeking a special relationship with Banca Popolare di Sondrio, enabling them to access specific content that may be useful in the daily lives of professionals and businesses.

The initial content made available by the bank was provided by the International Desk for businesses that operate abroad.

Courses for businesses

Periodically, the bank organises courses (free of charge) for customer businesses operating in international markets. These showcase the activities of the bank in foreign markets, in order to stimulate their international expansion and build customer loyalty, as well as to develop relations with operators that are not yet customers.

Advances against retirement indemnities

Since December 2017 we have made advances against the retirement indemnities (TFS) payable to public employees who have retired; these lines of credit, granted with recourse, are secured by assignment of the receivable represented by the retirement indemnity payable by INPS.

This product has been well received by customers, although execution times are often slowed by the response times of INPS, which are frequently much longer than officially envisaged.

A total of 42 (compared with 84) cases were completed during the year, involving the assignment of TFS totalling euro 2,707,000 (compared with 5.97 million), while the amount advanced - with an average duration of 33 months - was euro 2,352,000 (compared with 4.7 million); the average advance was 87% of the amount due to the applicants.

Moratorium for SMEs

The new "2019 Lending Agreement" came into effect on 1 January 2019, effectively relaunching government policies for the support of businesses (activated in 2009). Firms can apply for the suspension of payments on loans (already arranged at 15 November 2018), even if they have already benefited from this possibility in prior years, except if such suspensions were agreed within the past 24 months.

Specifically, the new measure envisages the suspension of principal payments and extension of the loan duration by up to 100% of the residual life (without the maximum limits previously imposed of 3 years for unsecured loans and 4 years for mortgage loans), while allowing banks to raise the interest rate by up to the additional capital cost incurred by the bank to complete the operation (only envisaged for suspensions resulting in an increase of not more than 60 basis points – previously the maximum increase was 75 basis points).

A total of 189 suspensions were agreed in 2019 (compared with 1,031 under the previous 2015 Recovery Agreement that was extended to 31/12/2018), with the deferral of principal on about 11 million euro of "suspended loans". In addition, a further 444 (compared with 404) suspensions were agreed "outside of the ABI measure", with the deferral of principal on about 125 million euro (compared with 34 million) of "suspended loans".

NOT JUST A BANK

The cultural activities of Banca Popolare di Sondrio have always sought to “listen” to the territory in which the bank has its “head, heart and feet”, with a view to promoting and enhancing the many naturalistic and other resources available to the community there; this expresses our *ties with the territory and the community*.

With regard to the cultural aspects that continue to receive the same level of attention and commitment as ever, it is important to highlight the importance of our Notiziario magazine, not least for the fame of our contributing authors, the diversity of the matters addressed and the appreciation expressed by its many readers. Among other content, the first issue of the year contained a substantial monograph on Umberto Veronesi, the top-flight Milanese cancer scientist and researcher, whose work represents a beacon of intuition and discovery that revolutionised the approach taken to this disease. This text also occupied the space dedicated to culture in the 2018 annual report of our Swiss subsidiary.



We participated in the sixth edition of the “Festival of creative culture”, devised and promoted by ABI, by organising a meeting at our “Luigi Credaro” library entitled “Intelligence – Among natural and technological evolutions, among minds and emotions, to understand ourselves and the future that surrounds us”, with the intention of commemorating the five hundredth anniversary of the death of Leonardo da Vinci. To mark the occasion, Mrs Raffaella Marzolla, owner of one of the 998 anastatic copies existing in the world of the “Atlantic Codex”, talked about Leonardo to several elementary school classes in Sondrio. This event followed on from the contribution made by the 2019 wall calendar, which was also dedicated to this major historical personality.

The conference held in our Sala Besta hall on 21 June by prof. Pinin Brambilla Barcilon, on the subject of the "Restoration of Da Vinci's Last Supper", rounded off the commemorations. The entire event was a huge success.



Again to mark the year dedicated to Leonardo da Vinci, the above-mentioned anastatic copy of the "Atlantic Codex" was displayed to the public attending our AGM.

At that meeting, members were given a special edition of the literary work entitled "The vineyards of Valtellina"; this volume describes

the efforts made by Valtellinese winemakers to produce quality wines that are known and appreciated everywhere. The work represents the culmination of a cultural experience that extended over a period of eight years, involving persons of different origins and extractions, which created new friendships and greatly enriched the lives of those most involved. The idea was born in 2010, thanks to the intuition that resulted in the creation of a team to investigate: the interrelation of landscapes and wines in Valtellina. The work, coordinated by Dario Benetti who acted as the point of reference and who authored a large part of the text and images contained in the volume, was carried out in the only way that landscapes can be read: sharing different knowledge and competences in order to answer the question: «What influence does this landscape, do these places, have on the taste and the quality of wine in Valtellina?».



Two conferences were promoted together with Arca SGR: one by prof. Marco Fortis entitled “Italy does not deserve another crisis”; the other by prof. Paolo Del Debbio, TV host, on the “Fiscal and economic ethics of Ezio Vanoni”. Both events were attended by large and attentive audiences.

By tradition, banks open their prime properties on the first Saturday in October, as part of the “Invitation to the Palace” initiative organised by ABI, so that the public can view the artistic heritage they house.

We opened our headquarters for the 2019 edition, together with the “Luigi Credaro” library and the Stelvio branch, which is also home to the “Carlo Donegani” history museum.

The 95th World Savings Day was marked on 13 December by the authoritative presence in Sondrio of Stefano Zamagni, emeritus professor of Policy Economy at Alma Mater Studiorum - University of Bologna.

He first spoke at the Policampus in the town to more than four hundred students and their teachers on “The need for happiness and the betrayal of liberatian individualism”, before holding an unforgettable public conference on “The importance of local development in the season of geo-politics” in our Sala Besta hall.

As usual, at year end we worked together with prof. Leo Schena to promote an important cultural meeting in Bormio on the subject of Albert Camus, 20th-century French author, philosopher, non-fiction writer and playwright, as part of the cycle dedicated to the winners of the Nobel Prize for Literature.

ABI Associazione Bancaria Italiana

Con la collaborazione di ACRI Associazione di Fondazioni e di Casse di Risparmio Spa

invito a Palazzo

ARTE E STORIA NELLE BANCHE E NELLE FONDAZIONI DI ORIGINE BANCARIA

XVIII Edizione

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PIROVANO

Although not one of the primary tasks of a credit institution, the inclusion of "Pirovano" in the Group - which took place in 1985 - forms part of its vocation as a territorial and cooperative bank. Its function is also to support the economic and social development of its components, enhancing its natural resources, on the one hand, and the creativity and entrepreneurial spirit of its business people, on the other.

The PIROVANO Ski School operates in the Stelvio Pass, at 2,760 metres, for the benefit of summer skiers. Faithful to the teachings of its founders, Giuseppe Pirovano and his wife Giuliana Boerchio who established it in the 1940s, the Ski School at the Stelvio Pass has become a real training ground for the human values of sport.

The entire complex comprises two hotels and a complementary range of sporting facilities. In addition to supporting as a hotelier the practice of summer skiing as its core business, Pirovano also promotes all aspects of mountain-related education, seeking via various activities to spread awareness about the inherent beauty of the Stelvio National Park. In this regard, a Virtual Reality Information Point about the Park has been opened within our Stelvio Pass branch, which is the "highest" in Europe.

Guest-days at Pirovano Stelvio increased by about 5% in 2019 compared with the 2018 season, while there was growth of more than 75% in short-term



holiday rentals; this last statistic must be considered in the light of the fact that apartment rentals only started at the end of March 2018, when 4 apartments were available compared with 9 in 2019.

Unfortunately, the activities of Pirovano Stelvio always need to take account of climate change, with increasingly strange meteorological events, as well as landslides and slips that created considerable problems during 2019; during the night between 31 August and 1 September, a landslide estimated at about 1,000 cubic metres of materials blocked the road from Bormio until 25 September, and the same stretch was later closed temporarily due to another landslip from 21 to 23 October 2019.

In recent years as part of a diversification process that takes account of the ever warmer summer conditions, Pirovano has developed new options for tourists including educational visits to the Stelvio National Park, not least to gain background awareness about the «Great War»; access to the wellness products of the Tesla School of Holistic Naturopathy, and encouragement for cyclists and motorcyclists to climb the «sacred mountain». This subsidiary combines a welcoming atmosphere and hospitality, with a particular emphasis on the eno-gastronomic aspect.

The three Stelvio access roads were closed to traffic on Saturday 31 August for the "Stelvio Bike Day", enabling people to climb the Stelvio Pass on foot or by bicycle with complete safety; Pirovani participated actively in this event, which was organised by the Stelvio National Park.



SPONSORSHIP AND DONATIONS

Once again in 2019, a year of lights and shadows, Banca Popolare di Sondrio made donations in multiple directions, helping needs of varying kinds, while nevertheless taking due account of the complex overall situation.

The gifts made by the Group were intended to generate additional value added, amplifying the benefit obtained by their recipients via small virtuous spirals that self perpetuate.

Multiple appeals were assisted from nursing homes, parishes, social support, humanitarian and voluntary bodies, recreation centres and religious institutions; from schools of all levels; from cultural, artistic and musical associations; and so on.

Many charitable initiatives included incentives to raise funds for important hospitals and organisations, being customers and "friends" of Banca Popolare di Sondrio that, among other activities, also carry out research in medical, scientific and other fields.

We also maintain «Solidarity Current Accounts», a category of account established many years ago that, again in 2019, resulted in donations being made to the following non-profit associations:

- AISLA–Associazione Italiana Sclerosi Laterale Amiotrofica
- Italian Branch of UNICEF
- AVIS–Associazione Volontari Italiani Sangue
- AIRC–Associazione Italiana Ricerca sul Cancro
- ADMO–Associazione Donatori Midollo Osseo

Donations*	UoM	2019	2018	2017
welfare organisations	€	49,950	35,451	77,080
humanitarian and volunteer institutions	€	30,194	23,174	21,520
cultural and artistic associations	€	12,360	21,800	3,500
recreational clubs	€	18,143	16,283	17,750
musical associations	€	16,188	1,885	1,100
schools	€	6,850	17,800	32,000
public entities	€	1,249	9,339	1,100
religious entities	€	27,347	18,416	9,800
trade associations	€	13,841	12,471	2,900
sundry other associations	€	36,476	165,386	8,500
	€	212,600	322,005	175,250

*the figure for donations also includes the amounts donated through the Solidarity Account

Sponsorships	UoM	2019	2018	2017
cultural and recreational associations	€	34,757	65,891	24,785
trade associations	€	17,793	15,019	12,669
religious Schools and Associations	€	14,343	18,856	62,196
sports and sundry other associations	€	146,432	174,324	301,332
	€	213,325	274,090	400,982

At the time of allocating the profit for the year, the bank - as a cooperative - sets aside an amount for donations that are evaluated by a specific charity commission.

During 2019, Banca Popolare di Sondrio SUISSA (SA) organised several “vernissage” linked to exhibitions of paintings and sculptures within retail outlets, continued to provide study grants to students at the Swiss-Italian Conservatory and supported the concerts given at the Morcote Classic Festival (explaining the difference in amount compared with prior years). The cultural insert in the 2019 Annual Report will be dedicated to Le Corbusier, architect and urban planner.

RISKS ASSOCIATED WITH THE TOPIC

RISK: description	Control method
Credit risks associated with the financial support provided to local entrepreneurs faced with economic difficulties/crises	Structured process for the granting and monitoring of credit based on analysis of the creditworthiness and solvency of the loan applicant (and maintenance of those requirements over time)
Reputational risks associated with the adoption of lending policies not properly designed to provide economic support to local communities and promote the territories served	Definition of debt restructuring plans or activation of measures to suspend/extend loan durations (e.g. SME moratorium) in favour of local businesses (and safeguard local employment) Adoption of policies for the economic support of the local entrepreneurs and to promote social and environmental conditions (cultural, sporting, religious, community solidarity...) in the territories served

Commitment to facilitate the economic and social development of local communities and the territories served, paying particular attention to households and SMEs, implemented in a manner consistent with the risk appetite defined at Group level via the application of targeted lending policies,

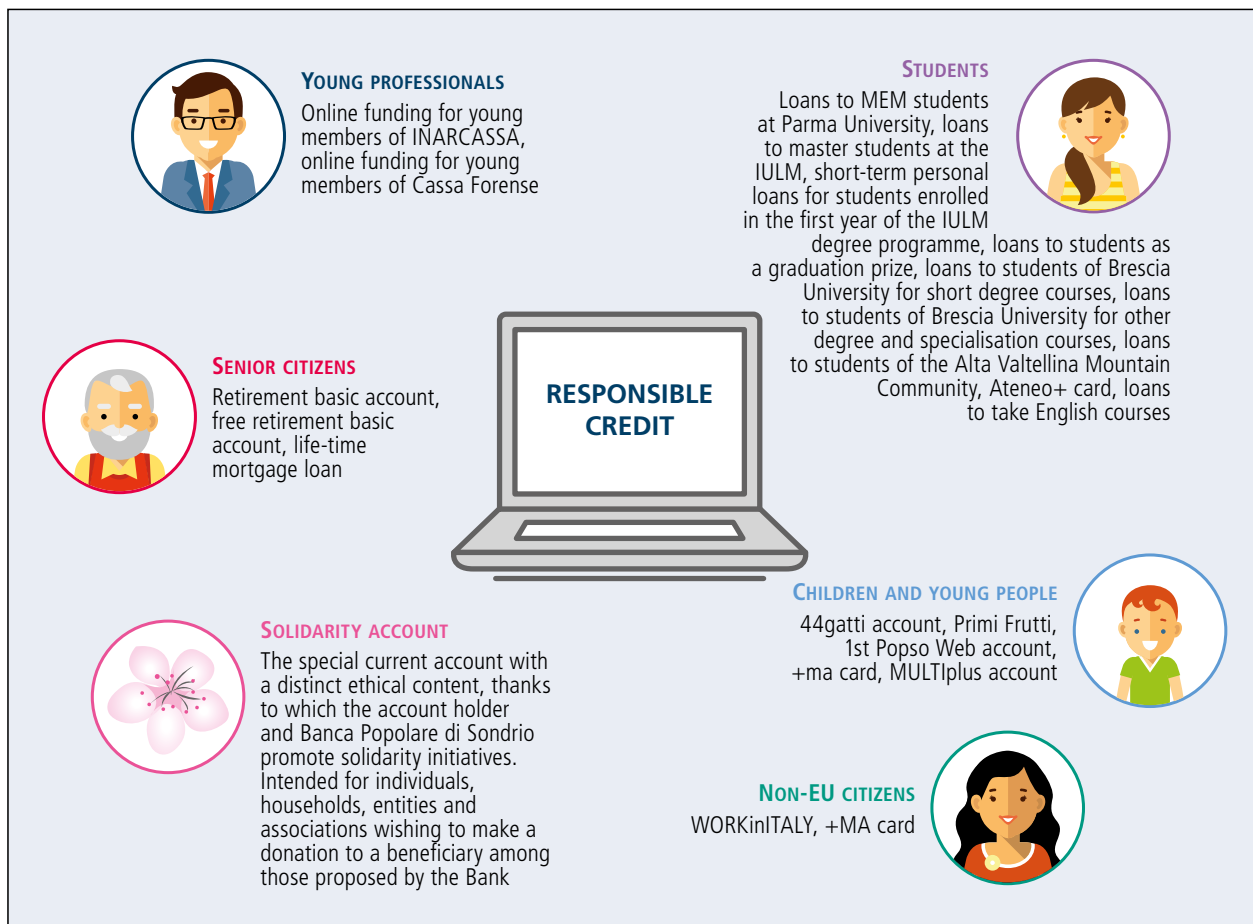


founded on mutualistic and supportive principles, with benefits in terms of reputation building and the prevention of future adverse situations.

Protection of the Group's reputation is also implicitly guaranteed by the pursuit of a corporate culture that is strongly rooted in the territory and enthusiastic participation in charitable and solidarity activities, as well as by the adoption of concrete measures to promote the naturalistic, cultural and artistic heritage of the communities that we serve.

RESPONSIBLE CREDIT

The Bank's financing activities pay particular attention to the disbursement of loans to the weaker categories of customers, trying to assist them with specially designed products. In particular, solutions to finance studies are dedicated to young people, often promoted in collaboration with universities or local authorities. The life-long mortgage loan (PIV), on the other hand, was designed to provide senior citizens with a form of financing that would allow them to supplement their income, improve their living standards and meet their liquidity needs by cashing in on the value of their property assets.



The loans granted by the Group have supported numerous economic initiatives, with beneficial effects for the environment and society. In particular, various entrepreneurial and private projects focused on technological innovation, the use of renewable energy or the more intelligent use of existing resources, in order to facilitate both urban and rural development.

The same is true for the support provided for property renovations, which seek to save energy and, of course, upgrade the housing stock.

In terms of funding, customers are always given all necessary support, including expert advice, when choosing between the various investments. This reflects our absolute transparency and respect for the propensity to accept risk of each person.

The catalogue includes ethical financial instruments and supplementary pension products too, which are essential these days in order to assure an adequate level of retirement income.

Entities and institutions are among the principal recipients of the Group's specialist services. Our offer - delivered through dedicated desks, traditional branches and, ever more frequently, electronic tools - is designed for both local entities and the numerous other institutions with which the Group has cooperated for some time. Without focusing on any particular segment, services are provided to small municipalities and to regional and national entities, as well as to local associations and to major non-profit organisations with an international outlook.

Laying down roots in each location is not a passing fad, but a deliberate decision to strengthen our ethos and build an organisational structure representative of the Group.



FS7 Monetary value of products and services designed to deliver a specific social benefit

The following data relates solely to the Parent Company, as the other Group companies have different catalogues

FINANCING FOR SOCIAL PURPOSES		2019	2018	2017
LOANS TO STUDENTS OF THE UNIVERSITY OF PARMA TO PARTICIPATE IN THE MASTER IN ENGINEERING MANAGEMENT (MEM)	Value of loans at 31/12 (€)	325,000	325,000	195,000
LOANS TO STUDENTS FOR IULM MASTER	Value of loans at 31/12 (€)	162,452	98,000	108,486
SHORT-TERM PERSONAL LOAN FOR STUDENTS ENROLLED IN THE FIRST YEAR DEGREE COURSE - IULM	Value of loans at 31/12 (€)	67,822	121,300	83,989
LOAN TO STUDENTS AS A GRADUATION PRIZE	Value of loans at 31/12 (€)	22,088	13,900	36,395
LOANS TO STUDENTS OF BRESCIA UNIVERSITY	Value of loans at 31/12 (€)	6,128	12,800	15,090
LOANS TO STUDENTS OF BRESCIA UNIVERSITY FOR OTHER DEGREE OR SPECIALISATION COURSES	Value of loans at 31/12 (€)	56,104	78,500	113,593
LOANS TO STUDENTS OF THE ALTA VALTELLINA MOUNTAIN COMMUNITY	Value of loans at 31/12 (€)	168,680	160,000	110,500
LOANS FOR CHILDREN AND YOUTH TO TAKE ENGLISH COURSES (promoted from September 2018)	Value of loans at 31/12 (€)	8,977	8,770	–
ON-LINE LOANS FOR YOUNG PEOPLE REGISTERED WITH INARCASSA	Value of loans (€)	100,000	480,000	390,000
ON-LINE LOANS FOR YOUNG PEOPLE REGISTERED WITH CASSA FORENSE (promoted from 2017)	Value of loans (€)	1,730,000	2,600,000	3,210,000
LIFE-LONG MORTGAGE LOAN	Value of loans (€)	2,740,000	3,350,000	6,680,000

COMPARISON OF ALL RELATIONSHIPS	2019	2018	2017
Active +MA cards	60,249	43,345	37,005
Active Ateneo+ cards	149,158	117,722	91,488
Current accounts (natural persons + joint accounts)	377,969	367,989	360,994
Savings books (natural persons + joint accounts)	34,630	35,782	44,520
Total relationships	622,006	564,838	534,007
RELATIONS WITH WEAKER MEMBERS OF THE COMMUNITY	2019	2018	2017
Active +MA cards <25 years old	17,846	15,773	14,839
Active Ateneo+ cards	149,158	120,723	95,643
Current accounts (natural persons + joint accounts)	15,693	12,097	8,730
Savings books (natural persons + joint accounts)	13,365	12,910	12,781
Total relationships	196,062	161,503	131,993
Percentage comparison	31.52%	28.59%	24.72%

FACTORIT SPA, leader in the Italian factoring market

Factorit Spa seeks to retain the loyalty of banking customers by providing a range of synergistic services that complement the traditional products offered by its shareholder institutions. Maximum attention is dedicated to the requests received from customers: this involves constant technological innovation, sourced and managed internally (web factoring, digitalisation of documentation, both internal and customer facing), as well as streamlined, rapid and flexible operations, in order to create new products in various economic sectors that meet customer needs in terms of funding, guarantees and the management of trade receivables.



FS7: Monetary value of products and services designed to deliver a specific social benefit

In order to report this indicator properly, the amounts relate to loans to specific Sae and Noga categories (see the methodological note for further information about the calculation methodology). The data used for this indicator is presented in two tables: the first contains BPS and SUISSE data, while the second just Factorit data, because different calculations are made.

Total value of loans granted for social purposes with respect to total loans granted in the reporting period	UoM	2019	2018	2017
Total loans to customers	€	18,201,432,501.01	16,638,356,759.89	16,432,561,779.87
Loans for social purposes	€	198,076,278.94	181,163,115.99	190,392,454.32
Percentage of total loans granted for social purposes with respect to total loans granted	%	1.09%	1.09%	1.16%

**the above data relates to BPS and SUISSE*

Total value of loans granted for social purposes with respect to total loans granted in the reporting period	UoM	2019	2018	2017
Total loans to customers	€	2,355,644,095.25	2,324,663,000.50	2,410,480,145.61
Loans for social purposes	€	14,171,433.17	1,019,970.43	36,361,318.37
Percentage of total loans granted for social purposes with respect to total loans granted	%	0.60%	0.04%	1.51%

**the above data relates solely to Factorit*

FS8: Monetary value of products and services designed to deliver a specific environmental benefit

The financial recipient of the funding was used as the driver for the calculation of this indicator. This is known solely to BPS, as only the Parent Company analyses the instalment payments using a tool that tracks the financial destination (purchase of photovoltaic installations).






Total value of loans granted for environmental purposes with respect to total loans granted in the reporting period	UoM	2019	2018	2017
Total loans to customers	€	18,201,432,501.01	16,638,356,759.89	16,432,561,779.87
Loans for environmental purposes	€	36,378,754.68	42,400,385.21	42,354,034.90
Percentage of total loans granted for environmental purposes with respect to total loans granted	%	0.20%	0.25%	0.26%

SOLIDARITY ACCOUNT

Since 1996, Banca Popolare di Sondrio has given its customers the chance to open an account with an ethical background, as evidence of BPS's vocation for solidarity.

In particular, through the Solidarity Current Account, the bank undertakes to donate to charity each year a sum based on the average annual amounts deposited on these accounts.

It was designed for individuals, families, entities and associations wanting to make a donation to one of the beneficiaries proposed by the Bank: UNICEF, Associazione Italiana per la Ricerca sul Cancro (AIRC), Associazione Volontari Italiani del Sangue (AVIS), Associazione Donatori Midollo Osseo (ADMO) and Associazione Italiana Sclerosi Laterale Amiotrofica (AISLA). The Solidarity Current Account can be requested at any branch of Banca Popolare di Sondrio: the objective is to increase the donations to important charitable institutions.

	ASSOCIATION	2019	2018	2017
	A.I.R.C.	30,000	25,640	21,810
	UNICEF	15,000	13,950	11,760
	AVIS	3,000	2,520	3,080
	ADMO	3,000	3,430	4,190
	AISLA	3,500	3,710	3,760
	Total	54,500	49,250	44,600

COLLABORATION WITH ETICA SGR

The peculiarity of Etica SGR lies in the fact that it is the only Italian SGR to establish, promote and manage exclusively socially responsible mutual funds, which combine financial analysis with an environmental, social and governance assessment. Following these principles, Etica Sgr has developed a security selection process aimed initially at excluding governments and companies involved in controversial activities. Then it identifies the most virtuous experiences based on an analysis of the social, environmental and governance aspects of the issuers.

Only issuers with a suitable qualitative profile and quantitative score can be considered investable by Etica Sgr. This responsible investment strategy is implemented by dialogue between Etica Sgr and the management of the businesses in which the active shareholders and funds both invest and exercise their voting rights.



Etica Sgr offers six mutual funds that make ethical investments:

- *Etica Obbligazionario Breve Termine*
- *Etica Rendita Bilanciata*
- *Etica Azionario*
- *Etica Obbligazionario Misto*
- *Etica Bilanciato*
- *Etica Impatto Clima*

Etica Impatto Clima, launched at the end of 2018, is a new balanced fund dedicated to investments that facilitate the development of a low-carbon economy with a low impact on climate change. The fund invests in securities with a strong sustainability profile, focusing on issuers that deliver good results or, in any case, that are deeply committed to decarbonisation via the reduction of carbon dioxide emissions.

Etica also promotes microfinance projects: whoever subscribes to the Etica SGR's Responsible Values funds can choose to devolve 0.1% of the subscribed capital (1 euro every thousand) to a fund managed by Banca Popolare Etica that guarantees micro-finance projects in Italy and which supports crowdfunding initiatives with a high social and environmental impact, again in Italy. Etica SGR and Banca Popolare di Sondrio offer - also through SCRIGNO Internet Banking - the chance to invest in government bonds and companies that are committed to respecting the environment and human rights by subscribing to the Responsible Values Funds. The securities selected for the Responsible Values Funds are chosen according to social and environmental criteria, not only on the basis of financial valuations.

Ethical funds	2019	2018	2017
Assets on deposit (mn €)	459	369	351
Number BPS customers subscribers of Etica SGR funds	13,108	11,042	10,113

WORLD SAVINGS DAY

As always, we celebrate World Savings Day with events for young people, students and the public in general. This is because we believe it only right and proper to remind everyone about the importance of savings - the raw materials of banks - without which lending would be impossible.



Saving is the key tool for imagining the future of our country and humanity as a whole.

(Francesco Profumo, Chairman of ACRI)



This year, the World Savings Day reached its 95th edition and was marked by the presence in Sondrio on 13 December of Stefano Zamagni, adjunct professor of International Political Economy at Johns Hopkins University, Bologna Center, who was previously a full professor of Political Economy at Alma Mater Studiorum - University of Bologna.

In the morning, he spoke at the Policampus to senior pupils from schools in the province of Sondrio about “The need for happiness and the betrayal of libertarian individualism”, while in the evening he addressed the public at our headquarters on “The importance of local development in the season of geo–politics”.

RISKS ASSOCIATED WITH THE TOPIC

RISK: description	Control method
Credit risks associated with granting loans to disadvantaged/weaker categories of the population with doubtful creditworthiness or excessive indebtedness	Structured process for the granting and monitoring of credit based on analysis of the creditworthiness and solvency of the loan applicant (and maintenance of those requirements over time)
Credit risks associated with granting loans to parties operating in countries/sectors exposed to significant socio-environmental risks	Recourse to “assignment of one-fifth of salary/pension” and “delegation of payment” products offered by Banca della Nuova Terra to customers not eligible for standard forms of credit
Reputational risks associated with granting loans to parties operating in countries/sectors exposed to significant socio-environmental risks	Analysis of the qualitative profile of the loan applicant and the product sector concerned, in compliance with internal regulatory requirements and the principles embodied in the Code of Ethics



The adoption of lending policies founded on the principles of financial inclusion and support for the weaker segments of the population is core for the Group, generating benefits in terms of brand recognition and reputation. The application of this approach is balanced by solid analysis of creditworthiness in order to control the related insolvency risks (and potential impact on capital adequacy).

Special attention is dedicated to analysing the qualitative profile of the loan applicant and the product sector concerned (with particular reference to the destination countries and/or the sources of the funds and the counterparties involved), working in full compliance with internal regulatory requirements and the principles embodied in the Code of Ethics.

SUPPORT FOR SAVING AND INFORMED DECISIONS

ESG INVESTMENTS

The financial investments sector has been overtaken by radical and rapid changes in recent years. The phenomena with the greatest impact undoubtedly include the development of an “ethical approach” to investment, based on the addition of ESG (Environmental, Social and Governance) criteria to the traditional evaluation algorithms of a strictly financial nature. The idea is to pursue a long-term “sustainable finance” model, in which the principles of environmental responsibility, human rights and business and State governance mechanisms are considered alongside the more established “profit-based” quantitative logic.

Consequent to the affirmation of these principles, the asset management sector has developed new products capable of addressing the ever more sophisticated demand for greater awareness and consistency when making investment decisions.

Our bank can draw on considerable experience in this area, which commenced more than a decade ago with “ethical” institutional asset management. The banking portfolios increasingly include securities and financial instruments (mutual funds) certified as socially responsible investments (SRI) and the related portfolio analyses take the above parameters into account.

Our asset management range includes the “GPF Dinamica Bilanciata 30% Valori Responsabili” line (only available to natural persons and non-commercial bodies), the investment policy of which is to seek and select issuers (States and businesses) that care about human rights and the environment, or whose activities are consistent with the principles of the Catholic religion.

From an operational standpoint, this line mainly invests in the mutual fund units of Etica Sgr and Christian Brothers Investment Services (CBIS).

FS11: Percentage of assets subject to environmental or social screening

	UoM	2019	2018	2017
Total assets managed	€	5,578,016,992	5,206,860,429	5,233,574,803
Total assets managed that are subject to environmental or social screening	€	731,307,818	593,339,574	557,657,239
Percentage of assets subject to environmental or social screening	%	13.11%	11.40%	10.66%

This data does not include Banca Popolare di Sondrio SUISSE, for which a separate schedule has been prepared. Social and environmental screening is applied since the sustainability rating issued by Sustainalytics.

	UoM	2019
Total assets managed	€	425,614,665
Total assets managed that are subject to environmental or social screening	€	4,579,904
Percentage of assets subject to environmental or social screening	%	1.08%

The above data relates solely to Banca Popolare di Sondrio SUISSE SA, which only started along the path of responsible asset management during 2019. This explains the absence of prior-year information. The data relates to a well defined line of asset management mandates that was launched in 2019.

FS7 and FS8: Monetary value of products designed to deliver a specific social or environmental benefit

	UoM	2019	2018	2017
Total monetary value of the "GPF Dinamica Bilanciata 30% Valori Responsabili" line - FS7 and FS8	€	42,694,733.00	42,571,534.00	44,300,504.00
Total monetary value of Fondo Etica Impatto Clima - FS8	€	27,082,092.23		
Total monetary value of Es Fondo Etica Bilanciato - FS7 and FS8	€	87,416,698.19		

FS15: Policies for the fair design and sale of financial products and services

The BPS Group makes a constant commitment to offer products and services suitable for informed investment, accompanied by proper and complete information about each of them.

In order to ensure that financial products and services are marketed and sold to high-risk segments (elderly, immigrants, financially illiterate) in a responsible manner, the Group provides clear and transparent support during the selection of financial products.



As stated in the Code of Ethics, *«each operator strives to safeguard the rights and interests of customers by, in particular, working to reduce any information asymmetries regarding the products and services offered to customers or requested by them. The bank recognises as a reference value the decision-making independence of customers.*

Each operator also strives to comply with the internal rules and objectives established by the bank, in the knowledge that - in all cases - no exceptions are tolerated, even in order to achieve the budgets targeted».

When meeting customers, the bank makes recommendations intended to guide and optimise the composition of their portfolios over the medium-long term, in a manner consistent with the knowledge, experience and investment objectives communicated to the bank via the “Financial Questionnaire”.

Employees are required to confirm, in the manner established by law, the identity of the persons who contact them. Customers may be requested to collaborate in this regard, both in their own interests and to prevent improper use of the banking and financial system, in compliance with current legislation. Customers are given appropriate assistance in order to improve their use and understanding of the products and services provided or commercialised by the bank, as well as suitable information about the economic conditions applicable to the products and services offered. Transactions are carried out using specific procedures that protect the confidentiality of the data and information requested or received.

In order to ensure that the policies and principles governing the interests of the bank and its employees are aligned with the interests of customers, the Board of Directors has established a management committee responsible for the governance of financial products, the functioning, composition and duties of which are detailed in a specific regulation.

The purpose of the committee is to analyse each financial product against the general criteria defined by the Board and monitor the choices already made.

Specifically, the committee:

- identifies the reference market for each financial product and, where appropriate, identifies those groups of customers whose needs, characteristics and objectives are not compatible with it (negative target market);
- identifies the reference market for each collection of products that could be recommended when providing portfolio advice or when providing active investment services at the request of customers;
- assesses possible changes to the collections of financial products already available;

- monitors every six months the effectiveness of the procedures adopted by the bank to comply with the regulatory requirements governing the financial products offered to customers.

Among the investment opportunities offered to customers, particular attention is paid by the bank and the market to those financial products managed using ESG (environmental, social and good governance) criteria, with a view to guiding the deployment of savings towards profitable activities that are beneficial to society.

CONFLICTS OF INTEREST

The bank operates in compliance with the risk profiles and commercial needs of customers. In this context, the Compliance Unit ensures application of the long-standing policy whereby sales personnel do not benefit from specific incentives to place and/or broker products and/or services. This approach significantly reduces the risk of making unsuitable sales to customers or creating conflicts of interest with them.

Periodic checks are carried out to confirm the adequacy of the information provided to customers about the characteristics of the products offered and the commissions applied.

Conflicts of interest with customers essentially concern the provision of investment services, in which the Bank provides the necessary information and applies the specified conflict management procedures, especially with reference to the placement of its own financial instruments.

The annual report prepared by the Compliance Unit pursuant to article 22 of Delegated Regulation (EU) 565/2017 declares that the Bank has suitable procedures to ensure effective and correct management of conflicts of interest in the field of investment services. These procedures and measures are indicated in the MiFID information document published on the corporate website and are available to the branches via the intranet. Full and detailed information is provided to customers.



RISKS ASSOCIATED WITH THE TOPIC

RISK: description	Control method
Risks of an operational nature (conduct, non-compliance) associated with: - omissions, shortcomings, infringement of the disclosure/transparency obligations regarding the products/services offered to customers - adoption of improper professional practices with regard to the promotion/distribution of products/services	Conduct of business in accordance with the transparency and professionalism required by ethical standards, in order to ensure that the products/services provided are consistent with the risk profiles of the customers concerned Commercialisation of socially-responsible products that combine financial analysis with an assessment of the related environmental, social and governance (ESG) factors
Risks of a reputational nature associated with: - omissions, shortcomings, infringement of the disclosure/transparency obligations regarding the products/services offered to customers - adoption of improper professional practices with regard to the promotion/distribution of products/services	
Risks of a reputational nature associated with the offer/placement of financial products/instruments without an ESG profile	

The Group promotes an approach to banking founded on professionalism and a customer-centric focus that seeks to identify (and satisfy) needs, thus preventing risks due to the provision of inadequate information and/or improper conduct, including the supply of unsuitable products/services (conduct risks).

EVOLUTION OF THE SERVICE MODEL AND RELATIONS WITH THE DISTRIBUTION NETWORK

The network plays a key role in the promotion and distribution of products and can provide important feedback for the further development of products and the improvement of services.

Developing relations with the sales network via dialogue, training and involvement in corporate strategies increases the satisfaction of advisers and increases their loyalty.

The adoption of new channels for the distribution of banking services is increasingly topical, as a way to reduce fraud and violence.

We note in this regard, on the one hand, the installation throughout our network of advanced ATMs that can securely receive cash and cheques for immediate credit to the related accounts and, on the other, the virtualisation of our payment cards by use of the principal digital payment services (Apple Pay, Samsung Pay, Google Pay, Garmin Pay, Fitbit Pay), which both facilitates dissemination of the instrument and protects users, who have no need to carry cash or cards with them.

As a good example, the contactless cards issued by Mastercard are able to pay for travel on the Milan underground system, making a clear contribution to environmental sustainability (production and disposal of tickets).

The bank was one of the first companies to believe in the MyBank initiative, the European payment service based on current accounts that allows online purchases of goods and services through the Internet Banking service from suppliers affiliated with this circuit, recognizable through the brand name. This initiative seeks to encourage customers to use a simple payment method that facilitates access to the vast e-commerce market, thanks to the familiarity with digital banking and its security.

The application of electronic signatures to banking documents has reduced the use of paper significantly. This is achieved by writing a Graphometric Signature on an electronic device, the signature pad, with a manual gesture that is entirely similar to a handwritten signature on paper, that satisfies all the technical, IT and legal requirements needed to qualify as an "advanced electronic signature" under the law.



GRI Standard 204-1: Percentage of expenditure concentrated on local suppliers

The supply chain is managed by selecting each supplier based on the ability to perform the required services over time: each is identified by specific mandatory administrative data, as well as optional data considered useful for qualification purposes. Suppliers that make individual or total annual supplies in excess of 100,000 euro are qualified by the Supply Office for transparency purposes. Their organisations, references and historical record are evaluated in order to express a reasoned summary opinion. These quantitative and qualitative assessments are reviewed whenever problems are identified. The various members of the Group have determined differently those suppliers considered to be "local", having regard for the location and territorial coverage of their activities. Banca Popolare di Sondrio considers the Lombardy region to be local, while Factorit makes reference to the province of Milan. Pirovano treats the provinces of Sondrio and Trento/Bolzano as local, but the concept does not apply to Banca della Nuova Terra, given its widespread operations involving a broad range of banking services.

LOCAL SUPPLIERS	2019	2018	2017
Spending on procurement	208,445,627.85	212,481,204.42	211,665,448.09
of which to local suppliers	130,190,869.00	139,711,231.86	141,856,916.09
% of total	62.5%	65.8%	67%

AN ACCESSIBLE BANK

The concept of accessibility means that persons with impaired or absent motor or sensory functions can obtain information from the Internet without discrimination and in a fully autonomous manner.

There are many aspects to Internet accessibility: accessible websites must ensure that all users are able to browse.

The topic of accessibility is particularly close to the heart of Banca Popolare di Sondrio, being associated with an initiative implemented about fifteen years ago to produce bank statements in braille.

Back in 2002, our Internet developers decided to try applying "ethical logic" to the design of banking services, especially those considered to be innovative; this curiosity to experiment with new programming technologies and delivery channels combined with a desire to make our vast range of services available for independent access.

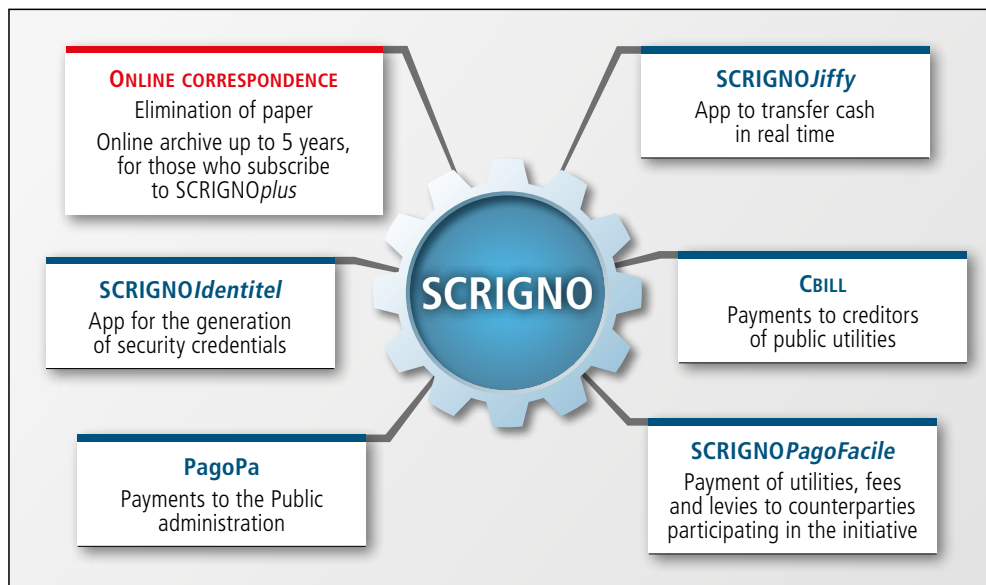
The first result of this initiative was the launch of SCRIGNOfacile in December 2002, as the "accessible version" of our Internet Banking service.

The project was focused on the needs of users; accordingly, it was dedicated to create a specific product, alongside the established service, by working on

new forms of presentation logic. Albeit with two Internet Banking products, users could move freely between them, from one environment to the other, without having to log in again.

The graphics and technology underlying SCRIGNO Internet banking were updated in 2010, adapting to the latest conditions; as a result, SCRIGNO Internet banking is now natively accessible to those with impaired motor or sensory functions using ancillary technology (screen readers, voice synthesisers).

The availability of a wide range of banking services, both for getting information and giving instructions, allows a high degree of financial inclusion by eliminating the need to access the bank physically during opening hours.



Innovations at Banca Popolare di Sondrio SUISSE

- Upgrade of the e-banking platform with improved usability on mobile devices
- Credit cards equipped with e-wallet functions (Apple Pay/Samsung Pay)

Internal processes:

- Development of a platform for digital and centralized management of credit agreements and related flows and controls
- Development of a platform for automatic management of compliance requirements in the field of stock exchange orders
- Introduction of Interactive Voice Response (IVR) at the Call Centre to improve the direction of flows
- Development of the branch network
- Development of Direct Banking



COMPLAINTS

Complaints are addressed in compliance with the relevant regulations and based on the type of service concerned:

- banking and insurance services, entrusted to the Complaints Office which is part of the Legal and Claims Department; the structure itself also handles complaints for which customers have filed an appeal with the Financial and Banking Arbitrator (FBA) regarding banking services or IVASS with regard to insurance services;
- investment services, entrusted to the Compliance Function, which makes use of collaboration by the central and seconded inspectors office for the preliminary investigation and evaluation. This also in relation to possible customer appeals addressed to the Financial Disputes Arbitrator (FDA).

Complaints are processed quickly, skilfully and politely: they offer an opportunity to examine existing relations more closely and definitively remove causes of conflict.

Complaints by customers and the Bank's reply can be sent by both ordinary mail and e-mail. Complaints are handled free of charge. The ways in which customers can submit complaints to the Bank, the FBA, the FDA and IVASS are available on the institutional website, in the "Transparency" section.

The personnel assigned have adequate knowledge of the regulations, and monitor changes on a constant basis; they interact with the Compliance Unit and, as needed for the analysis of specific position, can draw on collaboration from other structures within the bank. Complaints are examined and answered, if possible, on the day that they arrive, or within a few days if investigation is needed and, in any case, before the legal deadline of thirty days from receipt.

The trend of complaints received by the Bank is subject to communication to the corporate bodies and Supervisory Authorities through periodic regulatory reports.

COMPLIANCE WITHIN THE BPS GROUP

The Compliance Function is an independent, second-level control function whose mission is to control the risk of non-compliance with the regulations, including the risks of incurring legal or disciplinary penalties and financial or reputational losses, which might arise through failure to comply with laws, regulations, codes of conduct and established practices.

The scope of action of the Compliance Function covers the regulations governing both banking and investment services.

The Compliance Function adopts the broad compliance operational model, which involves direct work on core matters, especially those relating to consumer protection (investment services, transparency, usury, privacy etc.) and the management of conflicts of interest (related parties, associated parties etc.), and collaboration with specialists in the areas of operational continuity, taxation, employment and pensions, occupational health and safety, and with compliance contact persons for ICT and lending matters.

Summarising, the compliance process comprises the following phases: monitoring for regulatory changes; provision of advice; risk assessment; testing; training; reporting.

In support of their respective activities, the function, the specialists and the contact persons are able to use the ABICS on-line application made available and updated regularly by ABI, which helps to make effective risk assessments using detailed topic-related matrices, so that residual risk can be determined in relation to the regulatory/operational areas considered and mapped in detail (including consideration, in terms of sustainability, the mandatory employment of protected categories and occupational health and safety).

SWISS COMPLIANCE

The Compliance Office, within the Legal & Compliance (L & C) Department, is an internal office dedicated to identifying and preventing risks that might affect the reputation of the bank due to infringement of the law.

The office also seeks to ensure that banking activities are conducted in an irreprehensible and diligent manner, in compliance with the regulations in force in Switzerland and other countries.

The compliance objectives include identifying, formulating and implementing, following management approval, rules for internal conduct in the following areas: money laundering and Swiss code of conduct (CDB); PEP; corruption/acceptance of gifts; data protection, privacy, confidentiality; internal and external communication; operations by personnel; complaints; insider information; conflicts of interest; internal training; investment services; rules for the protection of customers/consumers.



GRI Standard 417-2: Incidents of non-compliance concerning product and service information and labelling: *there have been no reports of non-compliance with marketing regulations or voluntary codes of conduct (including advertising, promotion and sponsorships).*

GRI Standard 417-3: Incidents of non-compliance concerning marketing communications: *there have been no reports of non-compliance with regulations or voluntary codes of conduct regarding product and service information and labelling, nor related to marketing activities (including advertising, promotion and sponsorships).*

RISKS ASSOCIATED WITH THE TOPIC

RISK: description	Control method
Risks of an operational nature (IT risks) associated with vulnerabilities/dysfunctions in computer systems and the technological infrastructure that supports the distribution of products/services to customers	Adoption of a specific operational model to control IT risks (including cyber risk)
Risks of an operational nature (organisational risks) associated with the start of new areas of operation/adoption of new distribution channels, partly attributable to the shortage of adequately trained and experienced personnel	Structured process for the advance approval of operational innovations Adequate prior training of personnel with regard to operational innovations

Operating in a sector undergoing rapid digitalisation, namely banking and payment services, the commercial actions of the Group focus on the constant expansion and modernisation of the range of products/services offered to customers (and the related distribution channels), drawing on technological innovation to achieve ever greater accessibility and multi-channel coverage.

These situations are controlled by appropriate prior analysis of the possible issues (especially in the IT area), as part of an established process that involves various business functions, as well as by the provision of advance training to internal personnel, so they can provide informed assistance and support to customers.

Special emphasis is placed on the control of IT risks including, in particular, cyber risk, understood as the risk of violations of computer security perpetrated mainly through the theft of access credentials and aimed, in most cases, at executing fraudulent payment instructions. Against this, the Group implements targeted investments and is constantly involved in strengthening security systems, to combat criminal attacks to protect customers and the Bank itself.

INTEGRITY AND FIGHT AGAINST CORRUPTION

Pursuit of the corporate and business objectives of the bank by all personnel in a fair, serious and honest manner, with skill and transparency, and in absolute compliance with current laws and regulations, is simply the way that the Banca Popolare di Sondrio Group works.

The Code of Ethics of the bank, updated at the end of 2019 by the Parent Company and adopted individually by that bank and also by Factorit, states that all recipients of the Code involved in business negotiations or relations with third parties, whether public or private, must avoid any conduct that might compromise the integrity and reputation of the parties, or that might be interpreted by an impartial observer as intended to obtain improper advantages and benefits.

It is expressly forbidden to solicit or merely accept money or other gifts that are related in any way to business relations. The Supervisory Body must be requested to evaluate in advance any actions that involve gifts, payments in kind, forms of hospitality or any other types of benefit that are not of negligible value.

The bank promotes knowledge of and compliance with the Code of Ethics, as a priority, among all directors, statutory auditors, employees and collaborators of every kind; where appropriate, this is also extended to commercial and financial partners, consultants and suppliers under specific contractual agreements that envisage, in the event of infringement, suitable contractual or disciplinary penalties.

BPS SUISSE, which is subject to rigorous supervision by the Swiss supervisory authority, ensures the application of ethical standards by maintaining an appropriate organisational structure, clear and transparent business policies, and compliance with the corporate policies of the Parent Company. In this way, the bank ensure the prudent and healthy management of the business and transactions conducted with all stakeholders (customers, suppliers, etc.).

Over the years, Banca Popolare di Sondrio has acquired and consolidated an excellent reputation, both nationally and internationally, as a bank characterised by sound and prudent management, which conducts business in compliance with the ethical principles of fairness, transparency, integrity and professionalism, as well as the rules of conduct set by art. 21 of the Consolidated Law on financial intermediation (Legislative Decree 58 of 24 February 1998). The Bank's corporate and business objectives are pursued by all those operating within it with loyalty, seriousness, honesty, competence and transparency, in full compliance with the laws and regulations currently in



force. These are the ethical principles to which the Bank aspires, in the context of its more than 100 year mission as a cooperative bank, and from which derive its models of conduct, in order to compete effectively and fairly in the market, to satisfy the expectations of the communities of the territories in which it operates, to improve customer satisfaction, increase shareholder value and develop the skills and professional growth of its human resources.

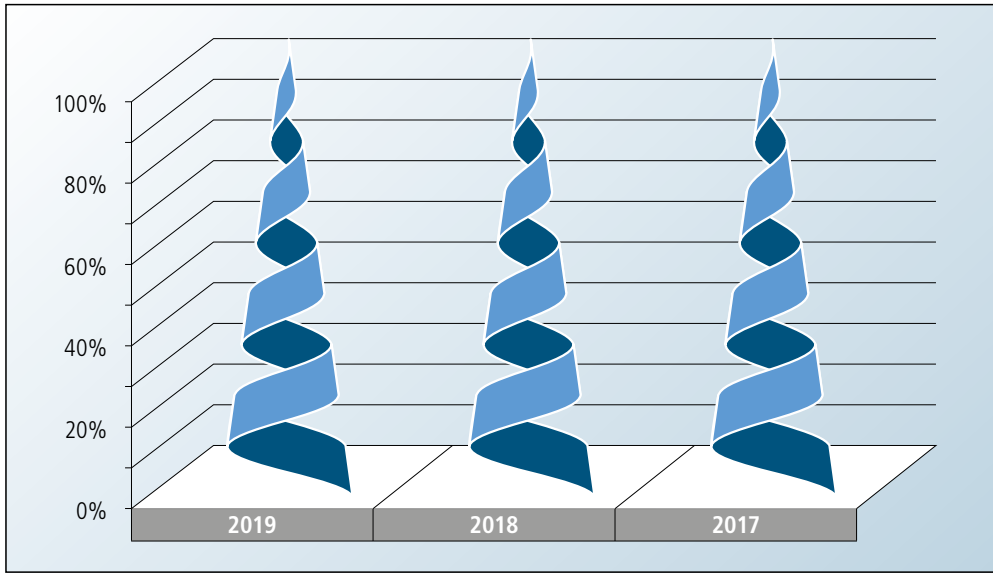
The creation and dissemination of business values cannot be separated from real respect for fundamental principles such as professional correctness, personal integrity, effective protection of health and safety in the workplace, as well as transparent competition on the market by all those who work there. The adoption of a Code of Ethics represents an essential tool for the enhancement of banking activities, identifying clearly the ethical-professional dimension and, therefore, pursuit of the corporate objectives in the best possible manner, protecting the reputation of the bank in all areas and not just from a commercial standpoint.

Compliance with the internal and external regulations and codes of conduct is also significant from a strategic standpoint; accordingly, the Group operates in the conviction that compliance with the rules and business propriety are foundational elements for banking activities that, by their nature, are based on trust and transparency.

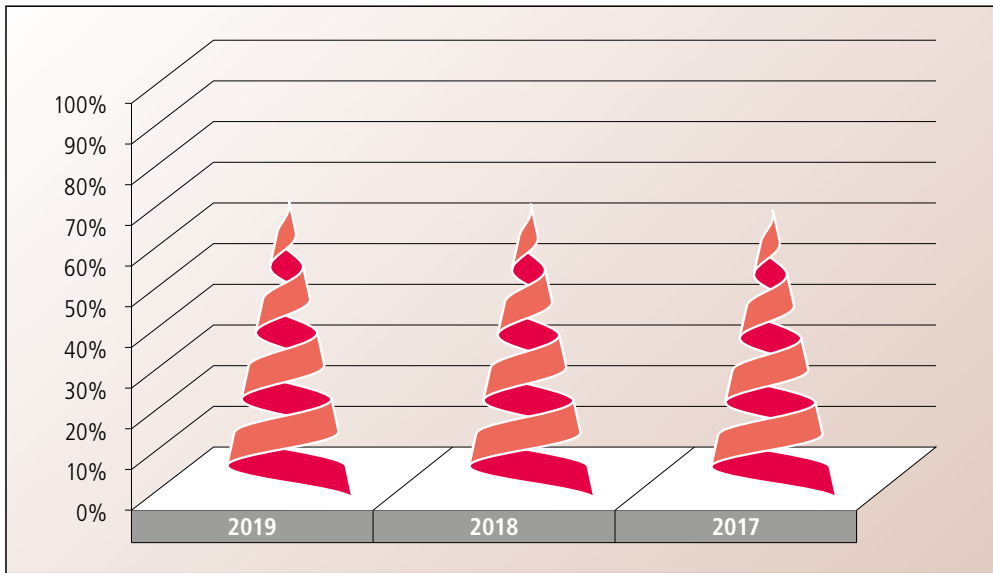
The Banca Popolare di Sondrio Group seeks to be a reliable and well qualified counterparty for regulators; in this context, the Group actively adopts the principles of the UN Global Compact, which call for the development of policies to fight corruption, protect human and workers' rights and safeguard the environment.

The organisational models set up at the Parent Company and at Factorit to prevent corruption, among other things, explicitly provide that the organisation provides information and training for all members of staff who need to apply the Code of Ethics. Information is transmitted by means of circulars and the publication of internal regulations. Training is delivered by classroom sessions and by mandatory courses accessible via the multimedia platform, the latest edition of which was presented recently, following the update of the Organisational Model and the Code of Ethics at the end of 2019.

GRI Standard 205-2: Communication and training related to anti-corruption policies and procedures



Percentage of members of the governing bodies who have benefited from anti-corruption training in the three-year period



Total percentage of employees who have benefited from anti-corruption training

The corporate bodies of BPS SUISSE and the independent control functions are aware of this risk. However, the laws in force do not require that the Bank carries out specific training on anti-corruption policies or procedures. The situation in Switzerland does not currently represent a material risk, to the extent that in international statistics on corruption, the Swiss Confederation ranks as one of the least corrupt countries of all. The Supervisory Authority requires the Bank to provide adequate training on Compliance, Anti-Money Laundering and Rules of Conduct in the market, which takes place regularly.



All members of the governing bodies and the business partners have been informed about the anti-corruption policies and procedures adopted. In addition to the specific issues of corruption envisaged under the organisational model as per Law 231/2001, staff training includes anti-money laundering and the fight against terrorism, which are also considered for the purposes of the Non-Financial Report. The multimedia platform contains training modules that reach all staff and two information modules for new recruits (issued every six months) dedicated specifically to these important issues. No cases of corruption have been found in any of the Group companies.

GRI Standard 205-3: Confirmed incidents of corruption and actions taken

No cases of corruption were identified during the year

GRI Standard 206-1: Legal actions for anti-competitive behaviour, anti-trust and monopoly practices

No legal actions were brought on this matter during the year

RISKS ASSOCIATED WITH THE TOPIC

RISK: description	Control method
Risks of an operational nature (conduct risks, non-conformity risks) associated with failure to comply/ inadequate compliance with laws, regulations, voluntary codes, internal procedures and codes of conduct	Conduct of business in accordance with the propriety and integrity required by ethical standards and precise compliance with codes of conduct, regulations and laws System of internal controls
Risks of a reputational nature associated with failure to comply/ inadequate compliance with laws, regulations, voluntary codes, internal procedures and codes of conduct	Adoption of an "Organisation, Management and Control Model" and a Code of Ethics pursuant to Decree 231/2001 Internal system for reporting violations (<i>whistleblowing</i>)

The conduct of business in accordance with the propriety and integrity required by ethical standards and precise compliance with codes of conduct, regulations and laws is a fundamental safeguard against the risks connected with illegal behaviour by employees, as well as the consequent impacts on corporate reputation. Among them, specific attention is paid to overseeing the risks of fraudulent behaviour aimed at corruption and personal gain through a constant monitoring of operations, with the purpose of identifying illicit conduct and improper business practices on a timely basis.

The Group is also committed to meticulous compliance with the regulations on money laundering and terrorist financing, with particular attention to transactions with countries subject to sanctions, tax havens and those active in controversial sectors, and to the adverse impact this could have, especially on the corporate image.

Management of these risks is implicitly guaranteed by the adoption of an organisational model based on the principles of independence and transparency, within which specific functions and control systems are envisaged to monitor / report on operating behaviour and practices that do not comply with internal and external regulations.

DATA PROTECTION

The protection of privacy, data security and information about customers and employees has always been a focus of attention for Banca Popolare di Sondrio. This is assured by specialist operators who look after the operational and regulatory aspects, in collaboration with both internal and external personnel. Information is a fundamental asset for the Bank and is therefore protected by various levels of security depending on their value and the risks related to their treatment.

During the months prior to the entry into force of Regulation (EU) 2016/679 – hereinafter, the GDPR – the bank implemented additional organisational and technical measures in order to comply with the new regulations and further improve the protection of privacy and the security of data and information. In particular:

- An internal DPO was appointed in accordance with the principal of accountability, with responsibility for supervision and tasked with contributing to guidance and control in this area; a new operational control was established for the protection of personal data, tasked with defining guidelines and procedures for the governance of this area, consistent with the strategic guidelines adopted by the Group; internal processing contacts were identified, being the persons who define the methods and purposes of processing; external processors were identified and formally appointed if necessary, being the companies that process data on behalf of the bank or Group companies;
- The internal "Regulation on the protection of personal data" was approved and issued in May 2018, accompanied by detailed manuals. Taken together, this documentation establishes the "Model for the functioning of personal data protection" at corporate level, defining the technical and organisational measures needed for compliance with the regulations that govern the processing of personal data, with the adoption of proactive conduct designed to guarantee compliance with the GDPR (and related regulations) and protect the rights of data subjects (exercisable by writing and/or sending an e-mail to the data protection operator or the DPO);

- The implementation of a series of operational and process adjustments during 2017-18, including work on IT security and risk management.

With regard to the controls introduced and the activities carried out to ensure the proper management of personal data, particular importance is attached to the introduction of a processing register that identifies and catalogues the processing carried out directly (by the structures of the controller) or by external processors; the introduction of specific courses for employees on the following topics (“The European regulation on personal data”, “Security of personal data within the Bank”, “Protection of privacy in the promotion and sale of products and services within the Bank”, “Management of employee data within the Bank”); the management of data breaches that, working together with the ICT Security and ICT Governance office, has been included in the established process for managing serious incidents; integration of GDPR matters and the related risk with the IT and information security management system, certified ISO27000 since 2006, which is governed by ICT Security.

In addition, BPS has defined a specific three-year Masterplan (2019-21) with regard to the GDPR, which contains further work to strengthen and improve operational and process activities, including work on IT security and risk management.

Banca Popolare di Sondrio (SUISSE) SA is also very careful and scrupulous in managing the question of privacy. Cyber security is under the responsibility of the Security Officer and managed through a Control Framework (annual, monthly and continuous checks). Any incident that takes place (whether IT or specifically a security issue) must follow a well-defined notification process (the disclosure of confidential data is part of this domain). The process foresees the immediate involvement of the Security Officer, who handles escalation to the correct organisational levels, if needed. A summary of the incidents that have taken place is communicated regularly to management (through the Risk Committee and through a section in the monthly security report). On an annual basis, the entire Control Framework is reviewed by means of a security assessment addressed to General Management. This entire process is aligned with the FINMA regulations and checked regularly.

GRI Standard 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data

	2019	2018	2017
Total number of complaints about breaches of customer privacy	3	0	0
of which from external parties	3	0	0
of which from regulators	0	0	0

A total of 3 complaints were received, all requesting the erasure of adverse events reported by the central risk management database, to which the bank contributes (Crif). Data breaches are not included in this report for confidentiality reasons. Any cases are managed in a suitable manner, in accordance with internal policies.

RISKS ASSOCIATED WITH THE TOPIC

RISK: description	Control method
Risks of an operational nature (conduct risks) associated with the processing of personal data in ways not compliant with the privacy regulations or resulting in the theft/disclosure of personal data (data breaches)	Adoption of structured controls, especially in the IT security area, to ensure the adequate processing and protection of personal data
Risks of an operational nature (non-compliance risks) associated with the processing of personal data in ways not compliant with the privacy regulations or resulting in the theft/disclosure of personal data (data breaches)	
Risks of a reputational nature associated with the processing of personal data in ways not compliant with the privacy regulations or resulting in the theft/disclosure of personal data (data breaches)	

In order to safeguard the privacy, completeness and accuracy of corporate data, especially that relating to customers, and control the related theft/disclosure (data breach) risks, the Group adopts suitable operational and security controls - mostly of an IT nature - that together ensure that data is processed and protected in compliance with the relevant regulatory requirements.

PERSONNEL ENHANCEMENT AND DIALOGUE WITH EMPLOYEES

The development and success of a service company cannot be separated from the quality of its personnel which, in relations with customers and in the offer of products and services, is a distinctive factor that is recognised and appreciated by the market. Over time, Banca Popolare di Sondrio has remained true to the principle of internal growth based on developing the skills of personnel, with a special focus on school leavers and new graduates entering employment for the first time.

The recruitment of professionals from outside, without upsetting internal equilibriums, is limited to individual cases and mainly reflects the skills needed by central structures that cannot readily be sourced internally. This results in a strong sense of cohesion and a perception of clarity within the organisation, to which personnel relate and with which they can identify. All this is underpinned by a robust and consolidated system of personnel management and training, which harmonises personal development paths with corporate objectives for the building of skills, so that the necessary levels of professionalism are achieved.

Insertion of new recruits is an essential process for the organic growth plan. It takes place mainly at the branches and in compliance with defined learning objectives, in line with the Bank's development plan. The needs of professionalism are primarily satisfied, on the one hand, with the insertion of new recruits, and on the other by means of staff rotation in different professional roles of increasing complexity; rotation that is supported by an intense training activity.

Consequently, an evaluation system has been introduced to support the development and professional improvement of each individual, to encourage their skill in interpreting organisational and behavioural models in the performance of their duties and roles. The system refers to two different types of assessments: performance assessment and the skills survey.

Performance assessment considers the actual behaviours of personnel and measures the gap between expectations and the results achieved over the year, consistent with the provisions of the current national employment contract and trade union agreements.

The skills survey aims to map the professional skills that exist within the Bank, to plan targeted actions for the management and development of personnel and to implement training plans. This survey concerns the acquired level of mastery of the processes in question and possession of the knowledge and skills needed for the role being played. To further enhance the effectiveness of the instrument - at the same time encouraging the processes of empowering people, self-diagnosis and promoting self-development skills - the survey carried out by the heads of the operating units is accompanied by a self-assessment carried out by each employee; this also in order to

acquire directly from the source employees' personal perception of their level of autonomy in the work that they perform and the technical knowledge that they have developed.

The performance assessment and the skills survey ends with an individual feedback interview by the employee's direct supervisor, during which they analyse the evidence emerged from the findings and discuss their expectations of professional growth, motivations, interests and aspirations.

The Bank complies with the regulations aimed at respecting the principle of non-discrimination in access to employment, training and professional promotion and in working conditions. The Code of Ethics confirms that the Bank undertakes to guarantee working conditions that respect the dignity of the person and that forms of discrimination contrary to the law are not admitted or tolerated. To this end, it requires that acts of psychological violence or attitudes or behaviour that discriminate or harm the person, their beliefs or preferences in internal or external work relationships are not allowed. The Bank insists that there be no mobbing or harassment of any kind in internal or external work relationships; furthermore, the Bank will not adopt or tolerate any form of retaliation against employees who complain about discrimination or harassment, nor against other workers who report such situations.

GRI Standard 102-8: Information on the staff

Total employees by gender: the number of employees is constantly increasing, in contrast to the sector. Female members of staff are showing a more rapid growth trend, favoured by new hires and by the fact that resignations are mainly of men.

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
	738	2,541	3,279	703	2,537	3,240	668	2,528	3,196
of which: Switzerland	150	187	337	143	187	330	130	186	316
of which: Italy	588	2,354	2,942	560	2,350	2,910	538	2,342	2,880

Total employees by job category: organic growth involves the recruitment of mainly high school leavers or recent graduates with little or no work experience. The growth trend in female employees is higher.

Category	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Executives	0	39	39	0	39	39	0	38	38
Middle managers	68	681	749	71	684	755	72	668	740
Office workers	670	1,821	2,491	632	1,814	2,446	596	1,822	2,418



Total employees by age

Age	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<= 29 years old	166	310	476	139	269	408	126	280	406
30-50 years old	440	1,601	2,041	441	1,671	2,112	437	1,693	2,130
>= 51 years old	127	635	762	123	597	720	105	555	660

Breakdown by contract type: the Group's growth in size favours the inclusion of employees with permanent contracts. The use of fixed-term contracts is limited to impromptu situations.

Type of contract	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total number of permanent contracts	722	2,520	3,242	686	2,507	3,193	651	2,490	3,141
of which: Italy	572	2,333	2,905	543	2,320	2,863	521	2,304	2,825
of which: Switzerland	150	187	337	143	187	330	130	186	316
Total number of fixed-term or temporary contracts	16	21	37	17	30	47	17	38	55
of which: Italy	16	21	37	17	30	47	17	38	55
of which: Switzerland	0	0	0	0	0	0	0	0	0

Breakdown by type of employment: there has been a higher use of part-time employment for female staff to help them reconcile their personal and family needs with those of the Bank.

Type of employment	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full-time employment as defined by national laws	635	2,524	3,159	605	2,519	3,124	581	2,515	3,096
Part-time employment as defined by national laws	103	17	120	96	20	116	87	13	100

Breakdown by areas of employment/task

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total ABI categories	738	2,541	3,279	703	2,537	3,240	669	2,527	3,196
distribution	364	1,771	2,135	347	1,795	2,142	318	1,818	2,136
business unit	72	191	263	65	182	247	70	173	243
staff	171	248	419	167	241	408	146	203	349
operational services	131	331	462	124	319	443	135	333	468

Employees broken down by area of operations

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
North	553	2,106	2,659	525	2,098	2,623	508	2,092	2,600
Centre	35	248	283	35	252	287	29	251	280
Abroad	150	187	337	143	187	330	131	185	316

Breakdown by educational qualification: there is a higher growth trend in graduate staff, given that new recruits tend to be increasingly qualified from a scholastic point of view.

Education	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
University degree	338	867	1,205	337	889	1,226	295	830	1,125
of which: Italy	311	809	1,120	307	833	1,140	269	777	1,046
of which: Switzerland	27	58	85	30	56	86	26	53	79
High school diploma	390	1,626	2,016	356	1,601	1,957	361	1,648	2,009
of which: Italy	268	1,498	1,766	244	1,471	1,715	257	1,517	1,774
of which: Switzerland	122	128	250	112	130	242	104	131	235
Middle school diploma	10	48	58	8	49	57	12	50	62
of which: Italy	9	47	56	7	48	55	11	49	60
of which: Switzerland	1	1	2	1	1	2	1	1	2

GRI Standard 102-41: Collective agreements

As far as Banca Popolare di Sondrio and Factorit are concerned, all employees for the three-year period were covered by collective agreements, whereas Banca Popolare di Sondrio (SUISSE) SA does not apply collective agreements under Italian law. Swiss labour law is in any case complied with. The Staff Regulations form an integral part of all employment contracts with Banca Popolare di Sondrio (SUISSE) SA and are valid for all employees and collaborators employed in Switzerland.

The rights and obligations of the employee are governed by the following rules with the following hierarchy, except for any mandatory provisions:

- individual job contract;
- the Regulation;
- the Convention on the Working Conditions of Bank Employees (CCBE);
- Code of Obligations (CO) and the Federal Labour Law;
- the Federal Law on Banks and Savings Banks.

The CCBE applies to all employment relationships stipulated for a period of more than three months.

The working relationships of the members of management are not subject to the Convention, except as provided for in the Agreement on waiving the registration of working hours, which they are asked to sign.



Total employees covered by collective contracts

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees covered by coll. employment contracts	588	2,354	2,942	560	2,350	2,910	537	2,343	2,880
Employees NOT covered by collective employment contracts (SUISSE)	150	187	337	143	187	330			
Percentage of employees covered by collective contracts	79.67	92.64	89.72	79.66	92.63	89.81	80.39	92.68	90.11

GRI Standard 401-1: Total number and turnover rate by age, gender and region

New recruits	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total	84	130	214	82	98	180	54	122	176
of which: Italy	70	111	181	59	85	144	45	104	149
of which: Switzerland	14	19	33	23	13	36	9	18	27
<= 29 years old	65	96	161	57	78	135	39	77	116
30-50 years old	15	19	34	21	17	38	12	34	46
>= 51 years old	4	15	19	4	3	7	3	11	14

Incoming staff turnover	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Ratio between new recruits and total employees	11%	5%	7%	12%	4%	6%	8%	5%	6%

Leavers: the number of leavers continues to be at levels that are considered physiological; there has been an increase in the number of leavers going into retirement.

Leavers	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
By age:									
<= 29 years old	33	47	80	30	44	74	19	39	58
30-50 years old	14	32	46	11	27	38	8	31	39
>= 51 years old	8	41	49	9	24	33	4	32	36

Reason for leaving:

Voluntary leavers (excluding retirement)	20	54	74	19	42	61	13	48	61
Retirement	4	32	36	3	18	21	4	28	32
Leavers	5	6	11	3	8	11	1	8	9
Other (i.e. end of a fixed-term contract)	26	28	54	25	27	52	13	18	31

Outgoing turnover rate	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Ratio between leavers and total employees	7%	5%	5%	7%	4%	4%	5%	4%	4%

GRI Standard 401-3: Maternity/Paternity leave

(1) *Maternity/Paternity leave covers the mandatory period, as well as optional leave taken as days or as hours*

Maternity/ Paternity	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
No. of employees who have taken maternity or paternity leave ¹	121	15	136	113	7	120	98	8	106
No. of terminations after returning from maternity or paternity leave ¹ during the year	0	0	0	2	0	2	0	0	0
No. of terminations with respect to returns from maternity or paternity leave ¹ during the previous year	1	0	1	0	0	0	0	0	0
Rate of return to work after maternity or paternity leave ¹	100%	100%	100%	98%	100%	98%	100%	100%	100%
Work position retention rate after maternity or paternity leave ¹	98%	100%	98%	100%	100%	100%	100%	100%	100%

TRAINING

Professional growth is supported by a training system that includes projects destined to specific segments of the corporate population, such as new recruits, and development of all the main issues of the banking business. Training programmes do not neglect the transversal contents of the various professions that exist within the bank, with the aim of strengthening certain abilities, such as the relationship, negotiation and management skills.

A great deal of attention is given to training new recruits, in order to support the organic growth model. A new training programme is dedicated to new recruits: by integrating various methods (classroom, multimedia, targeted on-the-job support), it covers not just the specific regulatory and process aspects of the front and back office roles of the branch, but also notions regarding the organisation of the Bank, the rules governing the employment relationship, corporate security and the main business areas: the commercial products and services on offer, an introduction to lending, the securities markets and international operations. Some modules are also dedicated to behaviour and the development of personal skills.

The training offer that characterises the various activities of the banking sector is wide. In this regard, the HR Department supports the central structures in planning training initiatives for various areas such as, but not limited to, IVASS, portfolio advice, MiFID2, compliance, lending (preliminary investigation, guarantees, management and control of positions assigned, analysis of a business in financial difficulty, analysis of financial flows,



monitoring and management of overruns), SEPA, transparency, privacy, health and safety of workers, administrative responsibility of banks, cash recirculation, usury and anti-money laundering.

In addition to the traditional classroom courses, there are various training proposals available through e-learning tools.

The training programmes also deal with the issues of quality certification processes in accordance with ISO9001 and ISO27001 standards. These processes are an integral part of the company strategy, in a constant search for customer satisfaction and ever-increasing efficiency, with the aim of bringing benefits in the organisation and work processes, together with the involvement (training and information) of the staff.

With regard to Banca Popolare di Sondrio (SUISSE) SA, in addition to the managerial training programmes for managers of the production units and for new resources, the employees assigned as advisors to private customers are involved in educational activities aimed at obtaining the Federal Certification SAQ (Swiss Association for Quality); ad hoc specialist technical courses are organised for all other personnel.

Staff can take long-term courses in order to obtain certificates and diplomas recognised at national and international level; additionally, mentors are made available in order to build leadership skills.

Younger staff are given internship opportunities at German and/or French-speaking branches in order to practice and build their language skills.

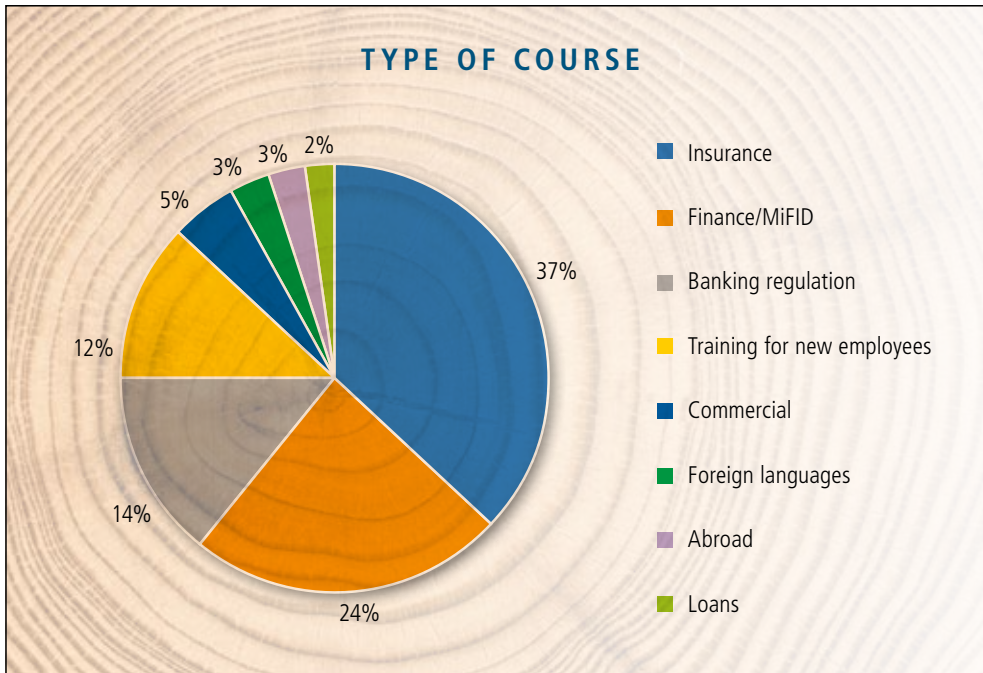
Small branches use job rotation as an opportunity to provide professional training.

GRI Standard 404-1: Average annual training hours per employee: the numbers refer to head counts.

Total number of training hours to employees

Qualification	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Executives	0	1,007.7	1,007.7	0	889	889	0	352	352
Middle managers	1,987	27,979	29,966	1,306	27,082	28,388	1,608	21,612	23,219
Office workers	22,297	86,347	108,644	17,902	81,859	99,761	15,048	62,653	77,701

Average training hours per employee	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Executives	0	26	26	0	23	23	0	9	9
Middle managers	29	41	40	18	40	38	22	32	31
Office workers	33	47	44	28	45	41	25	34	32



Banca Popolare di Sondrio has for years been the point of reference for commercial and technical schools in Lombardy and collaborates with the main universities the area for orientation activities, internships and placement of students, undergraduates and graduates.

BPS is in contact with around 30 universities and 250 technical schools for post-diploma placement. In 2018, it organised orientation meetings with students of 44 of these schools, training activities with teaching in the classroom and work/school alternation projects.

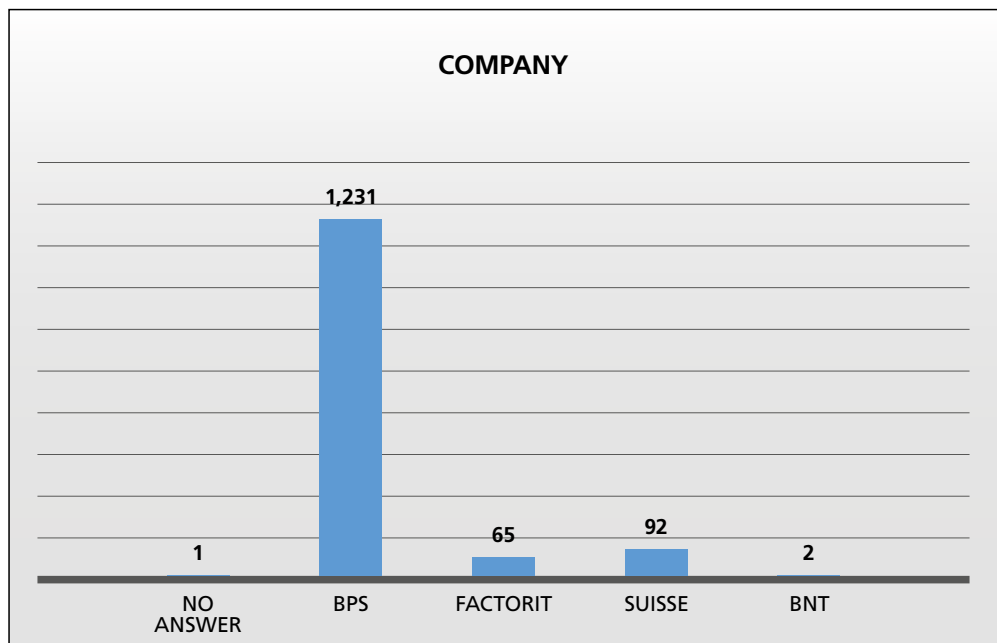
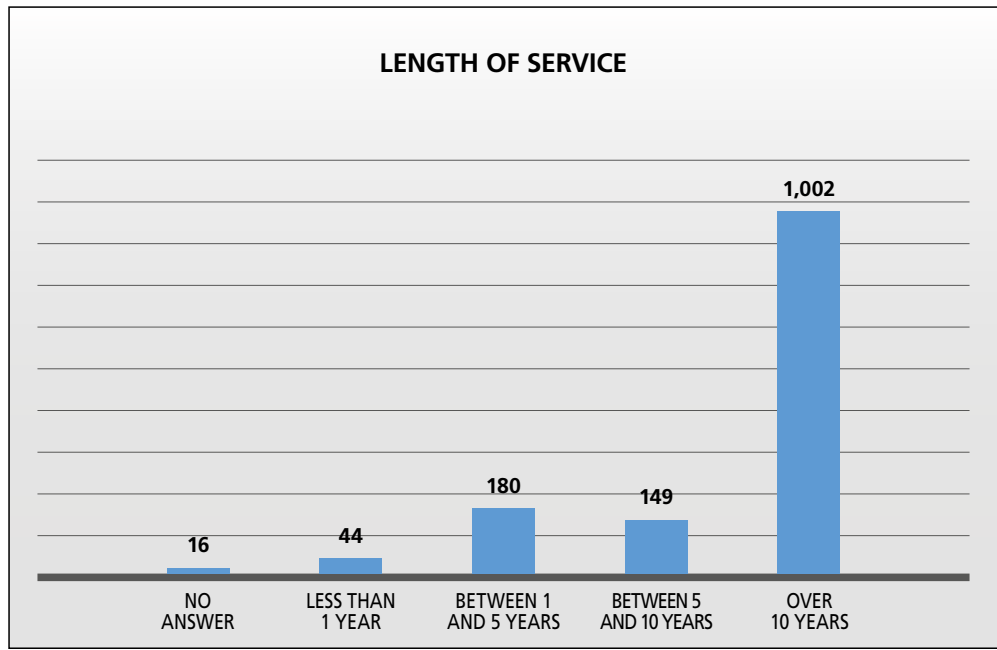
Collaboration with the universities aims at encouraging orientation in the world of work and career choices, offering young people a chance to acquire the first contact tools in their search for a job that responds to their personal aptitudes and expectations. At the same time, it has allowed the Bank to select, through the university channel, the resources with the skills most suited to its recruitment needs. This consists of orientation meetings and presentation of how the Bank operates, participation in career days and the organisation of internships.

DIALOGUE WITH EMPLOYEES

As part of the ongoing commitment to assure stakeholder involvement, during 2019 the BPS Group asked employees to complete a short questionnaire (translated into English, French and German), with a view to listening to them as key stakeholders and include their expectations, together with the preferences of management, in the new materiality matrix that has therefore become more accurate and representative.

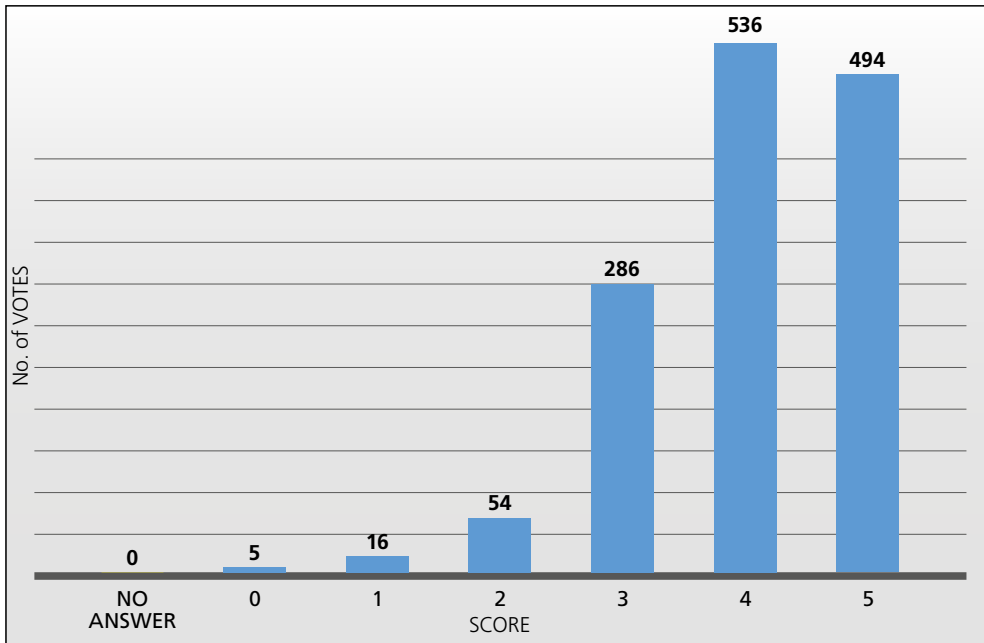


The principal results of the survey are presented below.



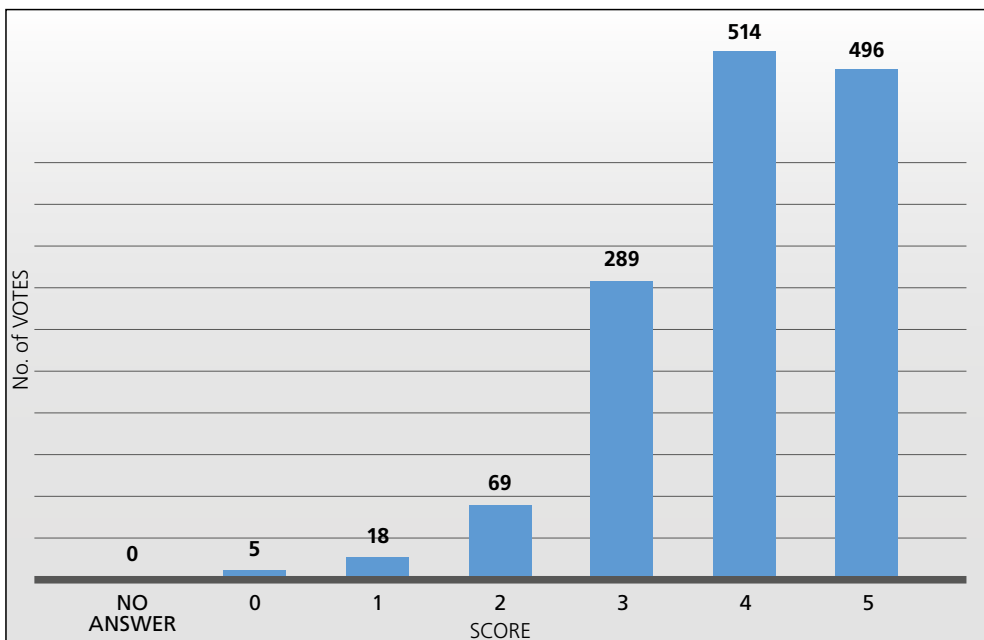
Financial education and awareness about environmental and sustainability matters

Topic definition: provision of training and information to all concerned on economic-financial concepts and techniques for the proper and aware management of personal savings.



Dialogue with social partners

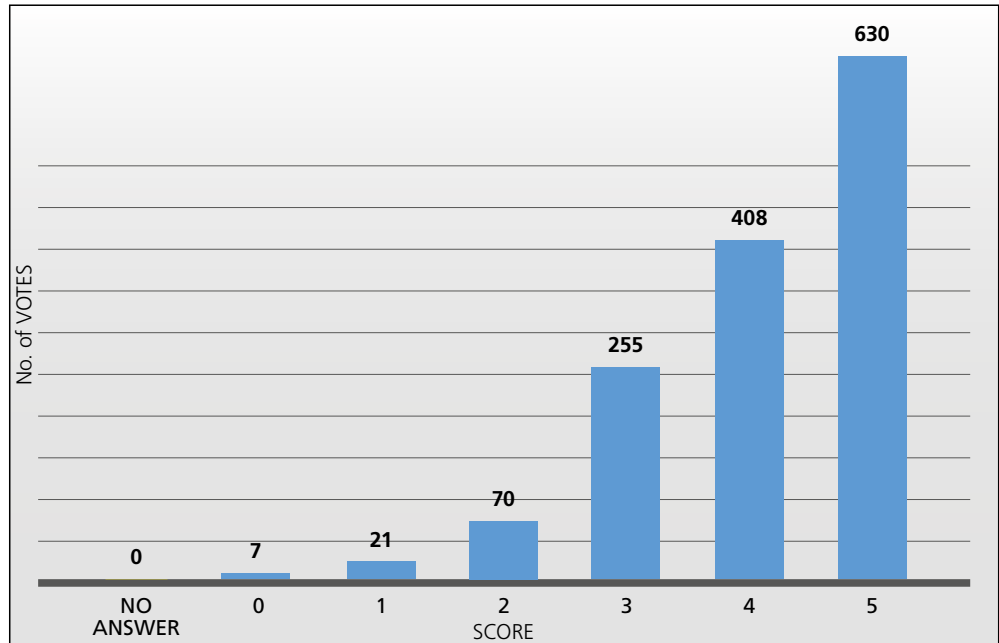
Topic definition: dialogue with social partners that represent the interests and concerns of workers, from employment conditions to the development of continuous professional education, without forgetting the definition of wage and salary levels.





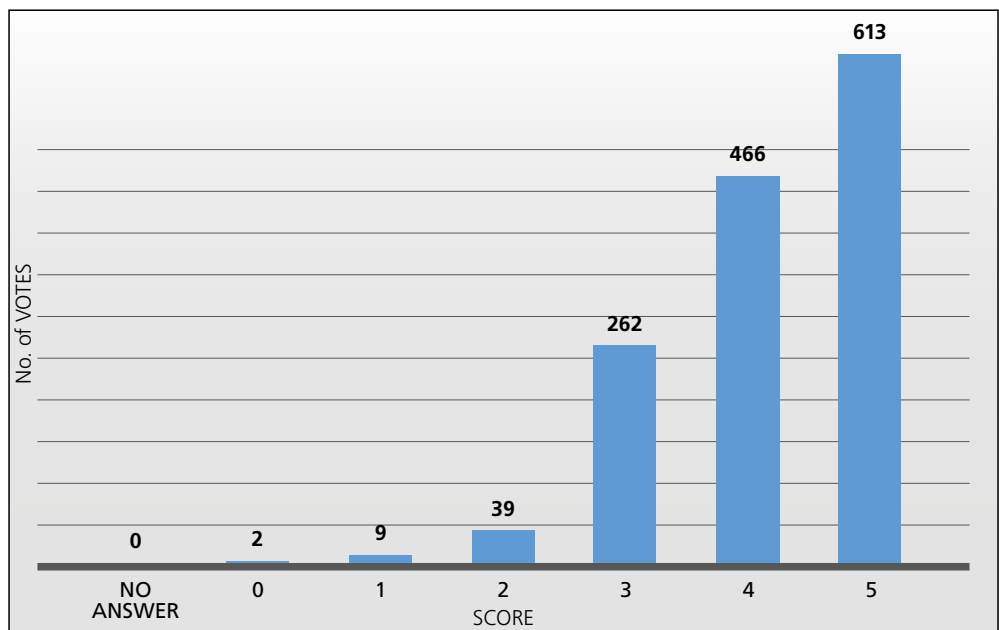
Human rights, diversity and inclusion

Topic definition: constant commitment to respecting, protecting and promoting human rights and the fundamental freedoms of all, without discrimination of any kind in all employment-related fields. Action to promote equal opportunities throughout the organisation, including with regard to professional development.



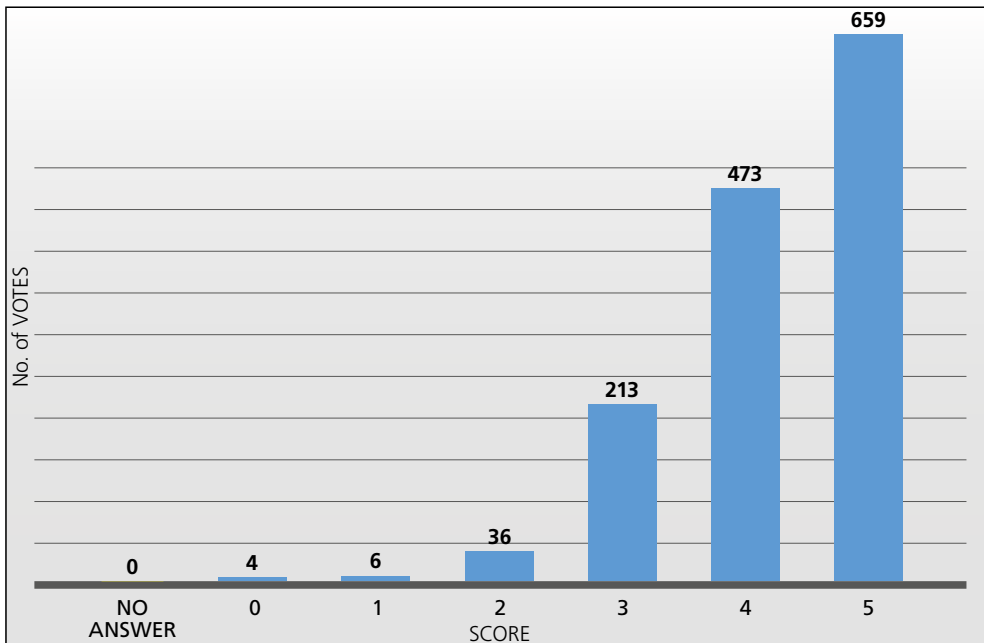
Evolution of the service model and relations with the distribution network

Topic definition: development of relations with the sales network via dialogue, training and involvement in corporate strategies, in order to communicate the values of the Group, increase loyalty, support work to promote/distribute products and improve services.



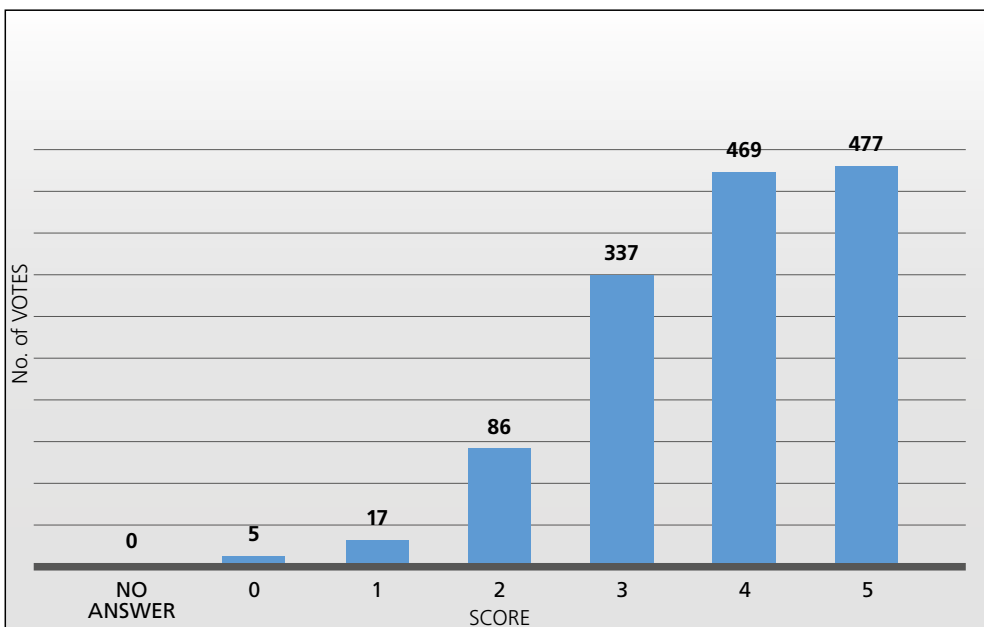
Support for saving and informed decisions

Topic definition: compliance with transparency and social responsibility criteria in all phases of promoting and selling products and services. Provision of clear and transparent support during the selection of financial products, especially to high-risk segments (elderly, immigrants, financially illiterate persons).



Ties with the territory and the community

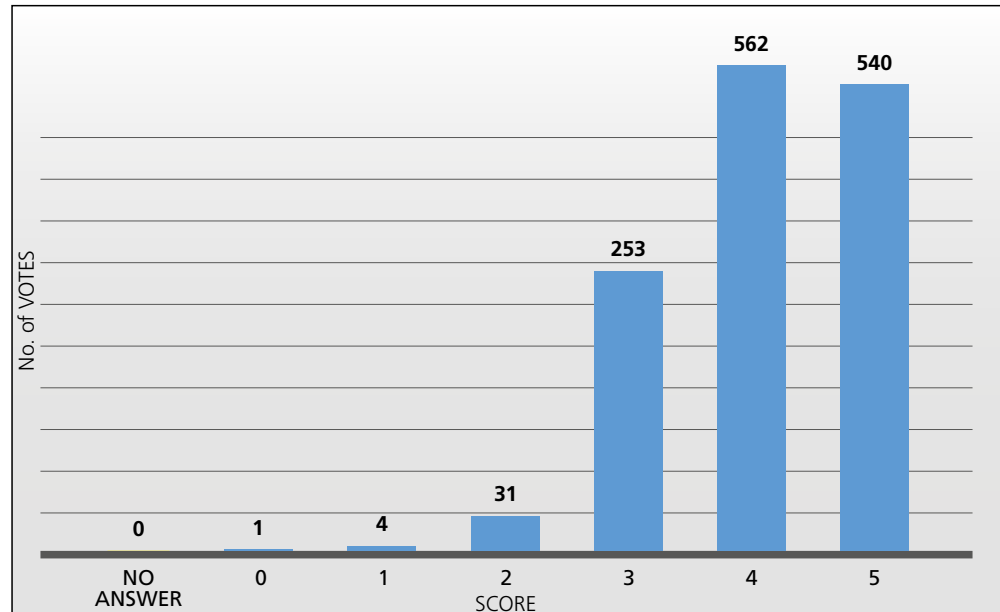
Topic definition: facilitate economic and social development in the local communities and territories of greatest importance to the bank. Without favouring any particular segment, provide services to small municipalities, regional and national bodies, citizen associations and large non-profit organisations, with an international outlook.





Solidity and economic performance

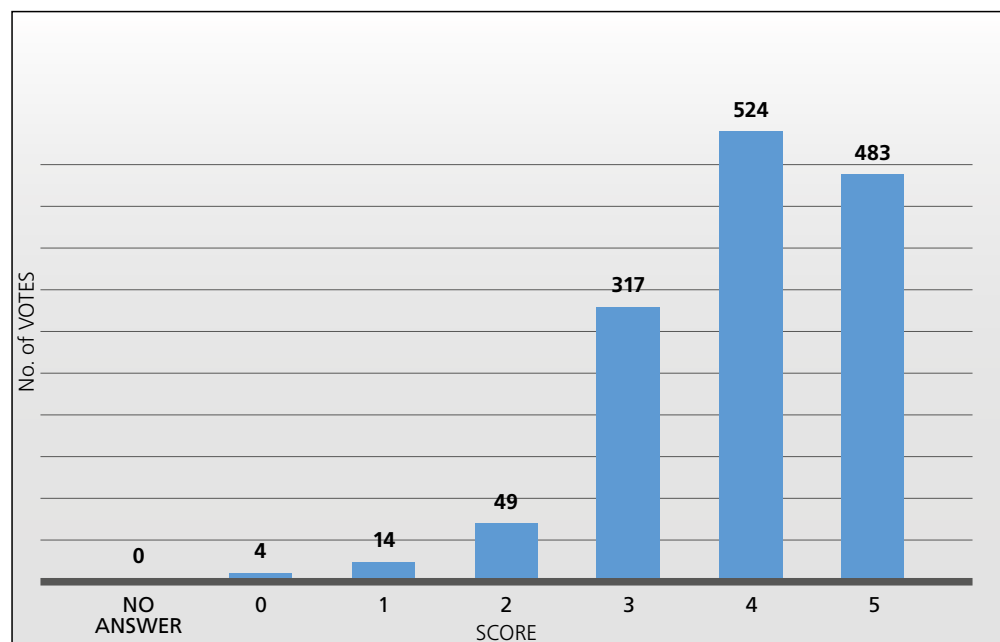
Topic definition: positive economic performance underpins the sustainability of the organisation. The Group produces wealth contributing to the economic growth of the social and environmental context in which it operates and measures this wealth in terms of Value Added produced and distributed to its reference stakeholders.



Responsible credit

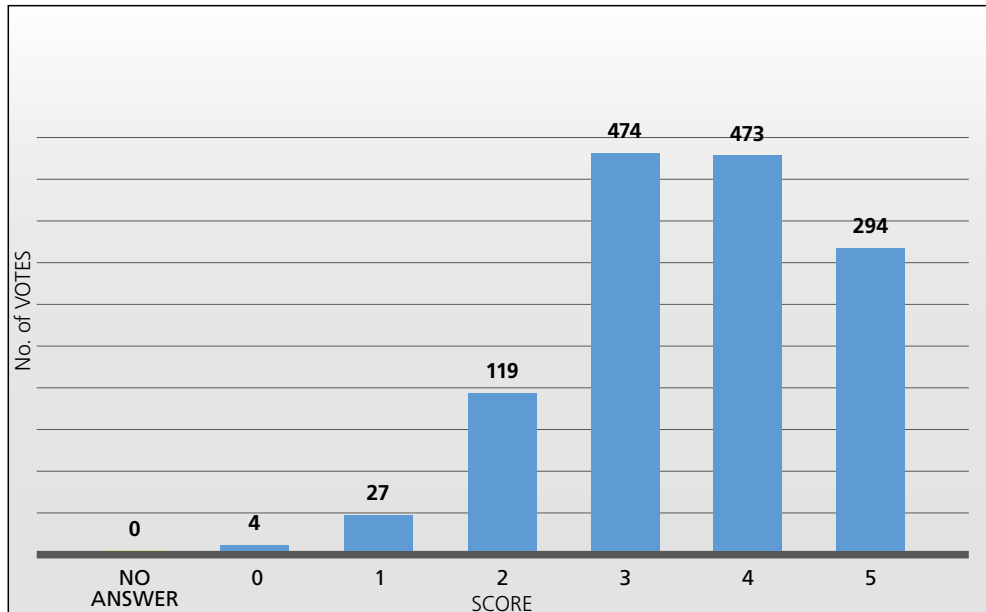
Topic definition: granting of loans

- to weaker and/or deserving customers, with products designed specifically for this purpose.
- with a view to rewarding and incentivising sustainable conduct, such as the development of services that help to mitigate climate change.



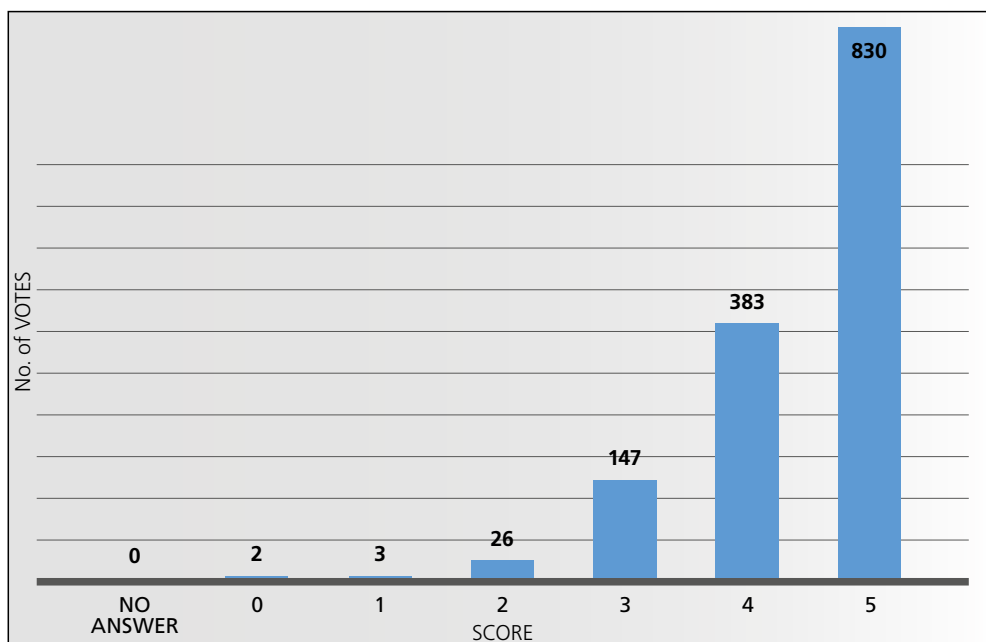
Relations with the supply chain

Topic definition: selection and monitoring of suppliers based on such criteria as transparency, propriety and attention to social and environmental aspects.



Data protection

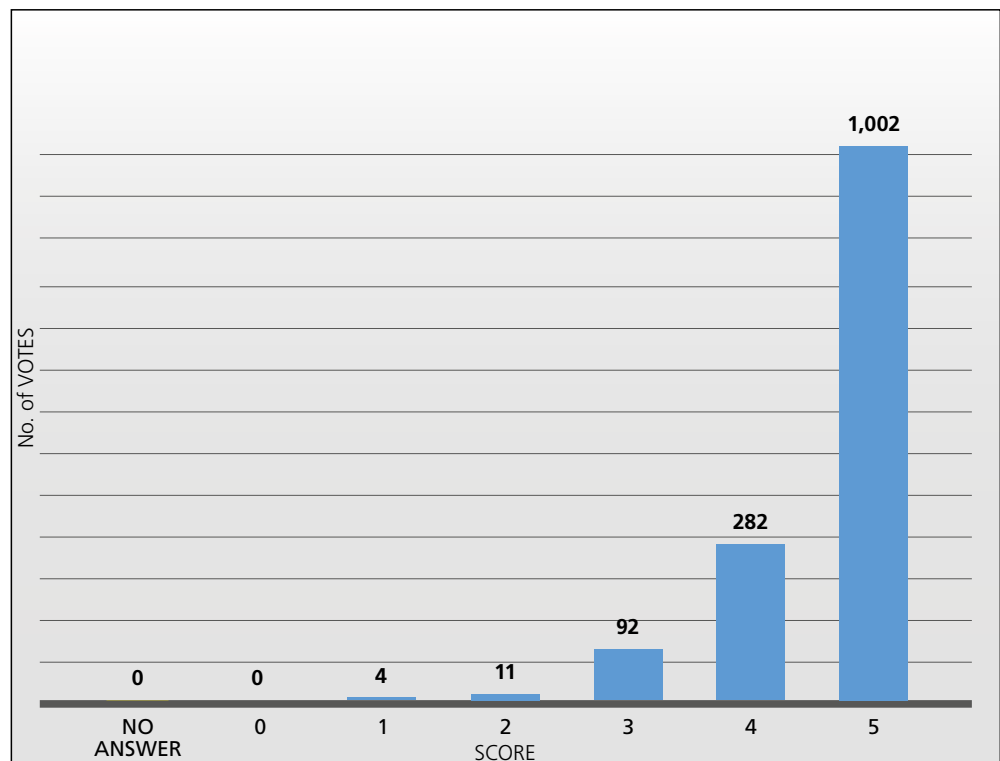
Topic definition: protection of the privacy, data security and information of customers/employees via the application of levels of protection proportionate to their value and the risks associated with the related processing.





Integrity and fight against corruption

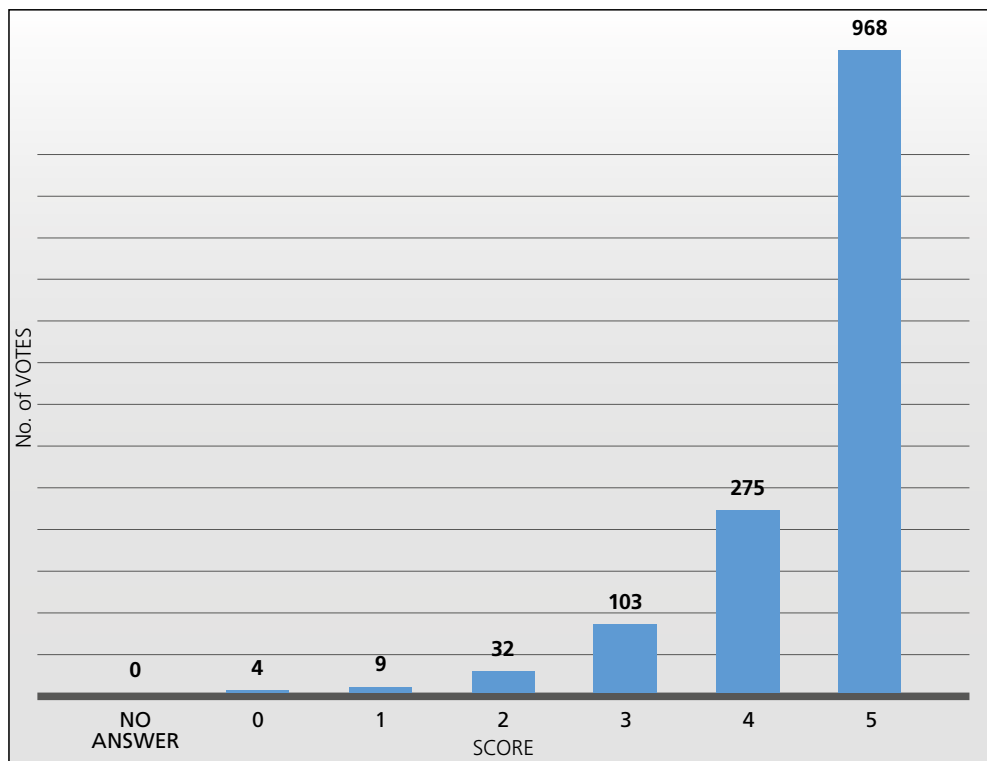
Topic definition: pursuit of the corporate and business objectives of the bank by all those operating within it, with loyalty, seriousness, honesty, competence and transparency, in full compliance with the laws and regulations currently in force.



Personnel enhancement and dialogue with employees

Topic definition: the bank is committed to promoting the development of a structured corporate welfare plan, offering services and discounts that improve the life quality of employees, both at home and at work. In addition, professional growth is supported by a training system that includes projects destined to specific segments of the corporate population and development of all the main issues of the banking business.

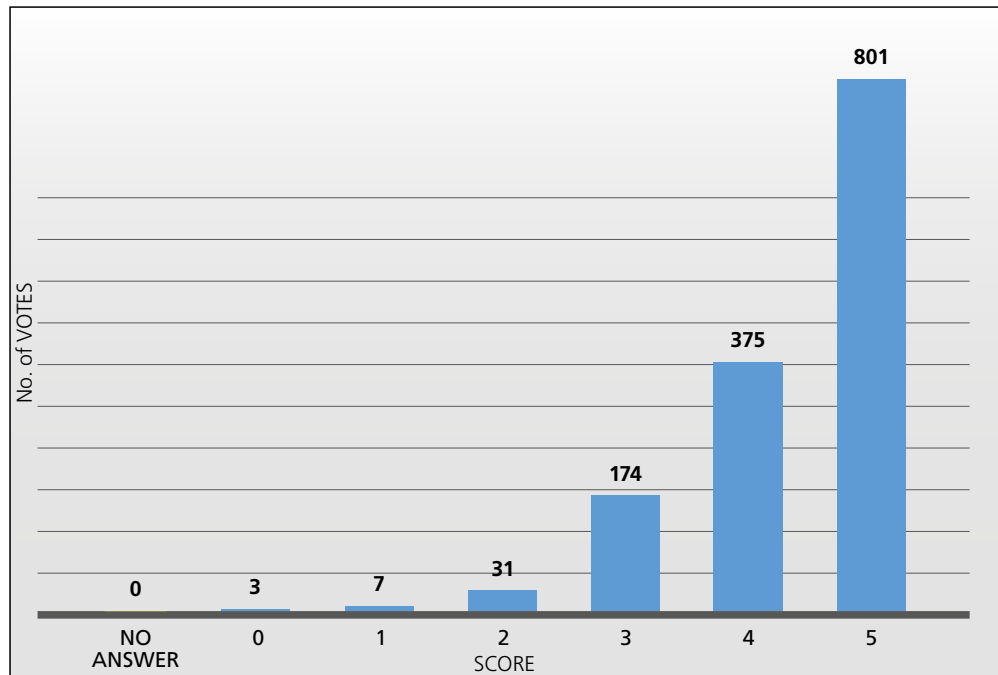
Training programmes do not neglect the transversal contents of the various professions that exist within the bank, with the aim of strengthening certain abilities, such as the relationship, negotiation and management skills.





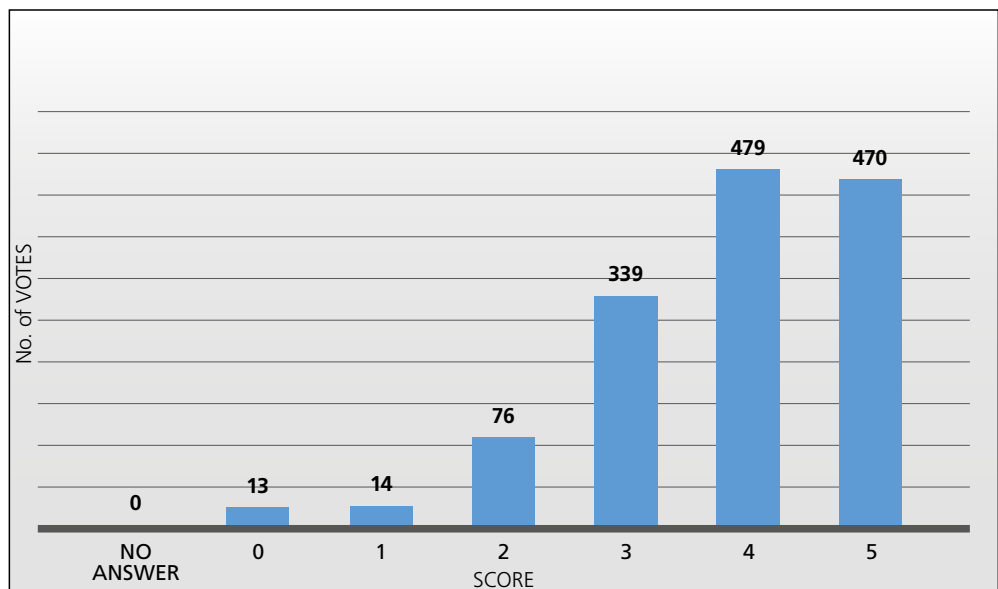
Health and safety

Topic definition: preparation of corporate measures designed to monitor and improve occupational health and safety.



Direct environmental impacts

Topic definition: Group awareness of the need to safeguard the environment and the territory, with particular reference to its impact on the environment and on the climate. Constant monitoring and increasing efforts by the bank to implement measures that improve the direct environmental performance of the offices and locations of the various Group companies.



RISKS ASSOCIATED WITH THE TOPIC

RISK: description	Control method
Risks of an operational nature (legal, non-compliance) associated with: <ul style="list-style-type: none"> - violation of contractual/regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels) - unfair conduct intended to create discomfort at work or compromise the psycho-physical health of workers (e.g. job stripping, under employment, mobbing, straining) 	Precise compliance with the employment regulations
Risks of a reputational nature associated with: <ul style="list-style-type: none"> - violation of contractual/regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels) - unfair conduct intended to create discomfort at work or compromise the psycho-physical health of workers (e.g. job stripping, under employment, mobbing, straining) 	Adoption of suitable incentive mechanisms/policies
Risks of an operational nature (organisational risks) associated with: <ul style="list-style-type: none"> - shortage of properly trained and experienced personnel - personnel dissatisfaction with adverse effects on productivity levels 	Training and professional development programmes
Risks of reputational nature associated with inadequate/poor corporate welfare systems in favour of employees	Adoption of corporate welfare measures designed to promote the well-being of employees

The Group promotes personnel enhancement by implementing effective professional development and training programmes and adopting suitable incentive policies/mechanisms (including corporate welfare measures), in order to ensure the happy expression and actualisation of personnel in the performance of their assigned duties, as well as to promote a proper work-life balance with positive benefits in terms of improved and enhanced productivity.

HEALTH AND SAFETY

The bank seeks to disseminate and consolidate a culture of occupational health and safety, by developing awareness about risks and promoting responsible conduct by all personnel; the bank also strives to establish working conditions that safeguard the psycho-physical health of workers and respect for their morale.

In particular, the bank interacts with its employees and collaborators in full compliance with the provisions of art. 2087 of the Italian Civil Code and the Consolidated Law on occupational health and safety (Decree 81 dated 9 April 2008), as well as with the other applicable laws and regulations, including local laws abroad, and the requirements of any other regulations that may apply, on a case-by-case basis, given the type and location (in Italy or abroad) of the activities carried out.

Without prejudice to the obligations that cannot be delegated, concerning its policies on occupational health and safety, the bank strives to implement all suitable measures for the prevention of OHS risks by entrusting the related tasks to experts.

In the context of their specific duties, all recipients of the Code of Ethics participate in the process of preventing risks and safeguarding their own health and safety, as well as that of their colleagues and third parties, not least by making comments and proposals.

In particular, all persons who work in or with the bank:

- must comply with the guidance and instructions given by the bank;
- must use properly the machines and equipment employed in the execution of working activities;
- must use appropriately their personal protection devices;
- must report to the competent functions, without delay, any faults and/or breakdowns in the protection equipment and devices that come to their attention;
- must not remove or modify, without authorisation, any safety, warning or control devices;
- must not carry out hazardous manoeuvres or operations on their own initiative, if not envisaged in their job description;
- must attend the scheduled medical health check-ups.

Lastly, the Bank undertakes, in the event of assignment of works or services to third parties under contract, or in any case within the ordinary commercial relationships, to demand from its partners compliance with adequate safety standards for workers.

BPS strives at all times to guarantee working conditions that respect the dignity of the person, ensuring that all forms of discrimination contrary to the law, including harassment and unfair treatment of any kind, are not allowed or tolerated. To this end, it requires that acts of psychological violence or attitudes or behaviour that discriminate or harm the person,

their beliefs or preferences in internal or external work relationships are not allowed.

For this reason, the Bank will not tolerate any form of retaliation against employees who complain about discrimination or harassment, nor against other workers who report such situations.

The main objectives are to ensure the constant control and improvement of compliance in this area, implementing corporate measures designed to improve the well-being of workers. These are achieved via a line control (Managing Entity) and a Level II control carried out by the Bank's Internal Audit Department.

The main management system adopted by the Bank follows the provisions of the former art. 30 of Decree 81/2008. It is made up of operating instructions and procedures relating to the various areas of safety in the workplace, over which control is carried out by each of the Bank's Managing Entity. In particular, some of the areas subject to monitoring are those related to compliance with technical-structural standards (e.g. equipment, systems, physical agents, etc.), risk assessment and prevention and protection measures, organisational activities (e.g. emergencies, first aid), health surveillance and information and training for workers.

In compliance with the decree (which defines the safety organisation chart and the related responsibilities), the employer has appointed the manager, the head of the prevention and protection unit, the person in charge of the prevention and protection unit, the persons in charge, the fire fighters and first aid units, and the company doctor.

The workers' safety representatives are elected by the workers by means of a vote and are trained through specific courses.

With regard to the problems of work-related stress, each year the Personnel Department collects and processes information on this topic and the specific risks are reviewed every two years.

As regards the Swiss subsidiary, the control protocol and the MSSL Federal Directive (concerning the use of company doctors and other safety specialists) guide the company's management methods and the methodology adopted. In fact, they are equipped with safety guidelines on how to organise it, for the protection of health. The guidelines regulate, among other things, ventilation and air quality, ergonomics, control of stress factors, duration of work, special protections, such as those for new mothers, environmental protection, lighting and noise checks.

All employees have carried out a general training course on this issues (updates are made according to the latest indications coming from the State and Regions Agreement of 21 December 2011 and 7 July 2016); employees who work more than 20 hours per week at a video terminal are subject to health surveillance.



One of the biggest risks for the health and safety of bank workers is a robbery: this is a phenomenon due to fraudulent conduct by third parties, that obviously cannot be eliminated at source by the Company, but which is decreasing, mainly due to the lower amount of cash held by each teller and the widespread presence of video surveillance systems.

This risk is managed through:

- use of ABI's OS.SI.F. (Observatory for Physical Safety) procedure in order to define the endogenous, exogenous and combined risk indices
- signing memoranda of understanding with local Prefectures (Police) with the adoption of defensive preparations
- implementation of specific anti-robbery training courses
- psychological assistance for workers who are victims of robberies.

GRI Standard 403-2: Type of accident, accident rate, occupational diseases, lost work days, absenteeism and number of work-related fatalities

Type of accident		2019	2018	2017
Injuries at work	no.	33	39	21
<i>of which:</i>				
<i>Injuries during working hours</i>	no.	11	9	5
<i>percentage of total</i>	%	33.33%	23.10%	23.80%
<i>Injuries while commuting</i>	no.	22	30	16
<i>percentage of total</i>	%	66.67%	76.90%	76.20%

Workdays lost, days of absence and hours worked		2019	2018	2017
Workdays lost due to injuries	days	409.42	374	331
Days of absence during the period	days	15,301	15,577	14,537
Hours actually worked	hours	4,747,782	5,199,987	5,107,453
Workable days	days	810,623	801,746	783,270

Injury rate	2019	2018	2017
Injury rate (frequency)*	6.95	7.5	4.11
Severity rate**	0.09	0.07	0.07

* The injury rate is calculated by multiplying the number of injuries by one million and then dividing by the number of hours worked

** The severity rate is calculated by multiplying by 1,000 the total number of days lost through injury divided by the number of hours worked

Injury rate	2019	2018	2017
Absenteeism rate***	1.89	1.94	1.86

*** The absenteeism rate is the ratio between days of absence and workable days multiplied by 100

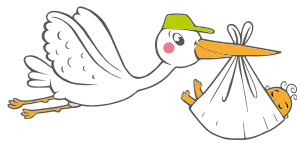
GRI 403-4: Health and safety matters included in formal agreements with the trade unions

Health and safety in formal union agreements		2019	2018	2017
Total agreements with unions on health and safety matters	no.	0	0	0
Total agreements with unions	no.	3	1	1
Union agreements on health and safety matters as a percentage of the total	%	0	0	0

CORPORATE WELFARE

BPS “SUISSE”, a bank that takes care of its employees

Agreements with gyms, distribution of citrus fruits in the November-February period, birthday chocolates, FEFEL (healthy, organic food in the break room), hospital flowers, child bank account opened at birth, insurance cover for professional injuries, all necessary time to look after children and parents in the event of injury or illness. Formed the BPS (SUISSE) team to compete in the “Stralugano”.



Account opened at birth



Hospital flowers



Agreements with gyms



Distribution of citrus fruits

BPS provides the following main forms of corporate welfare.

Corporate productivity bonus: the current national labour contract (which leaves it to the company contract to define the criteria for awarding bonuses) for managerial staff and personnel of the professional areas envisages the adoption of a corporate productivity bonus (governed by specific second-level company agreements) linked to the company's results in terms of real increase in productivity and/or profitability that can be objectively verified on the basis of the financial statements;



Long-service bonus: employees who work at Banca Popolare di Sondrio for an effective period of 30 years are paid a "long-service bonus" of 2,300 euro gross;

Graduation bonus: non-graduate workers who, after two years of employment, complete a three-year degree course included among those that used to lead to conventional seniority under the labour contract, are awarded a one-off bonus of 1,800 euro gross;

Scholarships: children and/or household members receive study grants, the amount of which depends on the educational level reached;

Meal contribution: the company gives luncheon vouchers to non-residents (Euro 7.00) and residents (Euro 4.50), as indicated in the current national labour contract;

Contribution for out-of-town accommodation: if an employee has to spend time out of town due to work requirements, the Company makes a monthly contribution towards the evening meal of 132 euro gross;

Commuting contribution: employees who live more than 60 km away from work (i.e. who have a 120 km round-trip) receive a monthly contribution of 132 euro gross towards their travelling expenses;

Disabled contribution: an annual contribution of 2,300 euro gross is paid to employees for each child with a serious physical or mental handicap that affects their learning ability, ascertained according to Law 104/92.

Healthcare assistance is provided to employees and their families through an internal welfare fund.

The purpose of the Welfare Fund is to help pay for hospital and health care in general - to supplement the National Health Service - as well as for other reasons, according to the procedures established by the Regulation. The duration of the Welfare Fund is set until 31 December 2050, unless it is extended. It is inspired by the principle of mutuality and is based in Sondrio, at the Bank's headquarters.

The Fund implements the social purpose of the Bank by the following means:

- a) the contributions to be paid by the members of the Fund;
- b) the equivalent amounts to be contributed by the Bank;
- c) the contribution to be paid by the Bank towards the cost of medical check-ups;
- d) income generated by the Fund's assets;
- e) any offerings or contributions from institutions and individuals;

- f) any cash surpluses, after the ordinary prescription period, in accordance with the National Labour Contract.

Another important element contributing to welfare is the Bank's Recreation Club. The "Recreation Club of the Banca Popolare di Sondrio Group", with headquarters in Sondrio, at the offices of Banca Popolare di Sondrio, is an apolitical, non-trade union and non-profit association, which aims to promote and organise cultural activities for its members and their families, such as cultural, recreational, sporting and any other activities that involve economic and/or welfare benefits for its members. Our Recreation Club has a board of eleven members, elected every three years from among the employees and retirees of Banca Popolare di Sondrio Banking Group companies (in the form of voluntary work outside of working hours).

In this perspective, those who join in the Recreation Club's activities must accept the principle that what has been organised is designed to satisfy colleagues who are members and is managed with the "diligence of a good father".

This premise serves to stimulate the right attitude on the part of those who choose to participate in the Club's initiatives.

The initiatives proposed by the Club are intended for its members (employees and retirees); non-members are allowed to attend, providing they have been signed up by members and, normally, if accompanied by them.

Participation in Club events is normally subject to payment of a membership fee; the fee is differentiated between:

- the fee for non-members, which is equal to the cost of the event with the usual discount for Group fees. The Club does not apply any surcharge.
- the fee for members and their families is determined by applying to the full fee (for non-members accompanying members) a reduction that is covered by the contribution paid by the Club. In other words, the difference between the two fees is borne by the Club using the funds deriving from the annual membership fees of the members and the contribution made by the companies of the Banca Popolare di Sondrio Group.

Cancer prevention awareness campaign

Banca Popolare di Sondrio and Factorit have launched a health education programme, with a view to increasing awareness among collaborators of the importance of looking after themselves.

Working together with **KnowAndBe.Live (www.knowandbe.live)**, all personnel have been offered an opportunity to improve their cancer prevention awareness, in a programme delivered in two phases:

- on-line completion of a self-assessment questionnaire that evaluates their lifestyle and knowledge of the risks of becoming ill, addressing the best primary (in the areas of smoking, alcohol, body weight, physical exercise, fibre diet - fruit and vegetables) and secondary (regular check-ups) prevention practices. The answers to this questionnaire are then compared with the recommended lifestyles and official data on the incidence of cancer and the types of secondary prevention considered useful, by gender and age band. Comparison of the answers encourages individuals to think more carefully about their personal habits. The sections of the questionnaire also include videos recorded by cancer survivors: their stories are useful for understanding the importance of prevention and early diagnosis.
- publication of articles on the best ways to prevent and diagnose early the more common forms of cancer ("Colorectal screening", "Prevention of breast cancer: tests appropriate to each age").

RISKS ASSOCIATED WITH THE TOPIC

RISK: description	Control method
Risks of an operational nature (legal, non-conformity) associated with failure to comply with the regulations governing occupational health and safety	Installation/maintenance of suitable physical controls and equipment compliant with current regulations governing occupational health and safety (Decree 81/2008) Arrangements of specific insurance cover for professional injuries (and more)
Risks of an operational nature connected with hold-ups/ professional injuries (and more)	
Risks of a reputational nature associated with failure to comply with the regulations governing occupational health and safety	

The Group protects the health of its employees in full compliance with the provisions on health and safety at work, making all staff aware of the risks involved and the adoption of responsible behaviour, as well as preparing appropriate prevention measures (including the stipulation of appropriate insurance).

HUMAN RIGHTS, DIVERSITY AND INCLUSION

The Bank complies with the regulations aimed at respecting the principle of non-discrimination in access to employment, training and professional promotion and in working conditions.

In agreement with the trade union representatives, a specific Committee for Equal Opportunities has been set up with the purpose of:

- identifying suitable measures for the realization of equal opportunities;
- promoting suitable actions to facilitate the reintegration of female workers after maternity leave and to safeguard their professionalism;
- promoting initiatives aimed at removing any behaviour harmful to personal freedoms, including sexual harassment;
- evaluating any reports about direct or indirect discrimination at a work or professional level and making proposals on the matter.

In compliance with the contract, without prejudice to the company's organisational requirements, the Bank grants flexibility or work hour reductions, especially to female staff, to allow them a better balance between personal and family needs and those of the company. Particular attention is also given to managing personnel who are seriously disabled. There is a constant involvement and closeness on the part of the HR Manager, even when returning to work, allowing flexibility in terms of work hours.

SUISSE: «Diversity is an integral part of our corporate policies»

The principles of management and conduct, the guiding values, the entrepreneurial spirit, the ambitions and the objectives set all evidence the drive to maintain and disseminate a business culture where the *"individual" is at the centre of attention*.

Training programmes are structured in a manner that involves all generations. Great care is taken to ensure that young people are transferred the necessary know-how and vice versa, so as to create and disseminate knowledge. This is why the various working parties are intergenerational and multi-gender. Diversity is managed so that all workers can realise their potential.

The personnel policies of BPS SUISSE pay great attention to the topic of diversity: the bank strives to respect the principle of equality of treatment in the workplace and maintain equity when it comes to the remuneration of men and women, which is achieved by constant monitoring of the situation by the HR Department and efforts to ensure awareness of the topic during interviews and training sessions.

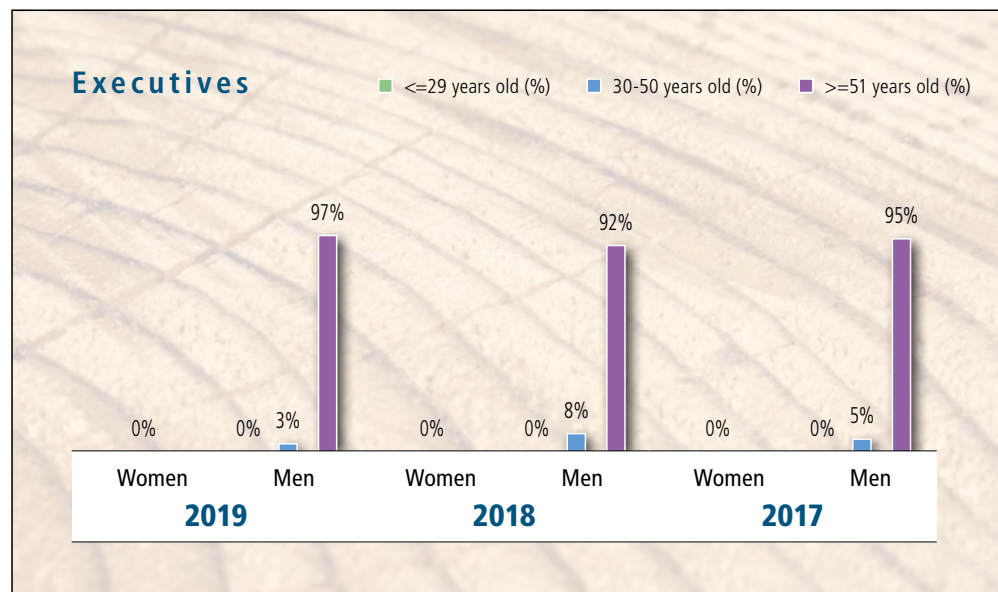
There are no barriers to career advancement, equal opportunities or inclusion. The culture of the organisation is a key component of gender equality. With regard to the recruitment process, linguistic bias is minimised from the job announcements forward and the recruitment and selection processes are addressed in a manner that is as free from prejudice as possible.

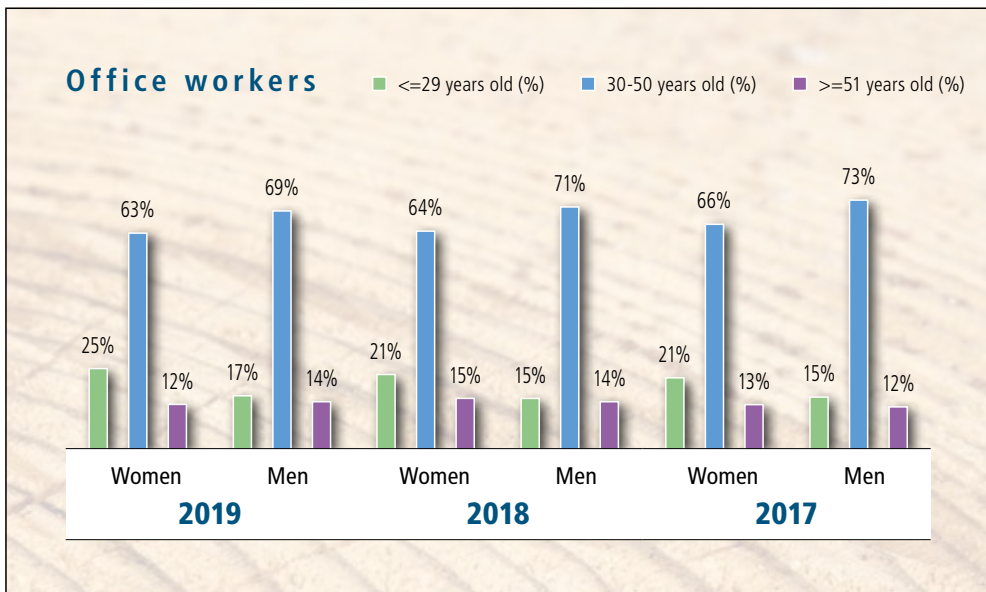
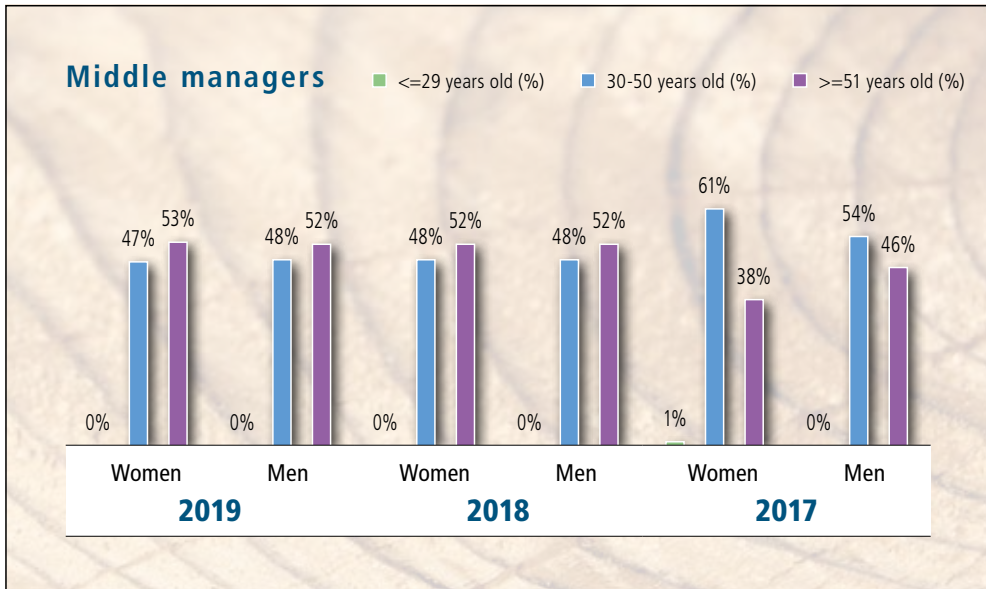


GRI Standard 405-1: Diversity of governance bodies and employees

Total Board members	2019		2018		2017	
	Women	Men	Women	Men	Women	Men
Total Board members (number)	6	14	6	21	5	15
Total Board members (%)	30%	70%	22%	78%	25%	75%

Composition of the governing bodies: breakdown by age	2019		2018		2017	
	Women	Men	Women	Men	Women	Men
<=29 years old (number)	0	0	0	0	0	0
<=29 years old (%)	0%	0%	0%	0%	0%	0%
30-50 years old (number)	1	0	1	0	1	0
30-50 years old (%)	5%	0%	4%	0%	5%	0%
>=51 years old (number)	5	14	5	21	4	15
>=51 years old (%)	25%	70%	19%	78%	20%	75%







GRI Standard 405-2: Ratio of basic salary and remuneration of women to men by category and by operational qualification

* The figures do not include SUISSA

** The percentage relative to the managers is not reported given the absence of female managers

Basic salary is the minimum, fixed amount paid to employees for their work (excluding any additional amounts such as overtime or bonus), while remuneration means the basic salary plus any additional amounts paid to the employee, the average basic salary is the ratio of total basic salaries to the number of middle managers or employees (by gender) in that particular year, less any part-time employees (the 2019 and 2018 data includes part-timer employees), while the percentage is the ratio of the average basic salary of women to that of men.

MIDDLE MANAGERS

	2019	2018	2017
Average basic salary	98%	100%	96%
Average remuneration	82%	87%	89%

OFFICE WORKERS

	2019	2018	2017
Average basic salary	75%	75%	91%
Average remuneration	68%	69%	83%

GRI Standard 406-1: Incidents of discrimination and corrective actions taken: no discriminatory incidents were reported

In order to promote the development of a legality culture and ensure a working environment where employees they can report violations of external regulations without any problem, and thus prevent discriminatory attitudes, the Group has set up an internal system for reporting violations, implementing art. 52-bis of the TUB, which transposes into Italian law the provisions of the "CRD IV" Directive on "whistleblowing".

Consistent with regulatory requirements and best practices in the sector, the bank has defined an internal system for the reporting of deeds, facts and omissions that might represent infringements of the law and internal procedures governing the activities of the Parent Company and its subsidiaries, while ensuring at the same time the confidentiality of the

personal data of the reporter and the alleged perpetrator. The reporting system is governed by the Group Policy on whistleblowing, which is an integral part of the Organisation Model adopted by Group companies. Reports may address any action or omission that does not comply with the regulations governing Group activities and that may or does damage or adversely affect the Banca Popolare di Sondrio Group.

RISKS ASSOCIATED WITH THE TOPIC

RISK: description	Control method
Risks of an operational nature (legal, non-compliance) associated with: <ul style="list-style-type: none"> - adoption of discriminatory practices (e.g. gender inequality, type of contract) - anti-union practices - application of unequal conditions 	Precise compliance with the employment regulations Adoption of non-discriminatory practices, both when recruiting and in the context of existing relations
Risks of a reputational nature associated with: <ul style="list-style-type: none"> - adoption of discriminatory practices (e.g. gender inequality, type of contract) - anti-union practices - application of unequal conditions 	Internal system for reporting violations (whistleblowing)

The Group operates in full formal and substantive compliance with the employment regulations and pursues HR selection and management policies that promote diversity, including the safeguarding of union freedoms. This approach minimises the possibility that legal and reputational risks and penalties might derive from disputes about the application of discriminatory practices or unequal conditions.



SUSTAINABLE MANAGEMENT OF OUR ENVIRONMENTAL IMPACTS

*Although this topic is not considered material by our stakeholders,
the Group has nevertheless decided to report on it.
Banca Popolare di Sondrio is characterised by a heightened awareness of the need
to safeguard the environment and the territory,
with a focus on the impact of the Group at ecosystem level.*

Banca Popolare di Sondrio has been working for years to increase efficiency and reduce waste, by comparing each year the principal data on the consumption of energy and materials by the various functional units. This work is carried out internally, by the Technical Department of the bank, which compares the consumption parameters and indices of the various properties in order to identify the least efficient locations and take appropriate corrective actions.

The Technical Department of Banca Popolare di Sondrio has prepared an Environmental Policy document that summarises numerous aspects consistent with the regulations (such as Decree 78/2015 and Decree 102/2014) and reiterates certain principles also found in various technical standards applicable to the energy field, including ISO50001.

The environmental impacts, defined by the EMAS Regulation 761/2001 such as "changes to the environment resulting from the businesses, products and services of an organisation", are divided into

Direct The impacts directly related to the production, distribution and organisational processes (consumption of water or energy resources, production of waste and equivalents, emissions of climate-altering gases); with regard to their management, Banca Popolare di Sondrio has laid down a series of objectives/modus operandi

- Improvement in energy utilisation systems by defining a Group standard that includes
 - improvement of the energy class of buildings (new and existing ones), through the use of high-performance construction and plant technologies;
 - the use of low-energy lighting systems through LED technologies;
 - the use of low consumption hardware/IT equipment.
- Greater recourse to renewable energy sources with low CO2 emission levels, via

- increase in the percentage of total electricity generated from renewable sources;
- connection to remote heating networks, where possible;
- steady replacement of heating equipment that uses fuel with a high emissions content.
- Reduction of paper consumption by optimising printing processes, greater recourse to electronic documents and increased use of recycled paper.
- Attention to the correct collection and disposal of waste produced by
 - the maximisation of the portion of waste that can be recycled/reused;
 - the extension of separate waste collection for all types of waste produced;
 - continuous verification of the correct disposal of non-recyclable or reusable waste.
- Reduction of excessive use of water drawn from the mains.
- Green purchases with lower environmental impact in their life cycle, through
 - the use of recyclable cartridges and toner;
 - the use of ecological and/or recycled paper, or deriving from certified eco-compatible production processes (FSC);
 - the purchase, where possible, of local products and services, in order to minimize the environmental impact of transport and travel.
- Promotion of sustainable urban mobility, through
 - the use of collective transport systems with a lower environmental impact when travelling between home and work and for work missions;
 - progressive inclusion in the company fleet of vehicles using lower emission propulsion systems.
- Management of environmental emergencies, through the implementation of appropriate prevention and protection measures in emergency situations and environmental risk assessment.

Indirect they are the impacts over which the Company may not have total control, but for which it undertakes to adopt a precautionary approach, with the dual purpose of limiting the risks related to commercial operations and profit from new business opportunities in all areas of strategic activity.

Specifically, as regards customers, the Group wants to encourage its customers to manage their activities in a sustainable manner, proposing banking products and services aimed at benefiting from new business opportunities and reducing the risks associated with strategic business operations.

To achieve this goal, it intends to implement

- Consideration of environmental risk as part of the procedures for assessing creditworthiness.
- Promotion of financial instruments and products to improve energy efficiency in the following sectors
 - business production processes;
 - eco-compatible building;
 - environmental certifications.
- Funding for the purchase of high energy class homes, for the energy redevelopment of buildings/plants and for the installation of systems for the production of energy from renewable sources (photovoltaic, wind, hydroelectric plants).
- Dissemination of specific insurance services for the environmental technology sectors.
- Selection of investment opportunities (private equity), with reference to companies belonging to "sensitive" sectors, through an assessment of regulatory compliance and environmental standards.
- Promotion of investment instruments characterized by a high level of environmental responsibility.

As regard suppliers, our main objectives are

- To improve the supply chain through a selection process that takes into account ethical and environmental requirements.
- To put in place supply systems that minimise environmental impacts through an overall evaluation of the service offered.

The perimeter of environmental data reporting includes the following companies: Banca Popolare di Sondrio, Factorit SpA and Pirovano Stelvio SpA. The environmental data for Banca Popolare di Sondrio SUISSE – SA has been excluded from this report, as its quality was not sufficient in comparison with that reported by the other companies included within the scope of consolidation.

The data on total energy consumption, direct emissions (Scope 1), indirect emissions (Scope 2) and NOX and SOX emissions for 2017-2018 has been revised following an update to the processing methodology and the inclusion of BNT within the reporting perimeter.

ENERGY CONSUMPTION

GRI Standard 302-1: Energy consumption in the Company

Direct energy consumption

	UoM	2019	2018	2017
Heating	GJ	60,655	70,376	72,228
natural gas	Smc	1,249,078	1,544,449	1,590,173
diesel fuel	l	492,286	480,443	487,963
LPG (liquid propane gas)	l	3,582	4,339	4,838
Electricity consumed	kWh	17,850,082	18,704,677	17,753,461
Purchased electricity	kWh	17,622,385	18,497,527	17,508,984
of which from renewable sources (purchased)	kWh	17,358,291	14,751,488	14,552,331
Electricity from renewable sources produced and consumed	kWh	227,697	207,150	244,477
District heating	kWh	1,394,880	999,536	1,001,945
Non renewable district heating purchased	kWh	541,288	451,153	362,644
Renewable district heating purchased	kWh	853,592	548,383	639,301
Non-renewable air cooling purchased	kWh	0	0	0
Renewable air cooling purchased	kWh	0	0	0
Total energy consumption	GJ	129,935	141,310	139,746
	UoM	2019	2018	2017
Renewable energy	kWh	18,439,580	15,507,021	15,436,109
% renewable on the total	%	51.09%	39.50%	39.76%

Gas consumption has decreased due to climate effects and the more precise reporting of condominium consumption. The rise in remote heating consumption reflects the inclusion of certain condominium consumption. Electricity consumption has fallen following work to improve the efficiency of installations. The percentage of renewable energy used has risen due to the purchase and cancellation of guarantees of origin.

	UoM	2019	2018	2017
Non-renewable fuel consumption				
– Diesel fuel	l	62,918	60,534	62,991
Non-renewable fuel consumption				
– Petrol	l	24,229	21,903	29,143
Total non-renewable fuels (including car park)	GJ	63,684	73,246	75,415

* Consumption is derived from fuel expenditure, based on an average pump price published annually by the Ministry of the Economy and Finance. The unit of measurement is the gigajoule

Car consumption is trending downwards due to renewal of the fleet.



ATMOSPHERIC EMISSIONS

Direct emissions of greenhouse gases coming from combustion heat generators are subjected to periodic checks and combustion tests according to the indications contained in Presidential Decree 74/2013.

Each intervention report is filed in our Ordinary Routine Maintenance procedure. Energy audits are carried out six-monthly/annually in order to determine benchmarks for consumption by the various properties.

This data is usually compared with the sector averages identified by the ABI Energia Group, as well as with best practice KPIs, in order to guide targeted action or implement various "energy management" measurements.

GRI Standard 305: Emissions

Direct emissions (Scope 1)	UoM	2019	2018	2017
Total direct emissions	t CO₂e	4,432.67	4,816.32	4,926.10
Heating oil	t CO ₂ e	1,317.53	1,285.83	1,305.96
Diesel for motor vehicles	t CO ₂ e	168.12732	161.7612	168.32582
Petrol	t CO ₂ e	56.895275	51.439866	68.443227
LPG (liquid propane gas)	t CO ₂ e	6.0701915	7.3481722	8.1932374
Natural gas	t CO ₂ e	2,465.04	3,047.94	3,138.18
Fluorinated Greenhouse Gases (F-gas)	t CO ₂ e	419	262	237
Electricity from renewable sources produced and consumed	t CO ₂ e	0	0	0

The emissions data reflects the consumption data. The CO₂ emissions from the consumption of diesel and petrol are stable. The natural gas data reflect greater accuracy in determining the reporting perimeter and the collection of condominium data (from 2017 onwards). The GWP from the top-up of HFC gases has been estimated, as the new National Portal for Fluorinated Gases was only activated at the end of September 2019 and, accordingly, only reports partial data.

Indirect emissions (Scope 2)	UoM	2019	2018	2017
Total indirect emissions – "Location based" method	t CO₂e	5,894.02	6,185.89	5,782.65
Total electricity purchased (renewable or non-renewable) (national grid average emission factor)	t CO ₂ e	5,594.64	5,966.69	5,482.06
Total district heating purchased (renewable or non-renewable)	t CO ₂ e	299.38309	219.19824	300.5835
Other (specify)	t CO ₂ e			

Total indirect emissions – "Market based" method	t CO₂e	241.24	1,867.60	1,068.35
Non-renewable electricity purchased (residual mix factor)	t CO ₂ e	117.52	1,764.38	986.05
Electricity purchased from renewable sources (zero emission factor)	t CO ₂ e	0	0	0
Non renewable district heating purchased	t CO ₂ e	123.71736	103.2196	82.302176
Renewable district heating purchased (zero emission factor)	t CO ₂ e	0	0	0

Increase in district heating emissions due to the inclusion of certain condominium consumption. Decrease in electricity emissions due to greater use of energy from renewable energy sources.

Other indirect emissions (Scope 3)	UoM	2019	2018	2017
Total other emissions	t CO₂e	3,901.17	4,348.32	500.83
Goods and services purchased				
Paper/cardboard and toner	t CO ₂ e	3,397.50	3,810.18	
Business trips (public transport)	t CO ₂ e	503.67	538.14	500.83

Decrease in paper emissions, due to increased use of recycled paper.

	UoM	2019	2018	2017
NOx, SOx and other significant emissions	t	3.94	4.68	4.91
NOx	t	3.07	3.65	3.87
SOx	t	0.87	1.03	1.04

Decrease in emissions due to the increased use of recycled paper.



MATERIALS USED AND WASTE PRODUCTS

The amount of paper used by BPS was calculated on the basis of the quantities of material ordered by our central warehouse, as well as on the basis of the quantity of material (envelopes, sheets) given by the company to which we outsourced the printing and delivery of periodical bank statements to customers.

GRI Standard 301-1: Materials used by weight and volume

Materials used	UoM	2019	2018	2017
Total weight of materials used	kg	494,202	548,882	512,423
Total FSC certified paper	kg	139,165	177,632	306,718
Total paper used (non-certified)	kg	339,705	355,531	188,604
Toner and cartridges	kg	15,332	15,719	17,101

Paper consumption trending downwards. Smaller increase in the FSC certified portion, offset by a greater increase in the recycled portion. Consumption of toner and cartridges essentially stable.

	UoM	2019	2018	2017
Consumption of paper per employee	kg	162.77	185.19	172.05
Toner consumption per employee	kg	5.21	5.46	5.94

GRI Standard 306-2: Waste

Waste generated, directed to recovery and disposal	UoM	2019	2018	2017
Total waste generated	kg	461,407	318,400	434,175
Of which hazardous	kg	1,095	914	2,104
Of which non-hazardous	kg	460,312	317,486	432,071
Total waste directed to recovery (reuse or recycling)	kg	445,187	291,854	408,022
Of which hazardous	kg	0	0	0
Of which non-hazardous	kg	445,187	291,854	408,022
Total waste directed to disposal (landfill or waste-to-energy)	kg	16,220	26,546	26,153
Of which hazardous	kg	1,095	914	2,104
Of which non-hazardous	kg	15,125	25,632	24,049

Increase due to non-recurring work to eliminate the paper-based central archives of BPS.

WATER CONSUMPTION

Water consumption data was obtained solely with reference to the invoices, identifying the fixed costs and average variable costs applied regionally by the various service providers in 2019, distinguishing between the standing charge and the variable portion.

The trend is not identifiable, due to the application of cost adjustments by the water service providers concerned.

GRI Standard 303-1: Water withdrawal by source

Volume of water withdrawn	UoM	2019	2018	2017
Total volume of water withdrawn	cm	149,971	360,638	247,549
surface waters, including waters from swamps, rivers, lakes and oceans	cm	0	0	0
ground water	cm	0	0	0
rainwater collected directly by the company	cm	0	0	0
waste water from another company	cm	0	0	0
municipal water or other supply infrastructure	cm	149,971	360,638	247,549

MOBILITY

The bank has not appointed a Mobility manager, as BPS is not subject to the requirements of the Decree dated 27/03/1998.

Despite this, the Technical Department has recently adopted a new fleet management system that makes it possible to benchmark and compare costs, consumption, distances travelled and emissions (internal mobility management).



Banca Popolare di Sondrio S.C.p.A.

Consolidated non-financial report at December 31, 2019

Independent auditor's report pursuant to article 3, par. 10,
of Legislative Decree n. 254, dated December 30, 2016 and
article 5 of Consob Regulation n. 20267 dated January 18, 2018



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Independent auditors' report on the consolidated non-financial report in accordance with article 3, par. 10, of Legislative Decree n. 254 dated December 30, 2016 and to article 5 of Consob Regulation adopted with Resolution n. 20267 dated January 18, 2018 (Translation from the original Italian text)

To the Board of Directors of
Banca Popolare di Sondrio S.C.p.A.

We have performed a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree of December 30, 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution n. 20267/2018, on the consolidated non-financial report of Banca Popolare di Sondrio S.C.p.A. (hereinafter, the "Company") and its subsidiaries (hereinafter, together with the Company, the "Group") for the year ended December 31, 2019 in accordance with article 4 of the Decree and approved by the Board of Directors on April 9, 2020 (hereinafter "NFR").

Responsibilities of Directors and Board of Statutory Auditors for the NFR

The directors are responsible for the preparation of the NFR in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by the directors as the reporting standard.

The directors are also responsible, within the terms provided by law, for the part of internal control that they consider necessary to allow the preparation of the NFR free from material misstatements caused by fraud or not intentional behaviors or events.

The directors are also responsible for identifying the contents of the NFR within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance and results and its impact.

The directors are also responsible for defining of the Group's management and organization business model, as well as with reference to the matters identified and reported in the NFR, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditor's independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

EY S.p.A.
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Auditors' responsibility

It is our responsibility, on the basis of the procedures performed, to express a conclusion about the compliance of the NFR with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires planning and execution of work to obtain a limited assurance that the NFR is free from material misstatements. Therefore, the extent of the work performed in our examination was lower than that required for a full examination according to ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would have been identified in a reasonable assurance engagement.

The procedures performed on the NFR were based on our professional judgment and included inquiries, primarily with Company's personnel responsible for the preparation of the information included in the NFR, documents analysis, recalculations and other procedures to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics for the activities and characteristics of the Group reported in the NFR, to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria used for identifying the consolidation area, to evaluate their compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the NFR with those included in the Group's consolidated financial statements at December 31, 2019;
4. understanding of the following aspects:
 - Group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - policies adopted by the Group related to the matters indicated in article 3 of the Decree, results achieved and related key performance indicators;
 - main risks, generated or suffered related to the matters indicated in article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the NFR and performed the procedures described under point 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the NFR. In particular, we have conducted interviews and discussions with the management of Banca Popolare di Sondrio S.C.p.A. and with the personnel of the subsidiaries Factorit S.p.A. and Banca Popolare di Sondrio (SUISSE) SA and we have performed limited documentary evidence procedures, to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the NFR.

Furthermore, for significant information, considering the Group activities and characteristics we carried out the following procedures:

- at Group level:
 - a) with reference to the qualitative information included in the NFR, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidences;
 - b) with reference to the quantitative information included in the NFR, we performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the entities Banca Popolare di Sondrio S.c.p.A., Factorit S.p.A. and Banca Popolare di Sondrio (SUISSE) SA, selected on the basis of their operations and their contribution to the performance indicators at consolidated level, we have carried out site visits during which we have had discussions with management and acquired evidence about the appropriate application of the procedures and the calculation methods used for the identified indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the NFR of the Group for the year ended December 31, 2019 has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Milan, May 2, 2020

EY S.p.A.
Signed by: Davide Lisi, auditor

This report has been translated into the English language solely for the convenience of international readers.

Photographs:

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