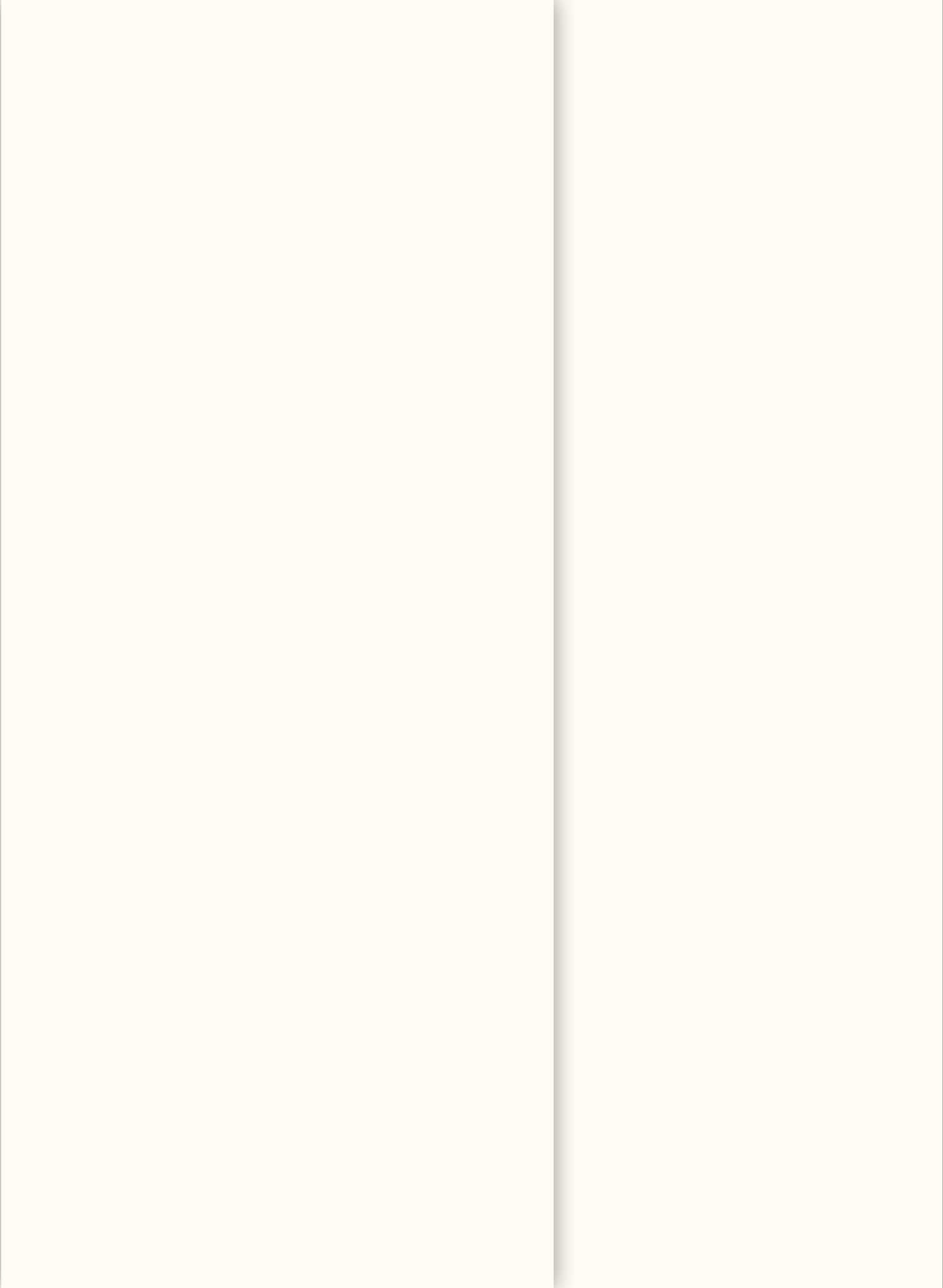
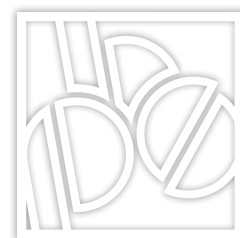




# **2020 CONSOLIDATED NON-FINANCIAL REPORT**

PURSUANT TO LEGISLATIVE DECREE 254/16





**Banca Popolare  
di Sondrio**

2020  
CONSOLIDATED  
NON-FINANCIAL  
REPORT



## **ORDINARY SHAREHOLDERS' MEETING OF 11 MAY 2021**

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](mailto:info@popso.it) - Certified e-mail address: [postacertificata@pec.popso.it](mailto: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: € 1,157,414,409

(Figures approved at the shareholders' meeting of 12 June 2020)

Rating:

- Ratings given by Fitch Ratings to Banca Popolare di Sondrio scpa on 25 September 2020:
  - Long-term: BB+
  - Short-term: B
  - Viability Rating: bb+
  - Outlook: Negative
  - Long-term Deposit Rating: BBB-
  - Long-term subordinated debt: BB-
  
- Ratings given by DBRS Morningstar to Banca Popolare di Sondrio scpa on 16 November 2020:
  - Long-Term Issuer Rating: BBB (low)
  - Short-Term Issuer Rating: R-2 (middle)
  - Trend (outlook): negative
  - Long-Term Deposit Rating: BBB
  - Short-Term Deposit Rating: R-2 (high)
  
- Ratings given by Scope Ratings to Banca Popolare di Sondrio scpa on 31 March 2021:
  - Issuer rating: BBB-
  - Outlook (prospettiva): Stable



# PREFACE

**LEONARDO BECCHETTI**

Full Professor of Economics at the University of Rome Tor Vergata

A people's bank that presents a non-financial report in accordance with the new accounting concepts that are steadily emerging is, in fact, merely updating an established tradition rooted in the founding principle that brought together the original stakeholders: maximise profits while enhancing the well-being of the local community. In order to understand the purpose of non-financial reports, we need to take a step back and consider the question in the context of recent developments in economic theory.

The world understood by Milton Friedman no longer exists and considerations such as impact, well-being of stakeholders and corporate social and environmental responsibility have become central in the current socio-economic landscape. In the vision of the American economist, the sole task of firms should be to maximise profits "never mind how", in other words, regardless of any adverse and unwanted social and environmental impacts (external effects). According to Friedman, authoritative and benevolent national institutions would then be responsible for imposing rules and taxes that reconcile the best results of profit maximisers with the best social outcomes.

That world and that conception of reality no longer exist, as they were founded on assumptions that have not passed the test of time. Economic theory has replaced the ideal of benevolent and far-sighted national institutions with a more realistic understanding of the conflicts of interest between the personal objectives of politicians and those of benefit to society as a whole. Even assuming maximum benevolence, national institutions constrained to operate within the globally integrated economy have lost much of their ability to impose effective rules and tax measures, due to the competitive discounting of labour costs, taxation and environmental standards practised in many parts of the world in order to attract businesses on the move. For these reasons, civil society has begun to ask firms to shoulder additional and different responsibilities beyond mere profit maximisation, resulting in the emergence of corporate social responsibility. Beyond the external factors driving CSR, there also exists a deeper, internal factor that cannot be ignored. The frontier of social science studies indeed provides increasing confirmation that humans seek meaning ahead of maximum benefits. These studies of the drivers of satisfaction and meaningfulness show that "ability to generate" is the main component of the factors that make us happy. By that, we mean the ability to fill our lives with meaning by building relations and having a positive effect on the happiness of others. In my opinion, two of the best definitions of this concept were provided by Antonio Genovesi, the founder of social economics, and John Stuart Mill, one of the leading Anglo-Saxon founders and exponents of modern economic thought.

Genovesi states: "Labour in your interests, no man could do otherwise without diminishing his happiness as a real man: but do not seek to inflict misery on others and, as and when you can, strive to make them happy. The more you labour in your interests, without overdoing it, the more virtuous you will become. As a universal law, you cannot be truly happy without having made others happy too" (Antonio Genovesi, *Autobiography and letters*, Einaudi, p. 449).

And John Stuart Mill echoes this, stating that "Those only are happy who have their minds fixed on some object other than their own happiness: on the happiness of others, on the improvement of mankind, even on some art or pursuit, followed not as a means, but as itself an ideal end. Aiming thus at something else, they find happiness by the way".

As a concept, the ability to generate enriches and supplements our understanding of the factors that can make us happy. We can have income, health and education, but if we waste our day on the couch, we cannot be happy. Happiness has nothing to do with our possessions, but with our ability to participate and express ourselves for a purpose; getting involved in a project means making an effort. This profound desire to be happy and to generate more leads us, today, in the world of business, to the concept of impact. The new generation of entrepreneurs is more ambitious, not just seeking to make a profit but, in addition, to have an impact on the well-being of the stakeholders involved in their lives and businesses (workers, local communities, customers, suppliers...).

This introduction helps us to understand certain developments in the area of financial reporting and fits within the context of the other great challenge that faces us: the ecological transition.

The ecological transition towards sustainable development is the principal challenge that faces the global economy in the coming decades. Industry, agriculture, transportation, energy production and the efficiency of homes must all undergo radical change if we want to meet the Paris Accord limits on the rise in global temperatures and avoid the risk of a climate disaster. In 2019, global emissions reached about 53 billion tonnes of CO<sub>2</sub> equivalent (GtCO<sub>2</sub>). The curve of the marginal costs incurred to lower CO<sub>2</sub> emissions is flat until halfway, after which it spikes rapidly to levels that are currently prohibitive, as we draw closer to the desired objective. The only positive aspect is that this curve shifts right every year, indicating that technological progress is gradually improving the situation. In reality, our position in this ecological transition is exactly the same as it was last year, before the pandemic. Currently, there is no "vaccine" for global warming, but it is reasonable to hope that research and technological progress will lead us steadily towards this goal.

The UN sustainable development goals – and, in particular, goals 12 (responsible consumption and production) and 17 (partnerships for the goals) – clarify that sustainable development cannot be achieved without a major



commitment from businesses. In a complex world such as we have today, changes calls for all hands on deck. The invisible hand of the market and its competitive mechanisms, which reconcile the profit motive of producers with the well-being of consumers via competition, are insufficient on their own. Not least because the invisible hand is not the result of laissez faire, but rather represents the sophisticated fruit of institutions and rules. Support from "enlightened and benevolent" institutions is not enough either. According to UN SDG 17, both active citizens and generative and responsible businesses, that consider their impacts together with profit, are also absolutely essential. Although self-recognition of their corporate social responsibility helps firms to maximise profitability, by reducing their exposure to ESG risks, motivating workers, obtaining competitive advantages and stimulating the propensity to pay of those consumers/savers who "vote with their wallets" – with leaders that deliver quality products while maintaining high standards of social and environmental responsibility – nevertheless, it remains for institutional policy decisions to provide the essential impulse along this virtuous path towards the common good.

This where the growing importance of the non-financial report becomes clear.

Economic and business literature considers the non-financial report (being the formal communication of policies and practices not included in standard financial reports) to be a form of "soft" regulation, influencing and stimulating the social and environmental decisions of businesses, albeit without imposing specific rules for how the information should be disclosed. The growing series of recommendations from supranational institutions calling for the adoption of non-financial reporting confirms the importance of its role and their conviction that it can stimulate firms to invest in and enhance their CSR practices.

Following these recommendations, various countries have begun to implement rules for non-financial reporting by large businesses. In China, public-interest entities have been required to publish non-financial reports since 2008; in South Africa, the King Reports have sought to enhance the transparency of corporate governance practices since 2016, while in India, the top 500 listed companies are obliged to publish a Corporate Responsibility Report based on the nine principles embodied in the "Voluntary National Guidelines" that cover ESG matters. In the United States, the environmental protection agency has focused more on specific parameters since 2010, requiring all plants with annual carbon emissions in excess of 25 ktonnes to disclose that information.

In Europe, the Directive (EU) 2014/95 on the disclosure of non-financial information requires member States to make non-financial reporting obligatory for undertakings with more than 500 employees. Considering the choices made by individual States, the Norwegian government introduced a number of amendments in 2013 that require firms to disclose their human rights and employment policies, as well as those on social and environmental matters.

In France, in the same year, the Grenelle I and Grenelle II Acts extended the scope of social reporting – pioneered by the French authorities in the 70s – to include a larger number of firms.

Directive (EU) 2014/95 gives each member State some freedom in the definition of "public-interest" undertakings or companies. In Italy, this directive was transposed by Decree 254/2016, which came into force in January 2017 and requires social disclosures from firms with more than 500 employees that, at the end of the financial year, satisfy at least one of the following two criteria: a) total assets not less than 20 million euro; b) total net revenues from sales and services not less than 40 million euro. ([https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en)).

This pressure for voluntary and/or mandatory non-financial reporting derives not only from the recent regulatory developments mentioned above, but also from financial investors in the private sector. In fact, an increasing number of investment funds have begun to evaluate the social and environmental scores of listed companies, in order to calculate the exposure of their portfolio to ESG (environmental, social, governance) risks, which are considered orthogonal to and independent of the traditional risk factors considered by them. Part of this pressure derives, in turn, from the most recent financial regulation (i.e. Directive (EU) 2019/2088) on sustainability-related disclosures, which is causing earthquakes in the sector. The directive establishes that when a saver indicates an interest in financial activities with environmental characteristics beyond the financial return expected, the promoter cannot present random products as "green". Indeed, to qualify as a "green product", an investment fund must demonstrate an ability to measure the progress of its portfolio in terms of environmental sustainability using precise parameters. This means that, in turn, the funds ask listed companies to measure their environmental impact carefully, in order to obtain the information needed to qualify their financial products as green. This provides the foundation for an even stronger push towards non-financial reporting in the coming years, backed by precise indicators.

The pressure will filter down from the listed companies to all the small subcontractors and suppliers that work in their product value chains.

In the near future therefore, it is highly likely that non-financial reports will have to disclose the impact of the business on the six environmental domains that underpin the EU taxonomy and the "Do Not Substantially Harm" principle (climate change, climate mitigation, air pollution, water quality, circular economy, biodiversity), which means that non-financial reports will begin to look very much like financial statements prepared using strict accounting rules.

For all these reasons, it is valuable for a people's bank with long traditions to continue working in this direction, seeking to supplement measurement of the ecological transition with parameters covering the social dimension.

Summarising and generalising, the activities of a business can be measured in two dimensions: economic profitability and competitiveness on the one hand; social and environmental impact on the other. It would be ingenuous to believe that choosing the path of social and environmental sustainability and caring about its impact will automatically result in profits and competitiveness. Indeed, considering a notional 2x2 table based on these dimensions, all four fields will be full of examples. Simplifying, there are competitive "non-ethical" firms, uncompetitive "ethical" firms (the worst advertisement for the sustainability cause), uncompetitive "non-ethical" firms and, lastly, competitive "ethical" firms. For sure, competitive "non-ethical" firms will be exposed to growing ESG risks and long-term sustainability problems, while the challenges impeding the ability to generate and find satisfaction and meaning in life will be overcome by the competitive "ethical" firms. The business community must therefore work hard to identify potential virtuous spirals towards the achievement of this objective, given the constraints imposed by the current environment. The non-financial report tells us what has happened, while also being a source of innovation and inspiration for the next steps forward. I am sure that the Popolare di Sondrio community will find the spirit of innovation and dedication needed to overcome this challenge.



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## Letter to Stakeholders

### LASTING SUSTAINABLE GROWTH

*This past year, 2020, will be remembered in the history books - whether printed or digital - for the first pandemic of the global era and for the effects of an unprecedented, painful and intense crisis that was, above all, completely unexpected.*

*Being caught by surprise at the beginning of the third millennium is paradoxical, given our penchant for medium/long-term planning that applies, for predictive purposes, every possible scenario humanly imaginable.*

*Even so, we suddenly came under siege, not by aliens but by an aggressive virus that was completely unknown.*

*Understandably, we reacted promptly to safeguard the health and safety of employees, customers and local communities.*

*In shock, we shared the fragility of every human being, losing all certainty, all sense of balance, even that acquired and seemingly most stable.*

*Confinement in lockdown, just one of the bad experiences deriving from the healthcare emergency, gave pause for thought and drastic changes in routine, highlighting in primis the need to put people first and build a safety net - for all of humanity - against catastrophes with no respect for borders and which most of us, at least in the so-called advanced countries, thought could no longer happen.*

*In the search for explanations, the appeals made by Greta Thunberg, the Swedish adolescent activist, spring to mind. She roused public opinion with her speech at the Davos forum, when she said "...you are stealing the future of your children. You have run out of excuses and we are running out of time. We have come here to let you know that change is coming, whether you like it or not".*

*In this way we understood the urgent need, no longer deferrable, for positive action to tackle such environmental matters as soil erosion and consumption, pollution and global warming which are, perhaps, the cause of ever more violent atmospheric phenomena.*

*So action is needed to break down the cultural norms that, too often, confine sustainability to the margins of economic and political decision-making, for the sole benefit of short-term interests.*

*Better late than never, one might say, hoping nevertheless for a more far-sighted and global vision.*

*Investing in the social and environmental impact of a business is far more than a moral choice: it is an intelligent way to conduct business and financial affairs, beyond the mere search for profit for its own sake.*

*As referenced by Prof. Becchetti in his introduction, this understanding goes back to the thinking of John Stuart Mill - one of the leading British exponents of modern economic thought - and to the studies of Antonio Genovesi, writer and philosopher, who was among the Italian founders of social economics.*

*Given this, it is no surprise that the issuers of international accounting standards are now adding sustainability as a complementary parameter when measuring the value of a business. This alongside the European directives, transposed at national level, with sector regulations and the birth of rating agencies that use ESG criteria in order to provide guidelines to investors. Looking ahead, in the context of these new scenarios that are pulling together the environment, industry and finance, Banca Popolare di Sondrio will continue to adopt a holistic approach, rooted in our DNA, as an agent for change and transition towards achievement of the sustainability objectives in the ways that best fit with local and system-level circumstances.*

*The essence of being a people's bank is found in constant promotion of the economic and social development of the communities served, dedicating special attention to their structural pillars: households and SMEs.*

*From inception, our bank has sought to satisfy the various interests of our stakeholders, with behaviours inspired by best practices and the values that underpin the cooperative movement, ethics and reciprocity. We have always combined the classic pursuit of profit with efforts to achieve the common good.*

*Strengthened by this tradition, the Bank is now playing an active role in the essential transition desired by so many, with the reshaping of business practices - ever more cross-functional - and the business model to create value for the broader community.*



*2020 was an important year in the reform and evolution of the regulatory framework. The growing attention paid to the possible consequences for the financial sector of environmental and climatic changes will strengthen inter-sector cooperation in the area of green finance, with initiatives promoted by both industry and the institutions.*

*Banca Popolare di Sondrio celebrates its 150th anniversary this year (1871-2021). In publishing this "Non-Financial Report" for the fourth consecutive year, the Bank is proud of the contribution it makes to the identification of common objectives, guiding actions responsive not only to short-term stimuli, but also to the need for lasting, sustainable growth.*

*In conclusion, we must strive harder to understand and tackle challenges in practical manner, strengthen the ties among peoples, be more considerate and supportive of others, create a safety net for the environment with which we interact and learn the lessons drawn from the history of our communities. Step by step, we hope to launch a new virtuous spiral fuelled by the moral approach that behoves a people's bank.*

*Sondrio, 30 March 2021*

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, updated in 2018 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, environmental protection, the fight against active and passive corruption and respect for human rights.

This NFR has also been prepared with reference to the guidance published by the European Securities and Markets Authority (ESMA) and Consob on how to discuss the impacts of the Covid-19 pandemic.

Following the acquisition of tools for monitoring and reporting on “ESGEO” sustainability, the Bank has updated the procedure for formalising the NFR reporting process.

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 30/03/2021.

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, with the exception of companies whose performance and sustainability impacts are not significant: POPSO Covered Bond Srl, Sinergia Seconda Srl, Immobiliare San Paolo S.r.l., Immobiliare Borgo Palazzo S.r.l., and Servizi Internazionali e Strutture Integrate 2000 S.r.l.

Any further 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 2020, presented in comparison with the information for 2019 and 2018.

This edition of the Consolidated Non-Financial Report is also available on the website, at the link <https://istituzionale.popso.it/en/sustainability/non-financial-reports>.

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 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.

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 – 2018 – National Inventory Report 2020 Annex 6 National Emission Factors – Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA) 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 fuel consumption of the company car fleet was obtained from the DKV fuel cards that document the total annual spending on fuel, as well as from the fuel cards 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 CO<sub>2</sub> and (CO<sub>2</sub> equivalent) emissions reported in this NFR are the following:

- Direct emissions Scope 1: emissions are calculated on the basis of coefficients and formulas defined by ABI in the document entitled “Guidelines on the application by banks of the Global Reporting Initiative (GRI) Environment Indicators”, version of 14.12.2020;

- Indirect emissions Scope 2: CO<sub>2</sub> and emissions is calculated using coefficients for the conversion of CO<sub>2</sub>, CH<sub>4</sub> and NO<sub>2</sub> consumption/emissions published by ISPRA and ENEA (as required by ABI in the document entitled "Guidelines on the application by banks of the Global Reporting Initiative (GRI) Environment Indicators", version of 14.12.2020, with specific reference to the Common Reporting Format 2019 – ISPRA;
- Other indirect emissions Scope 3: emission conversion factors for business travel are obtained from the DEFRA Guidelines –Ecopassenger application, ICAO Carbon Emissions Calculator;
- NO<sub>x</sub>, SO<sub>x</sub> and other significant emissions: conversion factors from the ISPRA (Network of the National Environmental Information System) – Emission factors for stationary sources of combustion in Italy, SINAnet 2020;
- 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 purposes

#### 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
- With regard to the GRI environmental data provided in the content index, the two-year period 2018-2019 excludes the data for Banca Popolare di Sondrio SUISSA–SA because certain inconsistencies and shortcomings were identified during the data collection phase.



## GRI CONTENT INDEX (GRI 102-55)

Disclosure	Description of indicator	Material topic	Number of page	Notes on omissions
<b>GRI 102: GENERAL DISCLOSURES</b>				
<b>ORGANISATIONAL PROFILE</b>				
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<b>102-2</b>	Activities, brands, products, and services		36-38	
<b>102-3</b>	Location of headquarters		3-32	
<b>102-4</b>	Location of operations		32-34	
<b>102-5</b>	Ownership and legal form		41	
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<b>102-10</b>	Significant changes to the organization and its supply chain		35-36-37 38-41	
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<b>ETHICS AND INTEGRITY</b>				
<b>102-16</b>	Values, principles, standards, and norms of behaviour		35-122	



GOVERNANCE				
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STAKEHOLDER ENGAGEMENT				
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REPORTING PRACTICE				
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102-51	Date of most recent report			2019 NFR approved
102-52	Reporting cycle			Annual
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## ECONOMIC PERFORMANCE: TOPIC SPECIFIC STANDARDS

### GRI 201: ECONOMIC PERFORMANCE

<b>103-1</b>	Explanation of the material topic and its Boundary	Solidity and economic performance	18-51	
<b>103-2</b>	The management approach and its components		75-76	
<b>103-3</b>	Evaluation of the management approach		76	
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KEY NON-GRI PERFORMANCE INDICATORS				
<b>Donations</b>	Total economic value of Group donations, analysed by type of event/activity	Ties with the territory and the community	89	
<b>Sponsorships</b>	Economic value of Group investment in sponsorships providing publicity for events/activities that provide economic support to the community	Ties with the territory and the community	89	

## KEY NUMBERS

Total employees **3,302**

% permanent employees **99%**

Number of new recruits **148**

Number of customers **854,000**

Turnover (total income) **869** million euro

Total economic value distributed **604,392** million euro

Renewable electricity percentage **98%**

Loans to customers (million euro) **35,548**

Paper per employee (Kg/year) **141.47**



## 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 161,000 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



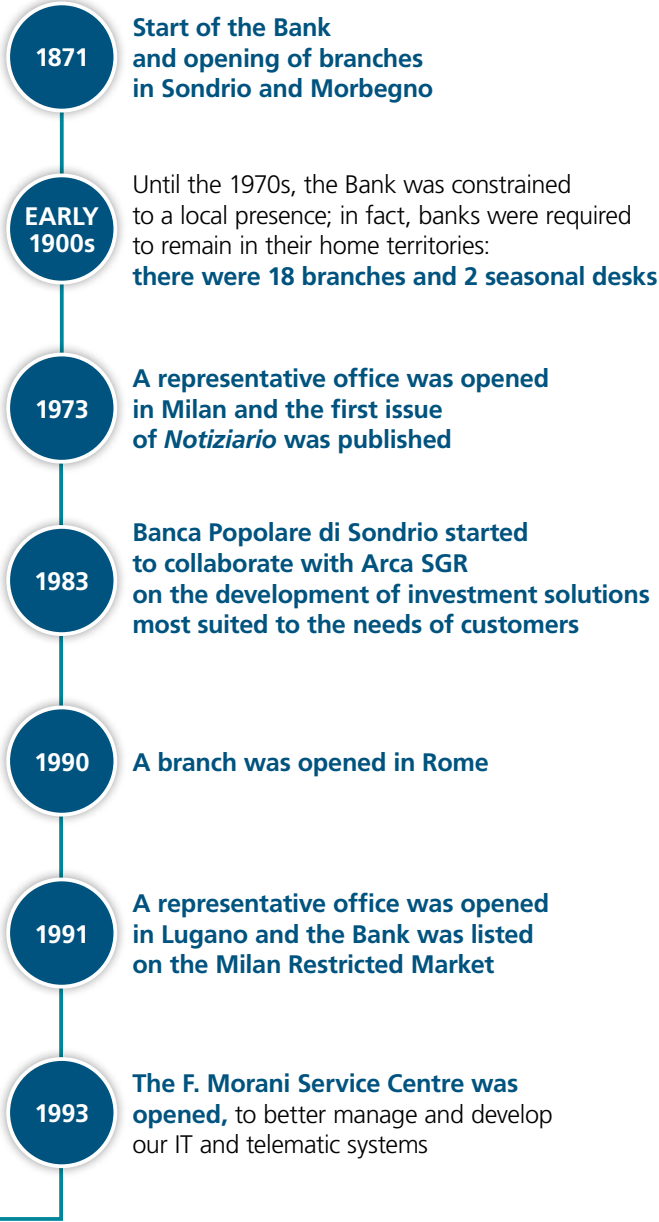
*All citizens, however dressed up and contemporary, putting on an ultra-modern façade, retain certain ancient values that both represent their roots and shield them too. Only by saving and restoring the emblems of this “antiquity” can we sustain the progress made in the present. Unhappy is he who knows 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.





**1995**

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



Piero Melazzini became the Chairman of BPS



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



2010

Acquisition of Factorit SPA

2009

Listed on the main board

2007

The "Luigi Credaro" library was inaugurated



2004

Banca Popolare di Sondrio, the only Italian member of Eurogiro

2001

The Bank became qualified intermediaries for the European Investment Bank

1999

Banca Popolare di Sondrio (SUISSE) SA formed Popsosuisse Investment Fund SICAV

2014

Francesco Venosta became Chairman



2015

BPS (SUISSE) SA reported a record profit, +73%

2016

Transformation into an Spa deferred

2018

Investment in Rent2go SRL and PrestiNuova was acquired

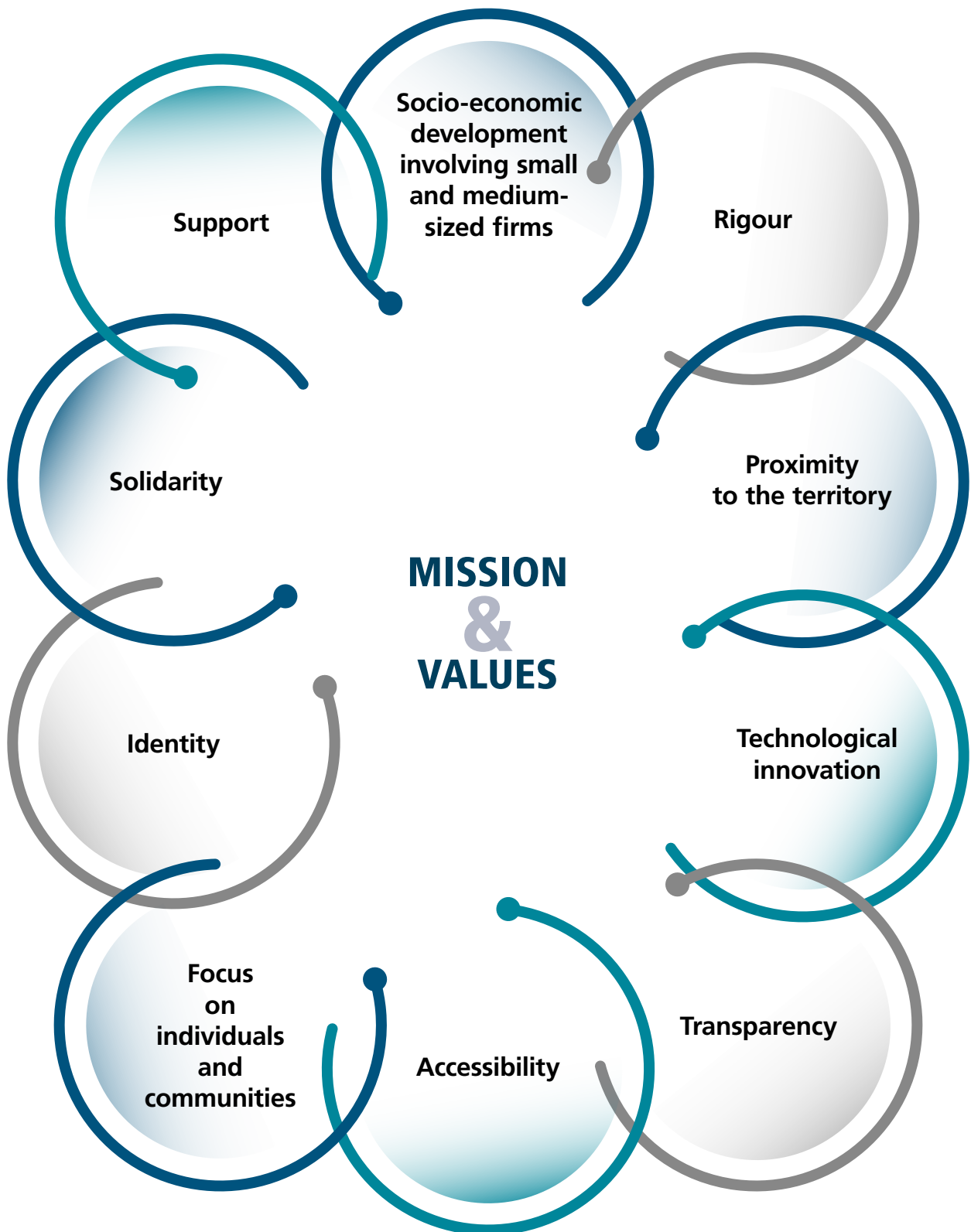
The Pospoarte.it website was launched

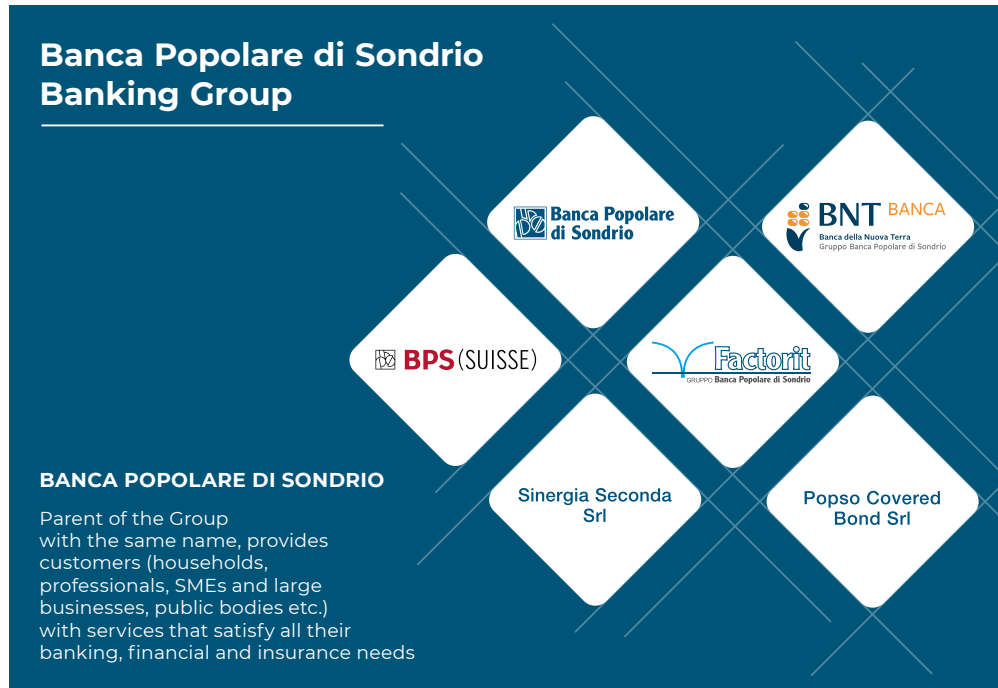




## Our branch network







In addition to BPS, the Group comprises:

- **Banca Popolare di Sondrio (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 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 SpA, Immobiliare San Paolo Srl, Immobiliare Borgo Palazzo Srl, and Servizi Internazionali e Strutture Integrate 2000 Srl.

## A GLANCE AT 2020



The Shareholders' Meeting, deferred to 12 June 2020, was held in Sondrio at the headquarters of the Bank. Members with voting rights were able to exercise them by giving specific proxy instructions to the designated representative.



In updating their ratings, Fitch Ratings, DBRS Morningstar and Scope Ratings confirmed their opinions on the creditworthiness of the Bank, considering above all its considerable financial strength and abundant liquidity.



An initiative was launched in favour of students at the "Luigi Bocconi" University, who were able to finance their fees by paying those due on 29 January 2021 in instalments.



Banca Popolare di Sondrio (SUISSE) SA opened a branch in Vevey – Canton Vaud in November.



In Italy, the Parma no. 2 branch was opened at the start of the year to strengthen the presence of the Bank in the hard-working region of Emilia.



Branch no. 39 was opened in Rome during December, together with the second branch in Imperia.



As part of extensive work on impaired loans, a bulk sale of bad loans with a gross value of almost Euro 1 billion was completed successfully in June. This was followed by a similar operation totalling about Euro 372 million towards the end of the year. This exceptional derisking activity has made it possible to face the current and future macroeconomic challenges with reasonable optimism.



In June the European Banking Authority positioned Sondrio among the most solid banks in Italy and in the whole of Europe.

## BUSINESS MODEL AND BUSINESS STRATEGY



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

(Pope Francis)



Despite the emergency conditions experienced throughout 2020, the Bank sought – with increased effort and dedication – to support the productive sector, households and individuals in general, by investing and granting loans and lines of credit in order to facilitate the delivery of government "transfers" to their intended recipients.

The 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**

Fully aware of the new European regulations on "sustainable finance" and the growing market pressures in this area, the Bank is working even harder to update and implement strategies and processes that integrate all the various facets of sustainability within the business.

The search for new products and services to make better use of all market opportunities continued 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 continuing to grow 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

### INDIVIDUALS

- On-line services
- Current accounts
- Payment cards
- Loans
- Investments; investment opportunities for the management of savings
- Insurance cover; how to obtain protection using our insurance cover
- Pensions; how to build a supplementary pension
- Collections and payments; SEPA – Single Euro Payments Area

PRODUCTS  
AND  
SERVICES

### BUSINESSES

- Factoring
- On-line services
- International services; for the internationalisation of business activity
- Loans
- Payment cards
- Insurance cover
- Value-added services

### ENTITIES

- Factoring
- On-line services
- Treasury and cash management services
- Electronic instructions and digital signatures
- Collection-related services
- Payment-related services
- Quality certification; our system for the provision of treasury and cash management services has obtained ISO 9001:2015 certification

### NPL – Non-performing loans

The collection of non-performing loans (NPL) is considered to be at risk for various reasons; accordingly, the Bank is making every possible effort to reduce them, with priority attention and strong action.

In fact, the new NPL function (NPE Unit) has been established with a view to lowering their weight significantly: this function, working in synergy with the offices that manage credit risk, prevents further increases in the stock of NPL by containing the rise in anomalous loans and reaching agreements with the customers concerned. The Bank has also arranged to sell massive blocks of NPL with a gross book value in excess of Euro 1 billion. As a result of these efforts, the weighting of impaired loans with respect to total customer loans (NPL ratio) was 7.45% at Group level in December, representing an improvement of 5 percentage points over the year.

## Market

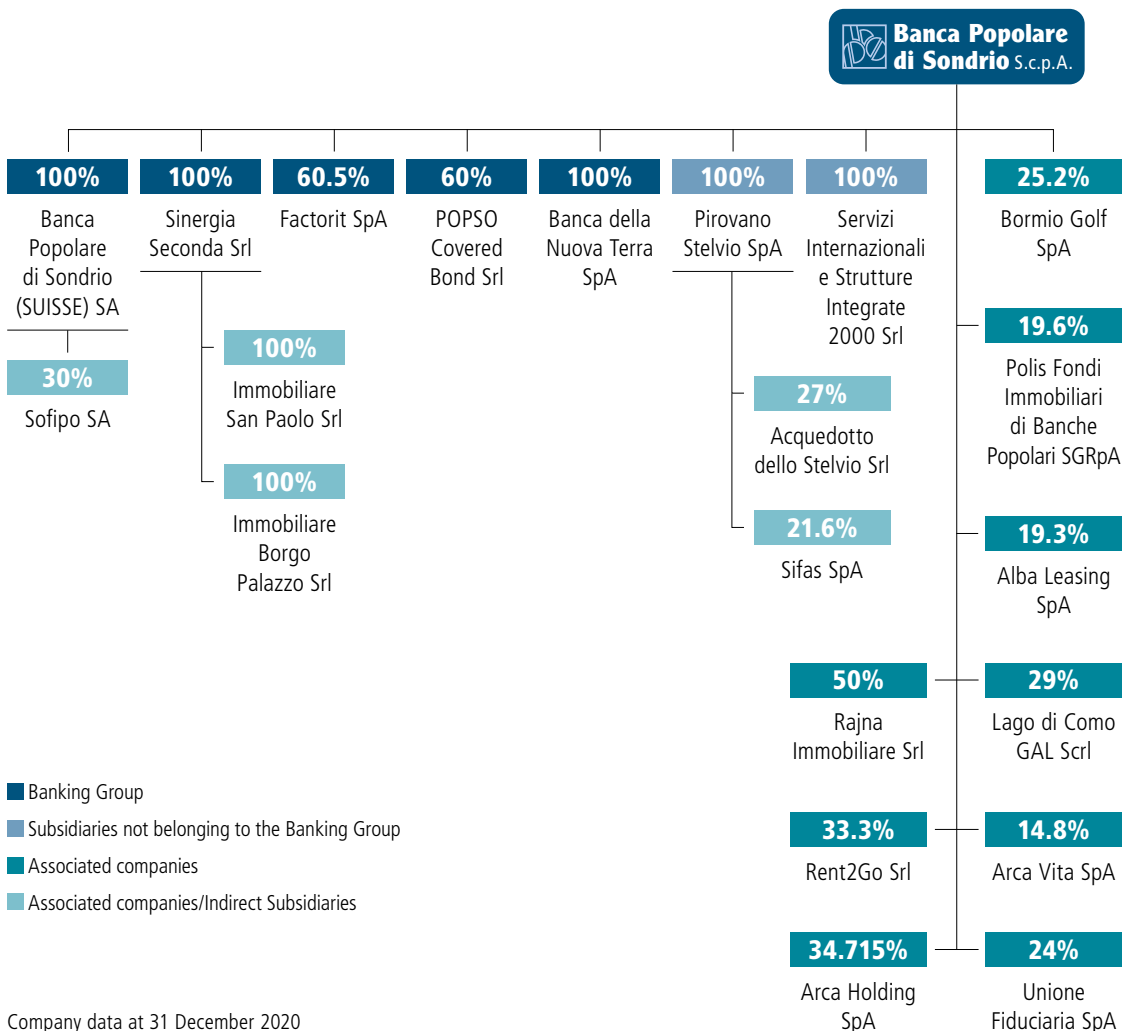
The Group is active in Italy and in Switzerland, via Banca Popolare di Sondrio (SUISSE) SA. The Banking Group can count on:

- 349 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 branches in the Principality of Monaco and in Vevey in the Vaud canton.

## Group structure

See pages 52-53 of the annual report and the website for further information about the Group structure and the equity investments held

<https://www.popso.it/informativa-societaria/bilanci-annuali-infrannuali/resoconti-annuali>.



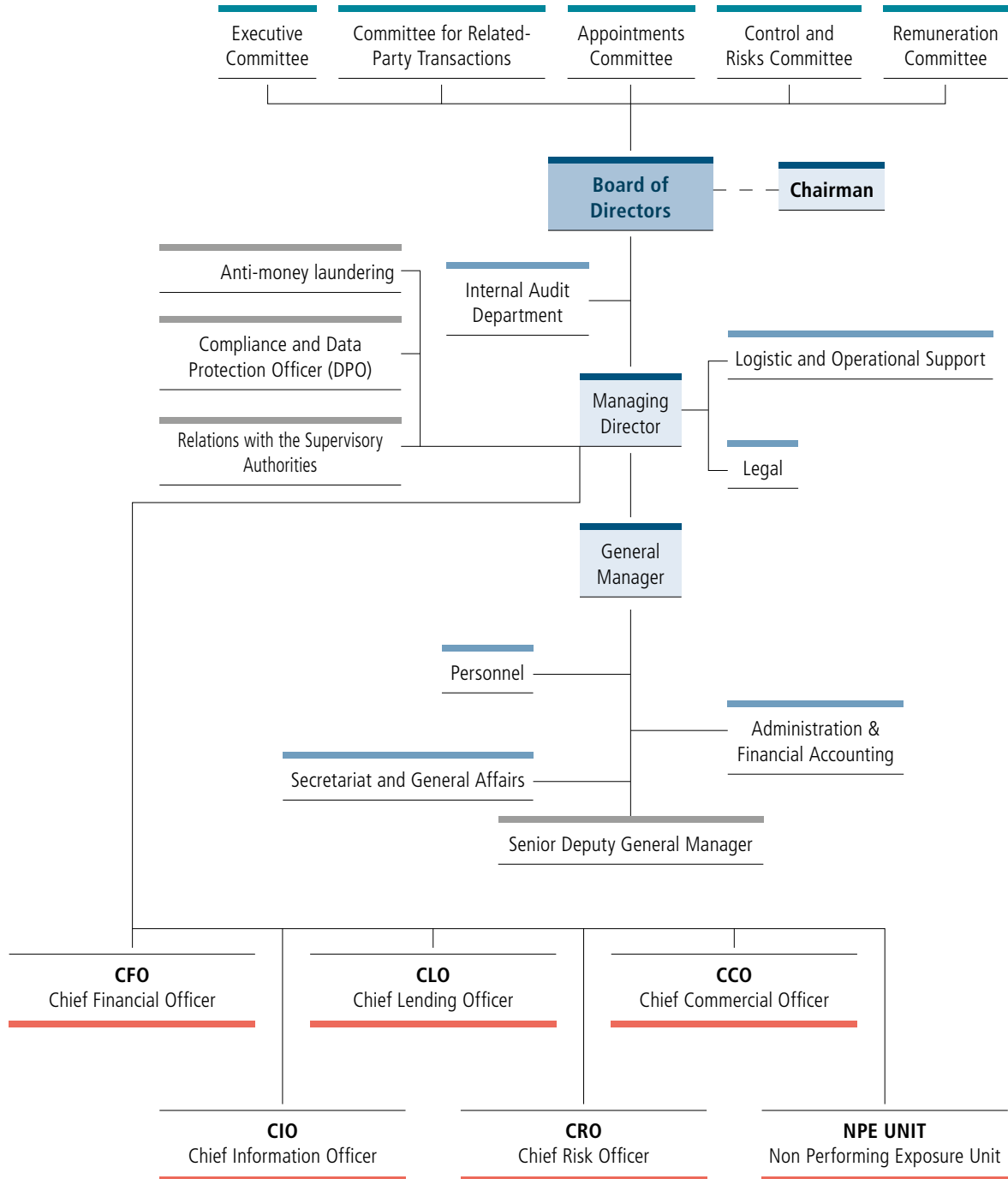


## GOVERNANCE

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](http://www.popso.it), in the section "corporate information".

The main administrative and management bodies are shown below.



## COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)



The global agenda for sustainable development (Agenda 2030), approved by the United Nations in September 2015, identifies 17 Goals and 169 Targets along the road to sustainability for countries and organisations throughout the world.

These goals, to be achieved by 2030 within a highly integrated vision of the future, recognise that the current development model is unsustainable not just socially and environmentally, but from an economic standpoint as well. The implementation of Agenda 2030 is not just a State-level matter, but involves every component of society from businesses to third sector organisations, universities and operators in the world of communications and culture.

At this time, the SDGs seek to provide an impulse to the business world in particular, given its key role in the achievement of sustainable development.

Seeking consistency, sustainability reporting by the Group will be configured within this framework, thus highlighting the close relations that exist between the pursuit of business objectives and the various sustainability goals.

The following pages in fact discuss how the future activities of the Group tie-in with the Sustainable Development Goals.







*The new Agenda is a promise made by leaders to everyone in the world. It is an Agenda for the people, for the elimination of poverty in all its forms, an Agenda for the planet that is our home.*



(Ban Ki Moon, Secretary-General of the United Nations, from 2007 to 2016)





SDGs	ASSOCIATED TARGETS	BPS MATERIAL TOPICS	PRINCIPAL ACTIONS 2020
	<p>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</p> <p>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</p>	<ul style="list-style-type: none"> <li>- Responsible credit</li> <li>- Support for saving and informed decisions</li> </ul>	<ul style="list-style-type: none"> <li>- Loan products specifically devised for the disadvantaged, such as reverse mortgages for the elderly and study loans for young people</li> <li>- Solidarity accounts to collect amounts for charitable purposes</li> <li>- Membership of the "Digital Solidarity Programme" in collaboration with Nexi, a partner firm</li> <li>- Salary and pension-backed loans granted via BNT</li> <li>- Promotion of ESG mutual funds (e.g. "Arca Opportunità Green", "Arca Green Leaders") that are available to small savers with very limited funds to invest</li> <li>- SoPop Account with easy terms for University students, both for operation of the account and for access to a loan</li> <li>- Introduction of "GPF Dynamic Balanced 30% Sustainable Values", an asset management line that seeks out and selects issuers known for their respect for human rights and protection of the environment, or whose activities are consistent with the principles of the Catholic religion</li> </ul>
	<p>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</p>	<p>Health and safety</p>	<ul style="list-style-type: none"> <li>- Shift work for personnel with holidays and paid leave</li> <li>- Use of smart working, where possible</li> <li>- Restrictions on access by customers and suppliers</li> <li>- Afternoon closure of branches</li> <li>- Suspension of classroom training</li> <li>- Limitation of meetings, travel and movements between offices to those strictly necessary</li> </ul>



			<ul style="list-style-type: none"> <li>- Enhanced daily sanification of working environments</li> <li>- Specific sanification of branches closed following direct contact with persons infected by the coronavirus</li> <li>- Installation of plexiglass protective panels in branches and offices</li> <li>- Organisation of refresher training for Workers' Safety Representatives (RLS)</li> <li>- Various forms of corporate welfare, including the Healthcare Fund (further information in a separate section)</li> </ul>
	<p>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</p>	<p>Personnel enhancement and dialogue with employees</p>	<ul style="list-style-type: none"> <li>- Internships at Group branches</li> <li>- BPS (SUISSE) Academy, a platform devised by the Bank as a container for training Customer Advisors and all those who work in that area</li> <li>- Training for new recruits on the regulations and processes applicable to front and back office roles at branch level, basics about the organisation of the Bank, governance of the employment relationship, workplace safety and security and the principal business areas served. Several modules are also dedicated to behavioural training and the development of personal skills</li> <li>- Training for all employees on such topics as security and privacy or in relation to specific areas of work</li> </ul>
	<p>5.1: end all forms of discrimination against all women and girls everywhere</p> <p>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</p>	<p>Human rights and diversity</p>	<ul style="list-style-type: none"> <li>- BPS (SUISSE) SA has obtained federal Fair on Pay+ certification</li> <li>- The Group has adopted an internal system for reporting violations, implementing art. 52-bis of the Consolidated Banking Law (TUB), which transposes the provisions of Directive CRD IV on whistleblowing matters</li> </ul>

	<p>5.b: enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women</p> <p>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</p>		<ul style="list-style-type: none"> <li>- The remuneration policies of the Group are designed to comply with current legislation and the contractual provisions applicable to the banking sector</li> </ul>
 <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	<p>7.3: by 2030, double the global rate of improvement in energy efficiency</p>	<ul style="list-style-type: none"> <li>- Indirect environmental impacts</li> <li>- Direct environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>- Improvement of the systems that consume energy</li> <li>- Greater recourse to renewable energy sources with low CO<sub>2</sub> emissions</li> <li>- Promotion of financial products and instruments that facilitate greater energy efficiency</li> <li>- Loans for the purchase of homes in higher energy efficiency classes, for energy upgrades to buildings-installations and for the installation of systems for the production of energy from renewable sources (e.g. photovoltaic, wind power, hydro power)</li> <li>- Distribution of specific insurance services for the sectors dedicated to environmental technologies</li> <li>- Promotion of investment instruments linked to a high level of environmental responsibility (e.g. climate impact ethics)</li> <li>- Recourse to various forms of tax relief, such as Superbonus, Ecobonus and Sisma (earthquake) Bonus</li> </ul>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p>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</p>	<ul style="list-style-type: none"> <li>- Solidity and economic performance</li> <li>- Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>- Special provisions for credit risk and strengthening of the credit sector</li> </ul>



	<p>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</p> <p>8.5: by 2030, achieve full and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p> <p>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</p> <p>8.10: strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all</p>	<ul style="list-style-type: none"> <li>- Responsible credit</li> <li>- Evolution of the service model and relations with the distribution network</li> <li>- Human rights and diversity</li> </ul>	<ul style="list-style-type: none"> <li>- Presence of a company doctor who collaborates with the Bank and the prevention and protection office on the assessment of risks, not only for planning and medical monitoring purposes, but also for the preparation and implementation of measures that protect the health and psycho-physical well-being of workers, for the delivery of training and information to workers and for the organisation of first-aid services</li> <li>- All employees and their family members are guaranteed healthcare support via an internal Support Fund, which also arranges for check-ups at authorised facilities</li> <li>- Access to financial services on special terms for the disadvantaged, such as young people and immigrants (e.g. Carta +ma, Work in Italy)</li> <li>- Digital signatures, so that banking documents can be signed electronically</li> <li>- Checks by the compliance function on the action taken to tackle and contain the spread of Covid-19 in working environments, and the related processing of personal data</li> </ul>
	<p>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</p>	<ul style="list-style-type: none"> <li>- Data protection</li> <li>- Responsible credit</li> </ul>	<ul style="list-style-type: none"> <li>- Three-year master plan (2019-2021) containing action to strengthen and make continuous improvements in such areas as management, processes, security and risk</li> <li>- Products and services with favourable economic conditions for the disadvantaged, such as students, immigrants and the elderly (e.g. SoPop account, salary and pension-backed loans)</li> </ul>
	<p>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</p>	<ul style="list-style-type: none"> <li>- Human rights and diversity</li> </ul>	<ul style="list-style-type: none"> <li>- Federal Fair-ON-Pay+ certification obtained by BPS (SUISSE) SA</li> <li>- Establishment of a specific equal opportunities commission</li> </ul>

	<p>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</p> <p>10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality</p>	<ul style="list-style-type: none"> <li>- Support for saving and informed decisions</li> </ul>	<ul style="list-style-type: none"> <li>- As stated in the Code of Ethics, “each operator working for the Bank strives to protect the rights and interests of customers and seeks, in particular, to reduce – where applicable – any information asymmetries regarding the products and services proposed to customers or requested by them”</li> </ul>
	<p>11.4: strengthen efforts to protect and safeguard the world’s cultural and natural heritage</p> <p>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</p> <p>11.a: support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning</p> <p>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</p>	<ul style="list-style-type: none"> <li>- Solidity and economic performance</li> <li>- Responsible credit</li> <li>- Ties with the territory and the community</li> </ul>	<ul style="list-style-type: none"> <li>- Exceptional provisions made for credit risk and the credit sector has been strengthened at both central and branch level</li> <li>- Reinvestment of value added within the Group to cover the depreciation and amortisation of the tangible and intangible assets used in productive processes, and self-finance the development and supply of new services to the territories and markets served</li> <li>- Suspensions and moratoria linked to the pandemic (Households and Businesses)</li> <li>- Birth support fund 2019 (formerly new borns fund)</li> <li>- Business School – Courses for businesses</li> <li>- Despite the pandemic and related problems, grants have been made in multiple directions, assisting with various needs</li> <li>- Collaboration with Etica Sgr, consisting primarily in the placement of funds belonging to the Ethical System – Sustainable Values and Sustainable Futures</li> </ul>
	<p>12.6: encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>	<ul style="list-style-type: none"> <li>- Relations with the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>- Bank suppliers are informed about the 231 organisational model adopted in a clause contained in their contract forms; they are also required to comply with the instructions contained in the corporate Code of Ethics</li> <li>- Green purchases with a lower environmental impact over their life cycle, via:</li> </ul>

	<p>12.7: promote public procurement practices that are sustainable, in accordance with national policies and priorities</p>	<ul style="list-style-type: none"> <li>- Indirect environmental impacts</li> <li>- Direct environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>- promotion of financial products and instruments that facilitate greater energy efficiency</li> <li>- loans for the purchase of homes in higher energy efficiency classes, for energy upgrades to buildings-installations and for the installation of systems for the production of energy from renewable sources</li> </ul>
	<p>13.3: improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning</p>	<ul style="list-style-type: none"> <li>- Indirect environmental impacts</li> <li>- Direct environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>- Increased recourse to sources of renewable energy with low CO<sub>2</sub> emissions</li> <li>- Reduction of paper consumption via the optimisation of printing processes, and increased recourse to the electronic management of documents and the use of recycled paper</li> <li>- Distribution of specific insurance services for the sectors dedicated to environmental technologies</li> <li>- Promotion of investment instruments that demonstrate a high level of environmental responsibility</li> <li>- Increased recourse to sources of renewable energy with low CO<sub>2</sub> emissions</li> </ul>
	<p>16.5: substantially reduce corruption and bribery in all their forms</p> <p>16.6: Develop effective, accountable and transparent institutions at all levels</p> <p>16.7: Ensure responsive, inclusive, participatory and representative decision-making at all levels</p>	<p>Integrity and fight against corruption</p>	<ul style="list-style-type: none"> <li>- Promotion of awareness of and compliance with the Code of Ethics, especially among directors, statutory auditors, employees and persons who collaborate in various ways; as well as, where appropriate, in the context of specific contractual agreements with commercial and financial partners, consultants and suppliers who, in addition to the requested compliance, may be subjected to disciplinary or contractual penalties</li> <li>- Implementation of an organisational model pursuant to Decree 231 dated 8 July 2001</li> </ul>



## **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.

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 changes in how the level of risk exposure is quantified, even in prospective terms, and, through direct involvement of the company structures that generate or manage risk phenomena, to monitoring the progress of measures to strengthen the controls that exist for their prevention and mitigation.

### **ESG SUSTAINABILITY RISKS**

The sustainability risks associated with the three ESG dimensions (Environmental, Social, Governance) are governed in the context of the corporate system of risk management, which is founded on the adoption of consolidated operational models – constantly refined – that identify, evaluate, measure, monitor and mitigate potential risk phenomena (especially those of an operational or reputational nature) and their adverse economic/financial impact and effect on the corporate image of the Bank.

Following an initial exercise carried out at Parent Company level, during 2020 Banca Popolare di Sondrio introduced a specific quali-quantitative methodology for identifying, recognising and integrating, in a more structured manner, the ESG risks associated with environmental, climate, social and governance matters within the management system adopted by the Group. The methodology adopted is based on the best practices promoted at

international level and supported by the European Banking Authority and the European Central Bank in documents published during the year, and focuses on the specific categories and sub-categories of environmental, social and governance risk identified in the recommendations made by the Task Force on Climate-related Financial Disclosure (TCFD). The analysis was carried out by the Risk Control Office in collaboration with the various business functions that, via interviews, contributed to the definition of a specific "Inventory of ESG risks", identifying the scale of the potential financial impact associated with each type, as well as its probability of occurrence and the time horizon over which the risk might crystallise.

The results of the above exercise provided an overview of the potential risks generated or faced by the Group with regard to non-financial matters. The material risks among these were then identified and classified into the three dimensions, E, S and G, detailed below and their related sub-categories.

#### Dimension "E"

In general, the Environmental factor refers to such topics as climate change, the loss of biodiversity, greenhouse gas emissions into the atmosphere, the consumption of natural resources, pollution of the land and waters, deforestation etc. In particular, this factor addresses SDG 13 (Climate action), SDG 7 (Clean and accessible energy) and SDG 12 (Responsible production and consumption).

The environmental and climate risks are subdivided into physical and transition risks.

The physical risk indicates the impact of both climate change, including more frequent extreme weather events and gradual changes in the climate, and environmental degradation via pollution of the atmosphere, the land and waters, water stress, the loss of biodiversity and deforestation. As examples, the physical risks may result directly in material damage or the loss of productivity, or indirectly in sequential events like the interruption of productive supply chains. The literature classifies these risks as either:

- acute risks, if caused by such extreme events as drought, flooding, hurricanes, storms, heat waves and forest fires;
- chronic risks, if provoked by such steady changes as rising temperatures or sea levels, water stress, changes in precipitation levels, the loss of biodiversity and the scarcity of resources.



The transition risk indicates the financial loss that may be incurred by the Bank, directly or indirectly, as a result of adjusting to an economy with lower carbon emissions that is more environmentally sustainable. This situation could be induced, for example, by the relatively sudden adoption of climate and environmental policies, technological progress or changes in market confidence and preferences.

Making reference to the TCFD recommendations referenced in the ECB Guide, the following types of risk were identified to categorise the climate and environmental risks faced by BPS:

- Physical risks:
  - Acute
  - Chronic
- Transition risks:
  - Regulations (current and/or imminent)
  - Legal or related to Policies
  - Technology
  - Market (understood in the broadest sense, as changes in preference and in the behaviour of economic operators)

#### Dimension “S”

In general, the Social factor refers to the topics of human rights, working conditions, interpersonal workplace relations, equal opportunities, occupational health and safety, management of the supply chain. In particular, it refers to SDG 1 (End poverty), SDG 3 (Health and well-being), SDG 4 (Quality education), SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities).

The following types of risk have been identified within the Social macro-category of risk:

- Legal and Policy
- Technology
- Market
- Reputation
- Credit
- Strategy and Business

### Dimension “G”

In general, the Governance factor refers to the topics of anti-corruption, tax strategy, the structure and inclusivity of administrative bodies, the remuneration of executives. In particular, it refers to SDG 9 (Industry, innovation and infrastructure) and SDG 16 (Peace, justice and strong institutions). The sub-categories identified within the Governance macro-category of risk are the same as those identified within the Social area.

### **ESG OPPORTUNITIES**

In addition to the integration of ESG risks within the system for managing traditional risks, discussed above, during 2020 the Bank began to identify and classify the available ESG opportunities, being the ESG factors with a positive impact on its business activities. Accordingly, the Risk Control function coordinated interviews on this topic with the various business functions. Opportunities were identified during the year in the Environmental (sub-categories: Efficient use of resources, Sources of energy, Products and services, Markets, Resilience), Social and Governance dimensions, not only with regard to internal operations, but also in relation to commercial and business activities. The identified ESG opportunities can and will support the drive of the Bank along a path towards corporate sustainability, in which the pursuit of certain goals is beneficial for the further development and affirmation of the Group, as well as for the common good.



## DIALOGUE WITH STAKEHOLDERS

The Group considers the maintenance of constant, solid relations with all stakeholders to be very important: relations based on continuous dialogue and active involvement mean that consent can be obtained and trust built, as part of the responsibility accepted by the Group in the social environment with which it interacts.

The stakeholders represent a wide range of differing interests: establishing and maintaining constant, lasting relations with them is crucial for the creation of shared value over the long term.

Precise identification of all stakeholders and organisation of the most effective communication channels for monitoring constantly their expectations, needs and opinions, provide the starting point for establishing an effective engagement process (stakeholders are identified using the criteria established in Standard AA1000: inclusivity, materiality & responsiveness).

The Group is aware of the importance of these opportunities for discussion, which are precious occasions for reciprocal growth and enrichment.

The principal channels and tools for interaction with the principal stakeholders identified are summarised below.



## PRINCIPAL STAKEHOLDER CATEGORIES FOR THE GROUP



■ Internal Stakeholders

■ External Stakeholders



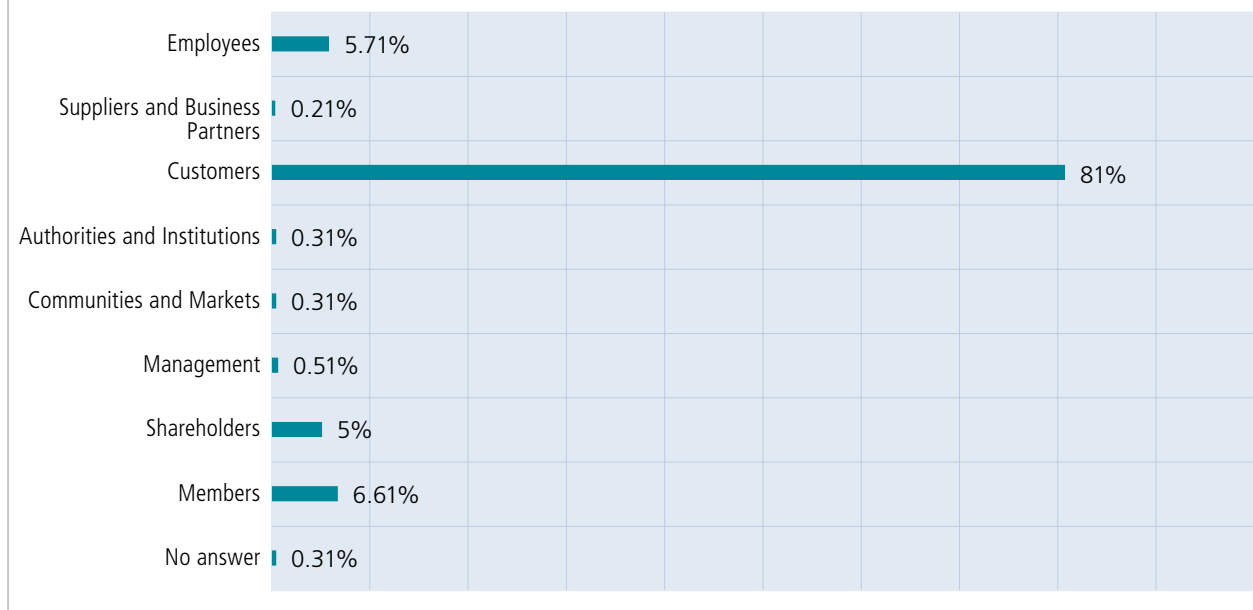
## STAKEHOLDER ENGAGEMENT

In order to enhance stakeholder engagement and, above all, to obtain a complete overview of the various different points of view, during 2020 the Group decided to involve all categories of stakeholder via both an on-line questionnaire published on Scrigno (internet banking portal) and one-on-one interviews. This new approach to engagement has drawn the Bank closer to its stakeholders, allowing constructive dialogue on both sides and enabling the Group to understand better the needs, points of view and vision of the "outside world" in its regard.

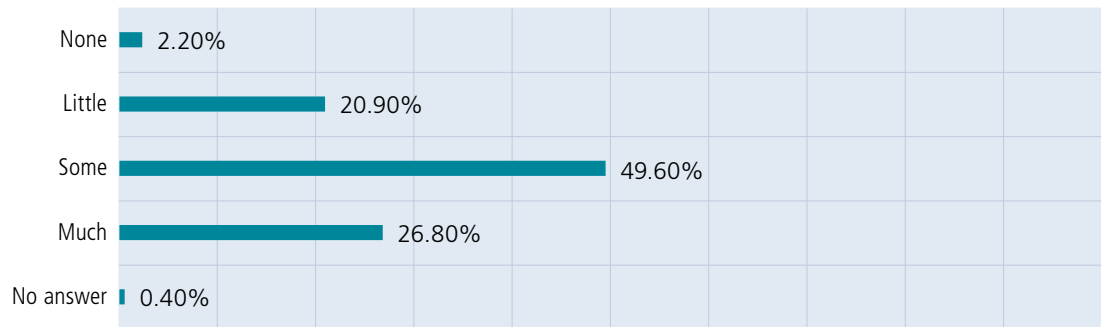
The process also covered the impact of the Covid-19 pandemic on stakeholders and how their environment and expectations in relation to the Bank have changed.

The results of the survey, which involved in total more than 5,160 persons, are summarised by material topic below.

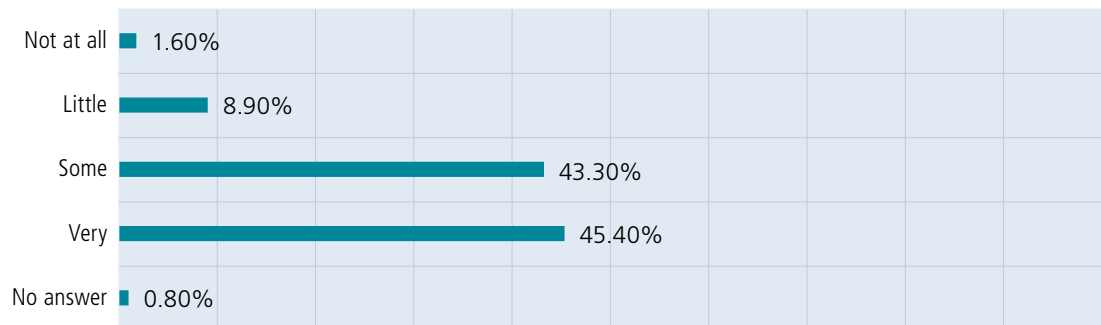
### To which category of stakeholder do you belong?



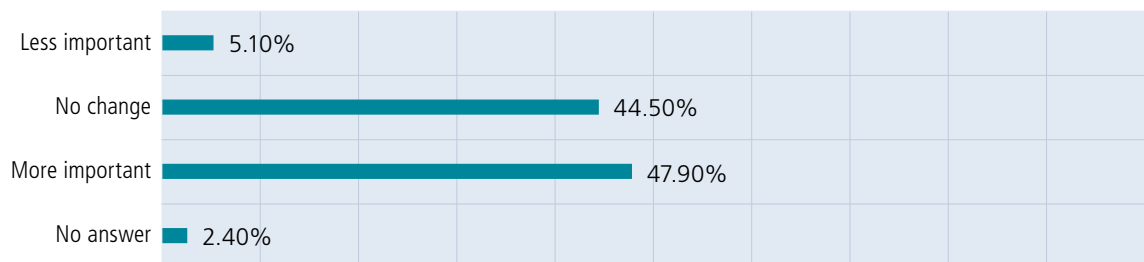
### What effect has the Covid-19 pandemic had on your daily routine?



### In your opinion, how important is financial education (in schools, on-line, various initiatives...) for the Group?

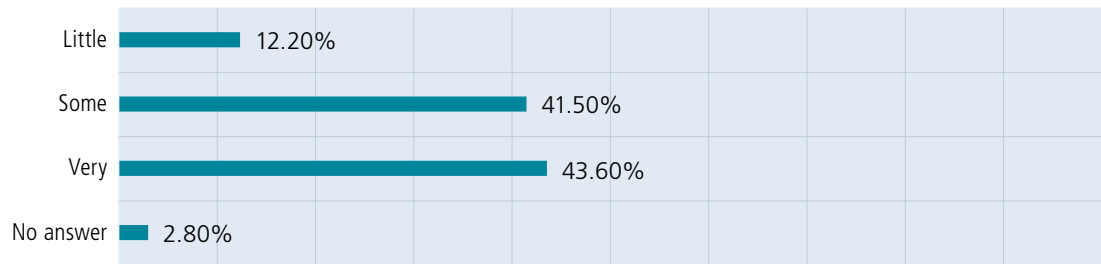


### In your opinion, has the importance of financial education changed as a result of the Covid-19 pandemic?

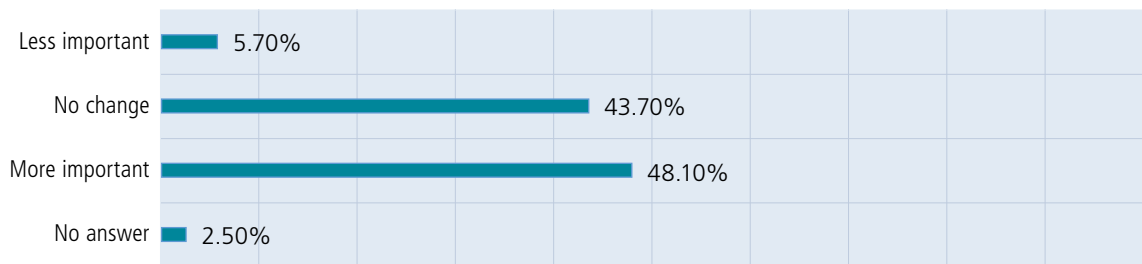




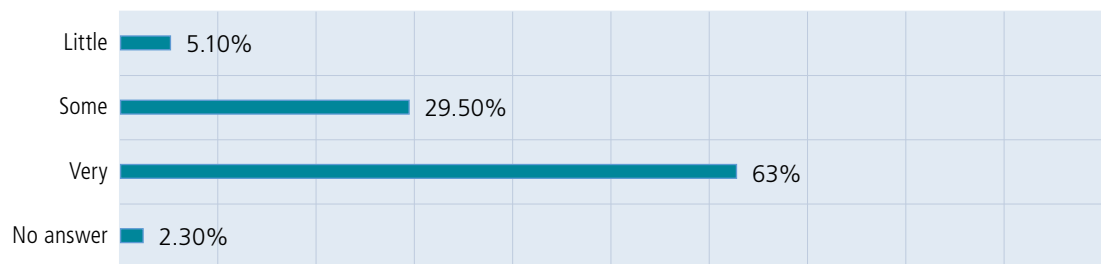
### In your opinion, how important are human rights and diversity for the Group?



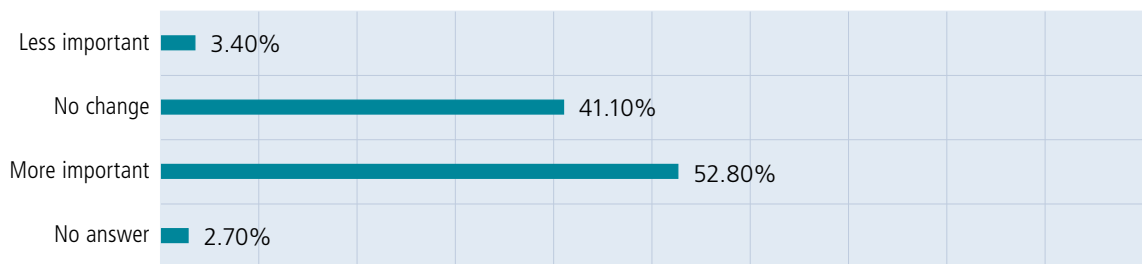
### In your opinion, has the importance of human rights and diversity changed as a result of the Covid-19 pandemic?



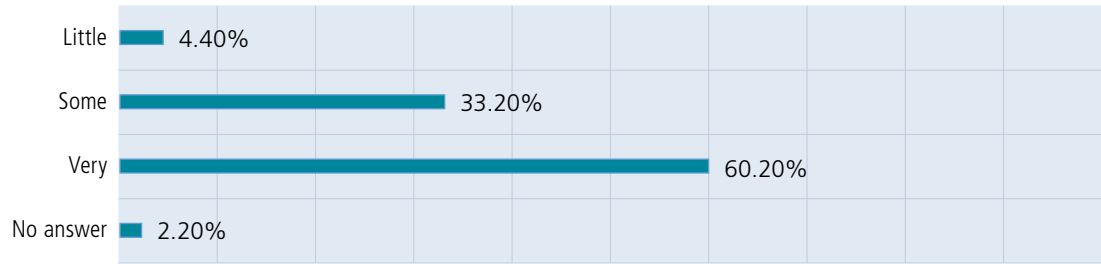
### In your opinion, how important are ties with the territory and the community for the Group?



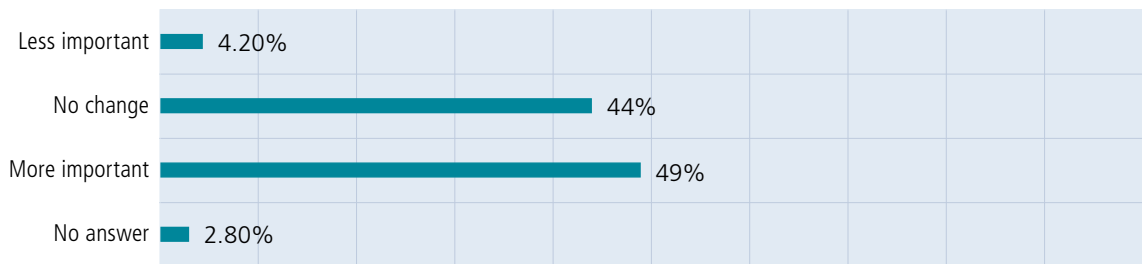
### In your opinion, has the importance of ties with the territory and the community changed as a result of the Covid-19 pandemic?



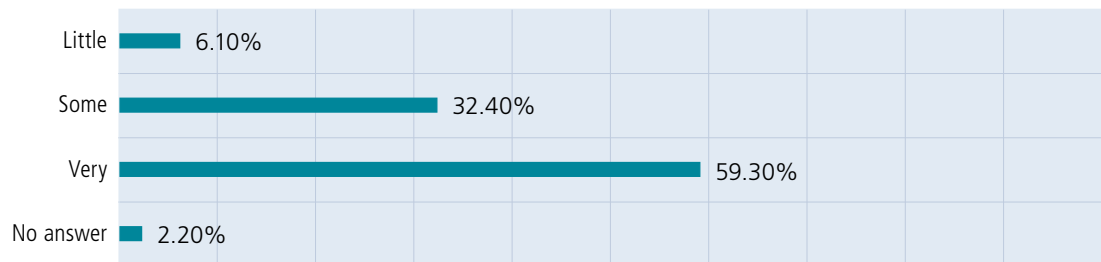
### In your opinion, how important are solidity and economic performance for the Group?



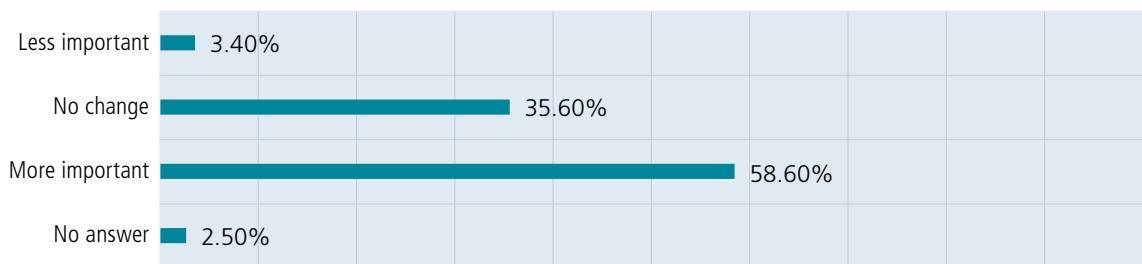
### In your opinion, has the importance of solidity and economic performance changed as a result of the Covid-19 pandemic?



### In your opinion, how important is responsible credit for the Group?

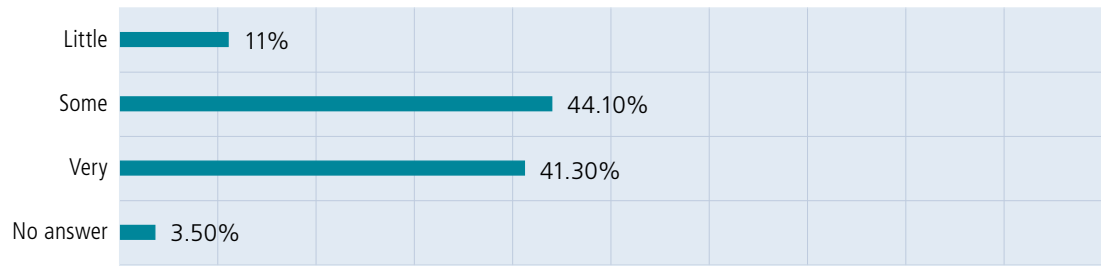


### In your opinion, has the importance of responsible credit changed as a result of the Covid-19 pandemic?

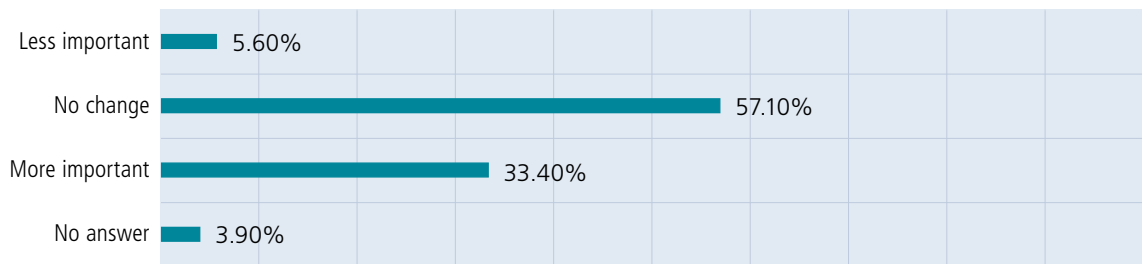




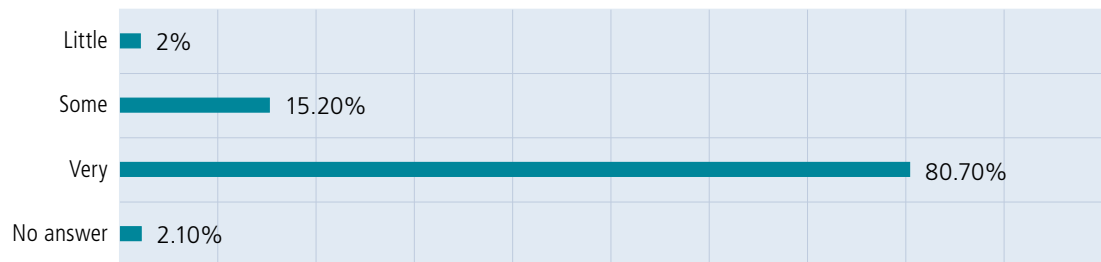
### In your opinion, how important are relations with the supply chain for the Group?



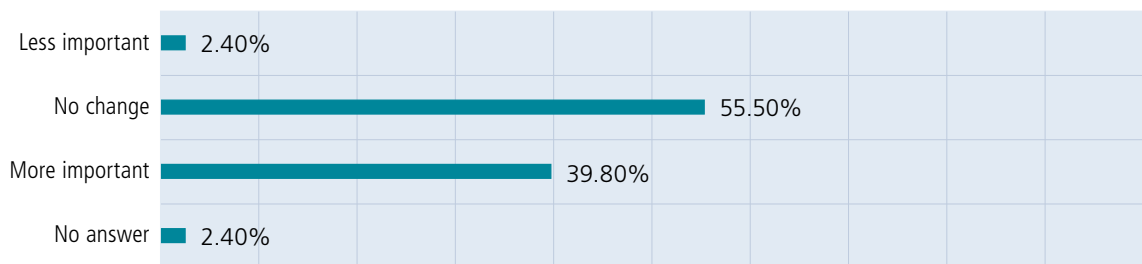
### In your opinion, has the importance of relations with the supply chain changed as a result of the Covid-19 pandemic?



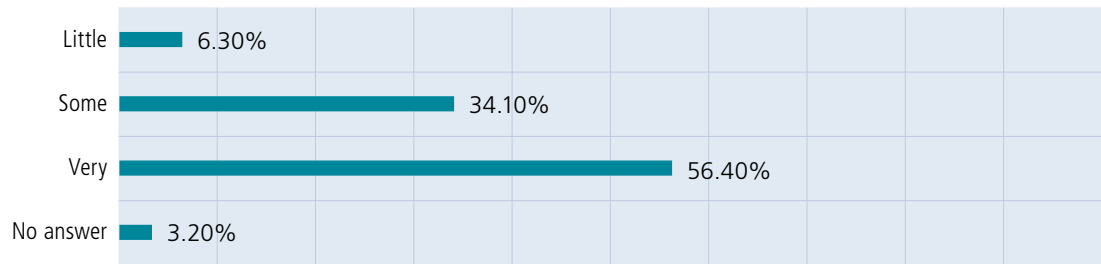
### In your opinion, how important is data protection for the Group?



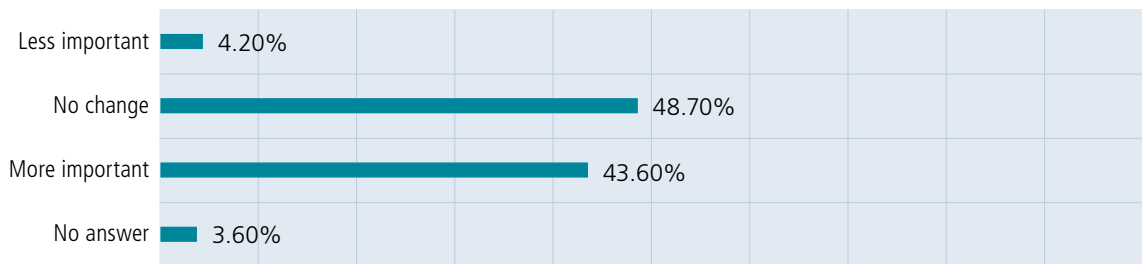
### In your opinion, has the importance of data protection changed as a result of the Covid-19 pandemic?



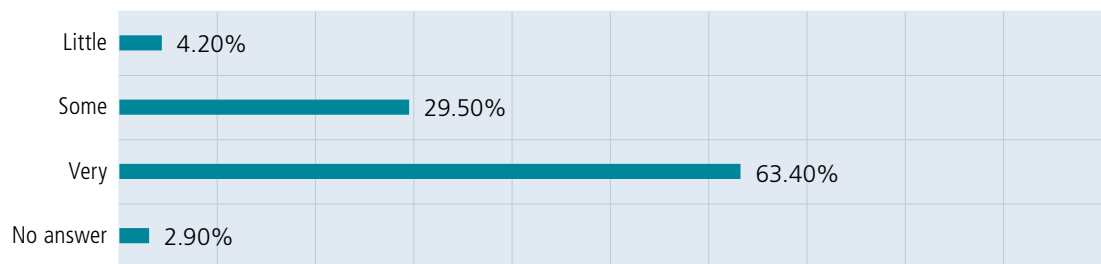
### In your opinion, how important are personnel enhancement and dialogue with employees for the Group?



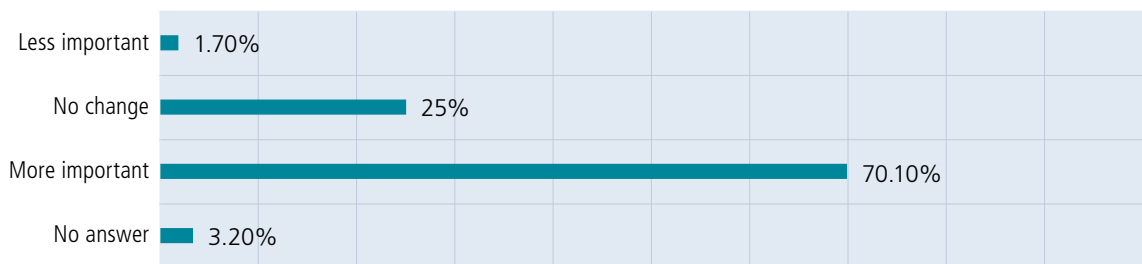
### In your opinion, has the importance of personnel enhancement and dialogue with employees changed as a result of the Covid-19 pandemic?



### In your opinion, how important are health and safety for the Group?

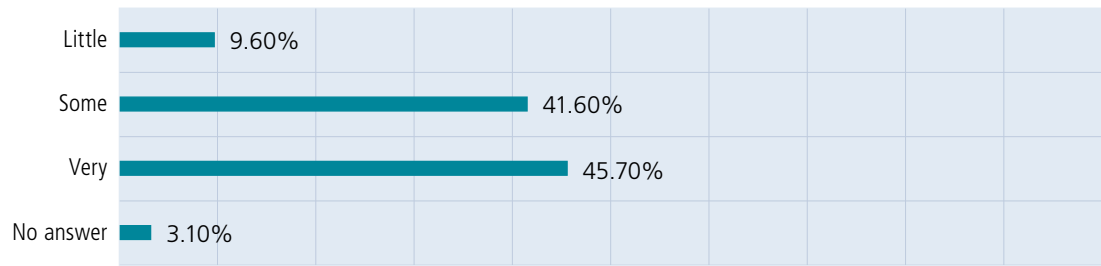


### In your opinion, has the importance of health and safety changed as a result of the Covid-19 pandemic?

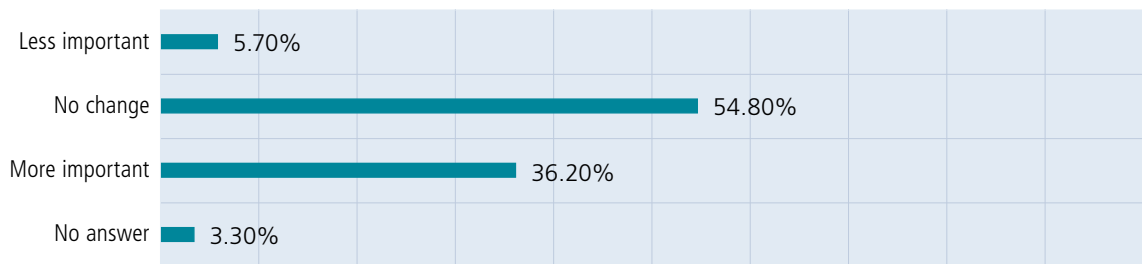




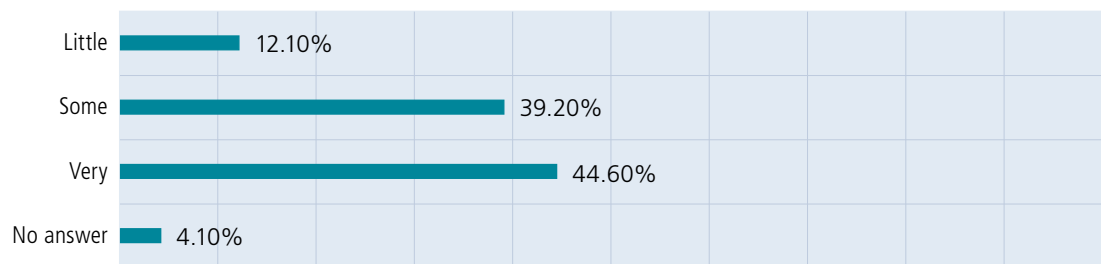
### In your opinion, how important are direct environmental impacts for the Group?



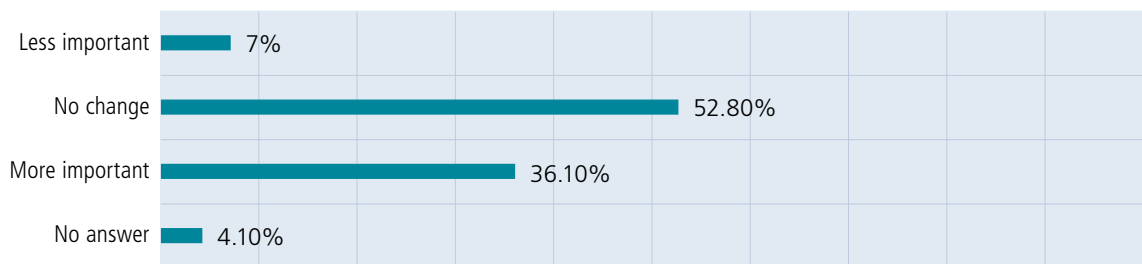
### In your opinion, has the importance of direct environmental impacts changed as a result of the Covid-19 pandemic?



### In your opinion, how important are indirect environmental impacts (fight against climate change and support for the green economy) for the Group?

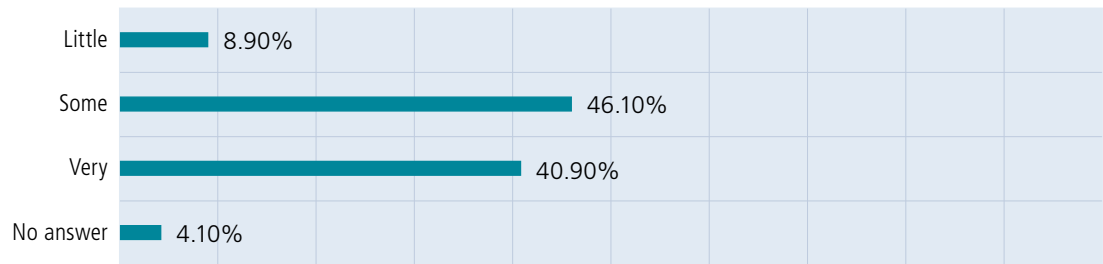


### In your opinion, has the importance of indirect environmental impacts changed as a result of the Covid-19 pandemic?

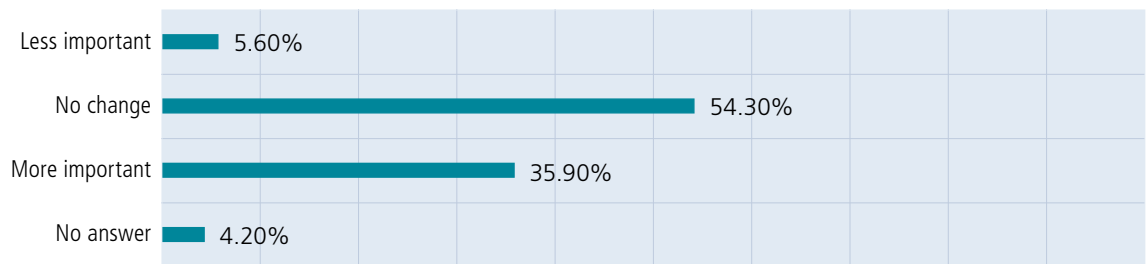




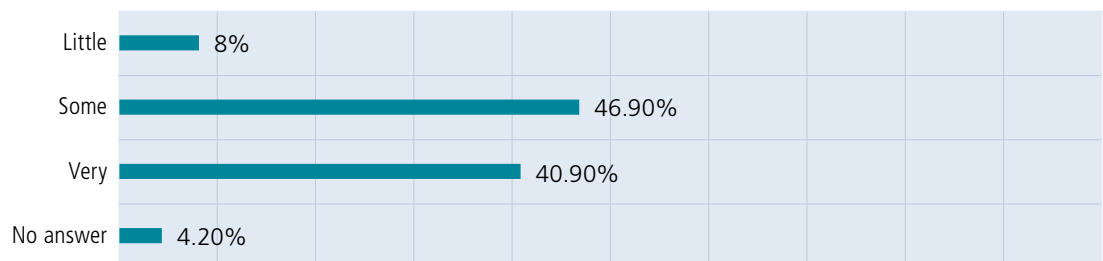
### In your opinion, how important is dialogue with social partners for the Group?



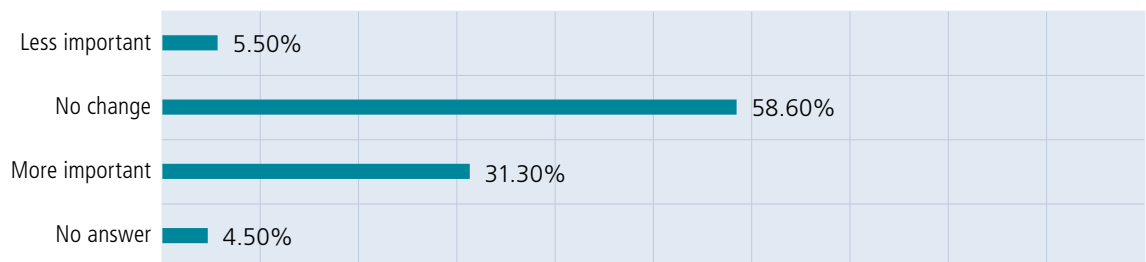
### In your opinion, has the importance of dialogue with social partners changed as a result of the Covid-19 pandemic?



### In your opinion, how important is evolution of the service model and relations with the distribution network for the Group?

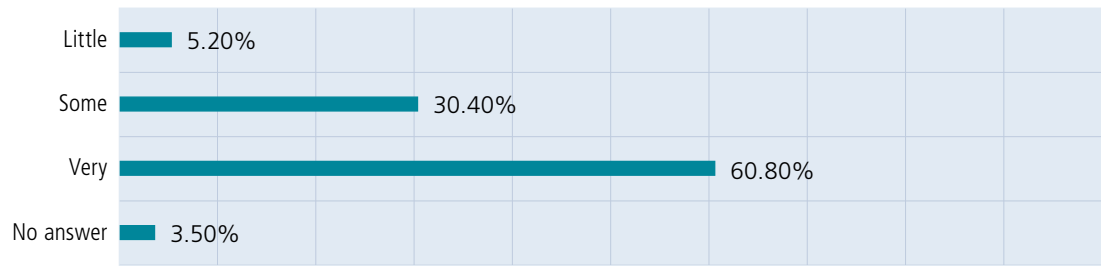


### In your opinion, has the importance of evolution of the service model and relations with the distribution network changed as a result of the Covid-19 pandemic?

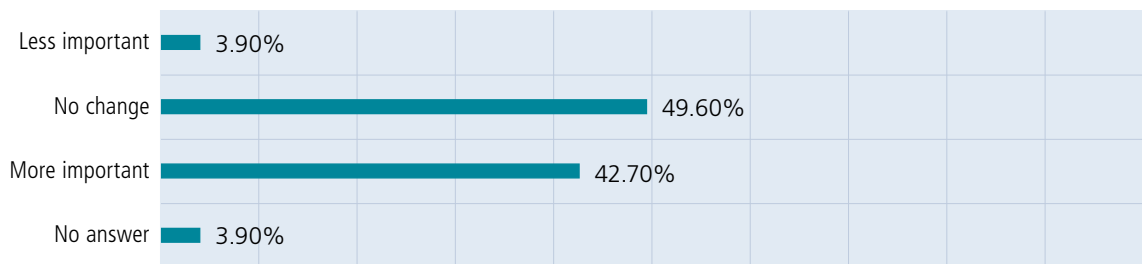




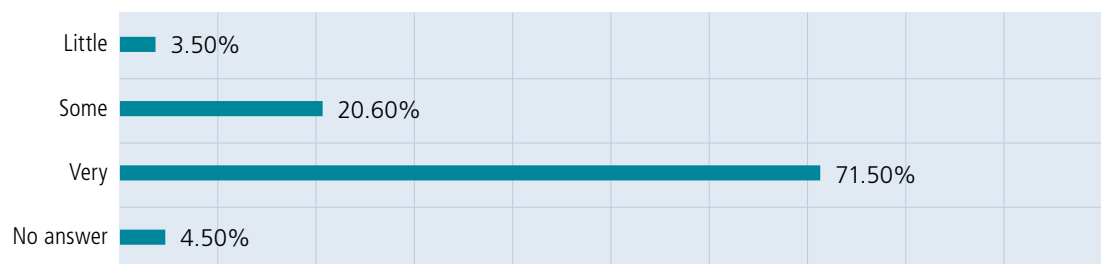
### In your opinion, how important is support for saving and informed decisions for the Group?



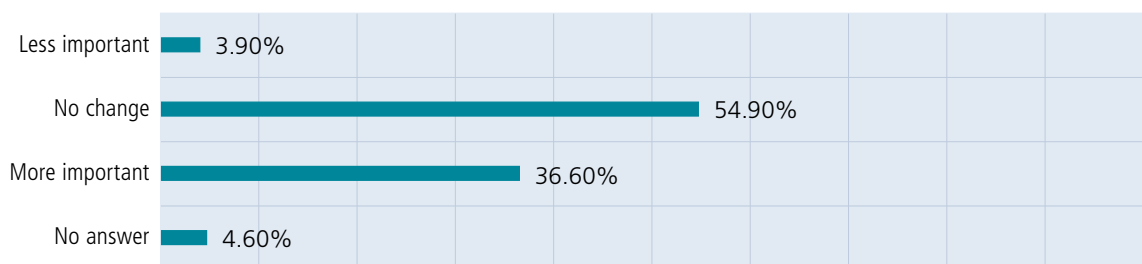
### In your opinion, has the importance of support for saving and informed decisions changed as a result of the Covid-19 pandemic?



### In your opinion, how important are integrity and the fight against corruption for the Group?



### In your opinion, has the importance of integrity and the fight against corruption changed as a result of the Covid-19 pandemic?



## SUSTAINABLE BANCA POPOLARE DI SONDRIO

According to the definition proposed in "Our Common Future" (the Brundtland Report), published in 1987 by the UN World Commission on Environment and Development (WCED), sustainable development means development that meets the needs of the present, without compromising the ability of future generations to meet their own.

As always, close to the territories served, the Bank seeks to facilitate the sustainable economic growth of the community by providing attentive, customised support to small entrepreneurs, ordinary citizens and medium/large enterprises.

In order to increase knowledge and awareness about sustainable development and ESG factors, a Sustainability working party has been established to coordinate analyses and internal self-assessments of the positive and negative impacts associated with the environment, climate change, social matters and the structure of governance.

Specifically, during 2020, the Group launched a series of activities, projects and initiatives in order to make its activities and operating environment more aware and sustainable.

The principal among these are summarised below:

- The **main purpose of the above Sustainability working party**, established in 2020, is to commence an assessment of corporate sustainability, acting as a virtual forum for the exchange of updated information about new regulations and background information on sustainable finance (regulations, consultation documents, discussion papers, guidance, best practices...). The Integrated Risks Office, as the coordinator of the working party, sends colleagues a periodic newsletter covering new regulations and the progress made on the various sustainability initiatives.
- Drawing on international best practices, the Parent Company has prepared an **inventory of ESG risks and opportunities (details on page 51)**: this involved carrying out specific interviews with numerous business functions affected by sustainability matters. The objective of this activity was to identify possible situations on a preliminary basis, together with potential forms of mitigation. The model for identifying ESG risks adopted by the self-assessment (Inventory of ESG Risks) was supplemented with reference to the typical banking risks catalogued in the "Risk Map" used by the established system for the management of risks.



- Participation in the **ABI roundtable on Banking Activities, Climate Change and the Environment (BACC)**, with active involvement by top management in the consultations and discussions promoted by the Italian Banking Association.
- Participation in the 2020 Questionnaire issued by the CDP (Carbon Disclosure Project), on the management of environment and climate-related matters. **CDP** is an international non-profit that guides businesses and governments towards the reduction of their GHG emissions, the safeguarding of water resources and the protection of forests. Banca Popolare di Sondrio participated in this initiative for the first time during 2020 via completion of the CDP Questionnaire on climate change (abridged version), demonstrating its intention to improve the disclosures made in this area with greater transparency and responsibility. Although a formal rating was not awarded this year, the responses given by the Bank were made available to investors, who comprise the audience addressed by this organisation.
- In 2020, management approved the pilot usage of **SDG Action Manager**, the digital platform supplied by the UN Global Compact that tracks a series of parameters linked to social development goals (SDGs) relevant to the business. The tool is expected to benefit risk management by setting key parameters, preparation of the non-financial report and strategic planning. The functions hoping to benefit started to study its application during 2020.
- The **ESGEO** software was purchased in October 2020. This sustainable intelligence platform from TECHEDGE enables businesses to gather non-financial data, create detailed sustainability reports and improve the measurement, management, control and reporting of non-financial variables. The flexibility offered makes it possible to "materialise" and manage corporate sustainability in an effective manner.
- The establishment of a constructive dialogue with stakeholders is fundamental for the Bank, in order to identify their needs and expectations, as well as the topics of greatest importance for the entire banking system. This activity become even more crucial during 2020, in order to determine how the **Covid-19** pandemic has changed the operating environment and expectations of the various counterparties. In this regard, **stakeholder engagement** activities covered customers via an Internet banking questionnaire, and all other types of stakeholder via dedicated telephone interviews.
- As in every year since 2004, the International Office renewed Bank membership of the **UN Global Compact** once again, by submitting a "Communication on Progress" (**COP**) that discusses the sustainable activities

carried out over the past year. Since 2017, the official communication sent to New York is not a stand-alone document but the full Non-Financial Report, accompanied by a declaration of continuous support from the Chairman of Banca Popolare di Sondrio.

- During the year, senior managers within the Bank participated in numerous ESG and sustainability webinars and workshops organised by the Italian Network of the Global Compact and other domestic and international organisations, including:

- ✓ On-line training organised by the Task Force on Climate-related Financial Disclosures: "Introduction to climate-related disclosures" and "Understanding the recommendations of TCFD".

- ✓ Course organised by CRIF Academy, comprising seven modules and entitled "ENVIRONMENTAL SOCIAL GOVERNANCE – Sustainability management: from strategies to governance, from risk management to performance".

- ✓ Course organised by ABIformazione over a period of five days entitled "The sustainability of bank lending – Investments and the capital markets tackling the sustainability challenge".

- ✓ Appointment of senior managers to the ABI working party entitled "Banking activities, climate change and the environment", with participation in the consultations and discussion groups on regulations in the pipeline.

- ✓ Workshops organised on sustainability-related topics.

- ✓ Participation in the CESGA® course by personnel from the Property Management Office, who received the CESGA®-EFFAS Certified ESG Analyst diploma.

In addition, the following activities commenced during 2020 were completed in early 2021:

- The new institutional website of the Bank was developed in the latter part of 2020 and published on 4 March 2021. The packed Home Page, which even includes an intra-day performance chart of the BPS share price, offers users access to five main sections: Profile, Governance, Investor Relations, Press Releases and Events and Sustainability. This last section comprises four sub-sections dedicated, in order, to the approach taken to sustainable development; the Non-financial report published pursuant to Decree 254/16; the important international initiatives consistently supported by the Bank, and the sustainability rating (further details on the subject of ratings are provided later). Overall, the content offered communicates well the commitment to and



awareness of social and environmental matters that have characterised the Bank since inception, and which are now becoming ever more important for the Authorities, investors and customers.

- During 2020, the Finance Department developed all the public disclosures required to comply with Regulation (EU) 2019/2088 (SDFR) on sustainability-related disclosures. This information became available in a clear and visible manner on the commercial website of the Bank from the date that the Regulation entered into force.
- Following an evaluation that began in 2020, on 9 March 2021 the independent Standard Ethics agency assigned Banca Popolare di Sondrio a solicited rating of EE, which improved on the previous unsolicited rating of EE-. The final report of the agency affirms that, over the years, Banca Popolare di Sondrio has consistently adopted the international recommendations on sustainability, demonstrating steady progress on environmental, social and corporate governance matters.

## BPS (SUISSE) SA

BPS (SUISSE) SA is continuing the BPS (SUISSE) SA "Thinking Sustainable!" project. Among the various activities, some key elements are summarised below:

- establishment of an internal ESG team within the investment department, dedicated to studying all aspects of this topic (products, investment processes, partners etc.);
- General Management has included ESG criteria in its investment approach and established an ESG committee;
- BPS (SUISSE) has joined the national Swiss Sustainable Finance initiative, which seeks to strengthen the position of Switzerland in the global market for sustainable finance by providing information, education and support for its growth;
- contracts have been signed with Vigeo Eiris, an external supplier of ESG research, and a formal decision has been made to revise the Popso (SUISSE) Sicav, by creating four new segments dedicated to sustainability and converting one of the existing segments;
- the first multi-manager investment strategy dedicated solely to ESG funds has been launched;
- an internal circular on "Sustainable investments" has been published and ESG has been added as a regular topic at meetings of the Investment Committee of the Bank.

## OUR RESPONSE TO COVID-19



*Extraordinary times require extraordinary actions. Our commitment to the Euro knows no limits. We are determined to draw on the full potential of all our tools, within the context of our mandate.*

(Christine Lagarde, Chairman of the ECB)



*"We hope that, with the passage of time, the rediscovery of our vulnerability will make us recognise that we are guests of the Planet, not owners, and part of a common project dedicated at all times to sustainable development".*

(Managing director and general manager Mario Alberto Pedranzini, Chairman Francesco Venosta, Letter to the Shareholders and Friends, 30 June 2020)



Thanks to the diversification and commitment of the various teams, the Group managed to react appropriately to the healthcare emergency and all its consequences: this included timely activation from last March of a series of benefits for customers and the local territories, in accordance with both the government measures introduced – primarily – in the "Cure Italy" and "Liquidity" Decrees, and the ABI initiatives promoted at banking system level, as well as on a voluntary basis for certain categories of customer and types of contract that, in most cases, did not qualify for the other forms of assistance mentioned above. Despite the myriad of difficulties, the Group has once again demonstrated an ability to manage change, assist customers and generate income from ordinary operations.

### **New vaccination centre in the future premises of the Venice branch of Banca Popolare di Sondrio (initiative launched in 2021)**

The Bank has made this location available, deferring occupancy by the Venice branch, so the community can use it as a vaccination centre.

These premises were identified as a result of effective collaboration between ULSS 3 and Banca Popolare di Sondrio, so that the Local Health Authority could launch promptly its Covid-19 vaccination programme. As Mario Alberto Pedranzini, Managing Director of the Bank explains: "Banca Popolare di Sondrio celebrates its 150th anniversary this year and has been present in Venice since the end of December 2017. This concrete gesture intends to confirm our solidarity with the citizens of Venice at this delicate moment of great difficulty for all. The ongoing pandemic highlights the importance of shared public-private responsibility for serving the population and, in this spirit, Banca Popolare di Sondrio and ULSS 3 Serenissima, together, have created synergies and virtuous collaboration; a collaboration destined to continue even in the absence of emergency situations, in order to assure the territory of concrete action consistent with the traditions and vocation with which Banca Popolare di Sondrio was founded".



## ACTIONS TO TACKLE THE COVID-19 EMERGENCY

### Healthcare support



- In order to help the guests and staff of Care Homes (RSA) communicate with the outside world, Banca Popolare di Sondrio decided to equip all these facilities for the elderly in the province – about twenty – with practical tablets;
- PPE costing about Euro 100 thousand was donated to Agenzia di Tutela della Salute della Montagna (mountain health agency);
- small donations were made to Sondrio Hospital and to the Sondrio branch from the Italian Red Cross, comprising surgical masks and a small grant;
- economic support was provided to Associazione Amici di Vita Nuova Onlus, a charitable association based in Sondrio (home delivery, during the pandemic, of meals prepared at the canteen for the socially disadvantaged);
- support for the Parish of Saints Giuseppe e Antonio Zaccaria di Lissone to equip the kindergarten with Covid-19 protections.

### Support for society and the economy



- FINLOMBARDA initiative – CREDIT NOW EVOLUTION: co-financing to support the working capital requirements of SMEs, professionals, partnerships and MID-Cap businesses;
- BPS (SUISSE) participated immediately in the programme of Covid-19 support promoted by the Confederation, in accordance with the related Regulation;
- free coverage on Arca Assicurazioni products dedicated to SMEs affected by Covid-19 cases;
- MoU with territorial bodies and trade associations for the provision of assistance to businesses in the province of Sondrio;
- grant of short-term personal and other loans and temporary lines to credit to replace unused forms of revolving credit (e.g. advances against invoices), as well as loans and the rescheduling of sector pension contributions for professionals registered with funds served by the Parent Company;
- implementation of governmental measures to provide financial support for micro, small and medium-sized enterprises hit by the Covid-19 pandemic (e.g. "Liquidity" Decree, "Covid-19 Social Advances", "Cure Italy" Decree and loan moratoria);
- BPS (SUISSE) examined, approving in most cases, applications for exoneration from/deferral of 2020 instalment payments received from sectors hit by the crisis.

### Focus on customers



- continuity of services assured by Scigno Internet Banking, the "SCRIGNOapp" and the ATMs;
- branch access allowed during the revised business hours, by appointment or on giving advance notice;
- encouragement of customers to receive their banking correspondence online, in order to lower the risk of Covid-19 contagion, ensure timely delivery and reduce paper consumption;
- the "Your Bank is thinking of you #iorestoacasa (I stay home) – I do it for me, for everyone" campaign invited customers to payment cards and the various digital channels: SCRIGNOInternet Banking, SCRIGNOapp and SCRIGNOPago Facile;
- a dedicated support centre was activated at the height of the emergency, providing information by telephone and e-mail. Users were notified about these facilities via the information posted at the entrance to branches and on the corporate website.

### Support for employees



- shift work for personnel with holidays and paid leave;
- recourse where possible to smart working in order to enhance employee safety;
- enhanced daily sanification of working environments;
- use of plexiglass screens at all locations (branches and offices);
- supply of surgical masks;
- internal organisational and operational instructions provided to all personnel, partly in application of governmental and regional requirements, in order to safeguard the health of employees and customers;
- delivery of scheduled training via virtual classrooms;
- the Crisis committee, established immediately in order to manage the emergency and coordinate the related actions, periodically sent communications to all employees and the entire BPS Group about the steps required to protect health and guarantee business operations. These internal communications included the publication of a dedicated "bulletin" on the corporate intranet. These measures helped to contain risks during the most critical phase of the emergency.

## **MANAGEMENT OF OPERATIONAL RISK – COVID-19 EMERGENCY**

As described in the "Risk management" section of the Directors' report on operations attached to the Financial Report, during 2020 the Group responded to the significant business impacts of the Covid-19 pandemic by strengthening controls, applications and infrastructure measures in order to mitigate the operational risks – linked in particular to ICT security profiles, data management and IT systems capacity – that arose from the activation of smart working and the more intensive recourse made to the digital channels by customers, given the effects of the social distancing measures adopted in order to minimise contagion risks; significant action at Parent Company level included the introduction of a 2-factor authentication system and expansion of the bandwidth available to the remote working systems.

Applying the analytical methodologies and tools normally used to manage operational risks, targeted work also focused on monitoring the exposure – current and future – to those attributable to the pandemic, whether deriving from the changes made to operational practices and technological infrastructures in order to ensure business continuity, or from the heightened occupational health and safety legislation and the extraordinary action taken to support lending.

Work was carried out to identify and classify – partly for reporting purposes – the exceptional losses and costs incurred to guarantee the timeliness of operations and restore the situation existing prior to the lockdown (e.g. sanification expenses and the purchase of PPE), all of which were classified for regulatory purposes in operational event type "Interruption of operations and system malfunctions".

## 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)



Since 2004, Banca Popolare di Sondrio has participated (as a Signatory, with national and regional involvement) in the “Global Compact” initiative launched in 2000 by UN Secretary General Kofi Annan. His intention was to involve the business world and NGOs more directly in the major challenges facing humanity, so they could and can provide a synergistic impulse towards achieving the millennium development goals.

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.

Always focused on the topics of corporate social responsibility and the protection of moral and environmental principles, Banca Popolare di Sondrio accepted willingly the invitation of the United Nations by joining the project and becoming a founder member of Global Compact Network Italia in 2018. In concrete terms, the Bank voluntarily files a report with the UN HQ in New York on the progress 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 nature of a “Cooperative bank”.

In a dedicated “signatory” section of the official UN website, <https://www.unglobalcompact.org/>, the Bank describes – with annual updates – the initiatives and improvements implemented in accordance with its business ethics, with the presentation of a Communication on Progress (COP): this document takes the form of the Group's Non-Financial Report, after checking that all the required information has been included. The annual COP renews the commitment to comply with the Ten Principles of the Global Compact, which are an integral part of the business strategy and culture of the Bank, as well as of the banking and financial activities carried out every day. The International Unit acts provides a contact point with the organisation, involving colleagues in periodic meetings (plenary sessions, webinars, workshops...).

## 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 the related 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.

Creating constructive dialogue with all actors is essential in order to identify their needs and expectations, so that the most significant topics for the Bank and its stakeholders can be defined and addressed. During 2020, the principal stakeholder categories for the Group were involved in an on-line questionnaire on Scigno, as well as in one-on-one interviews: this activity become even more important in the light of the Covid-19 pandemic, in order to identify how their environment and expectations have changed.

With a view to presenting an ever more detailed, organic and strategic report, consistent with ESMA requirements, on the non-financial topics required by Decree 254/2016, the Group has updated the materiality matrix used by raising the number of material topics from 10 to 13; in particular, the following "new" topics have been added:

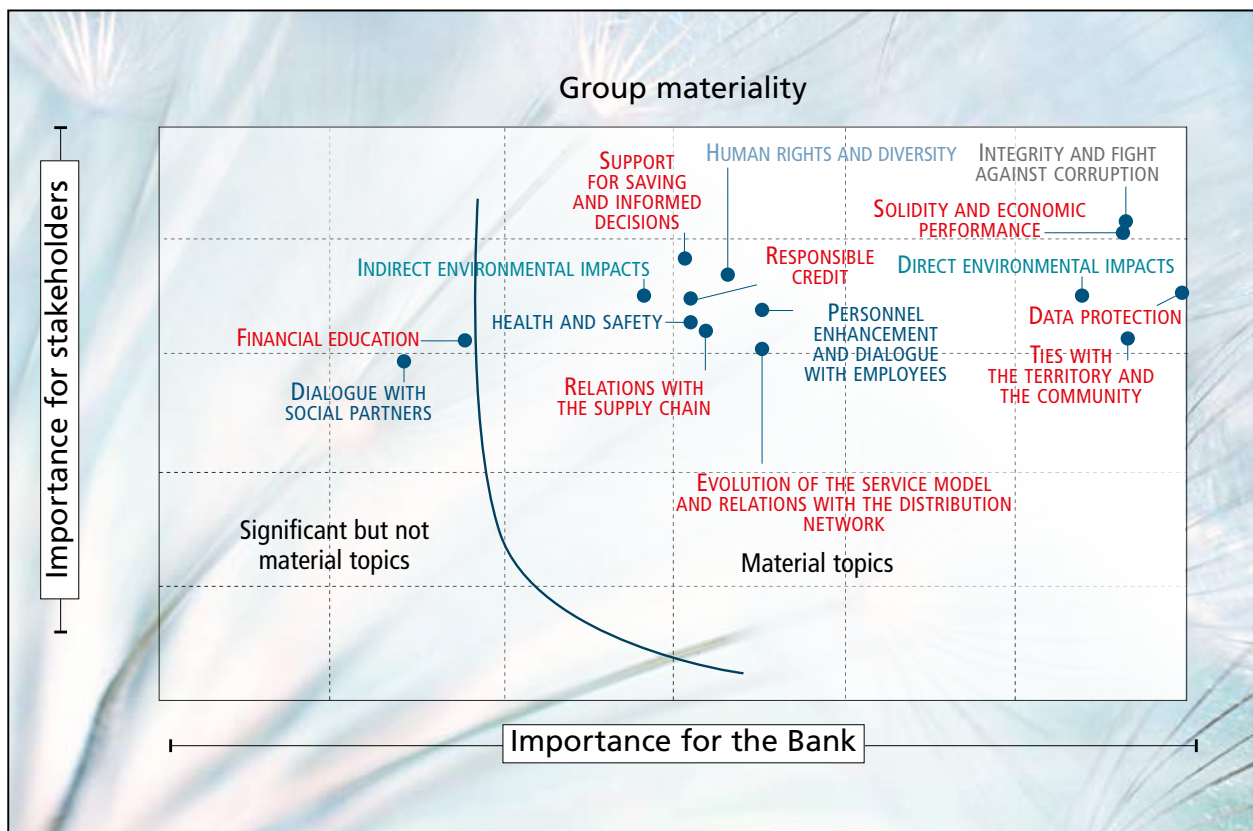
- *Direct environmental impacts*: this topic was, in any case, reported last year in order to satisfy the requirements of Decree 254/2016
- *Indirect environmental impacts*: this topic has gained considerable importance, following recognition and integration of the risks associated with environmental and climate, social and governance matters within the corporate management system
- *Relations with the supply chain*: this topic is becoming ever more important, especially in order to clarify how the selection and monitoring of suppliers are founded on such criteria as transparency, propriety and attention to social and environmental matters.



In order to describe the "Health and safety" topic in as clear, efficient and effective manner as possible, the Group has decided to report in accordance with the new indicators, adopting the latest version for the 2020 NFR.

## 2020 Materiality matrix

- Social topics
- Personnel-related topics
- Environmental topics
- Topics relating to the fight against corruption
- Topics relating to human rights



## SDGs and their link with the material topics identified

Contribution to the SDGs	1 NO POVERTY	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Solidity and economic performance						✓			✓			
Integrity and fight against corruption												✓
Personnel enhancement and dialogue with employees			✓									
Data protection							✓					
Health and safety		✓				✓						
Responsible credit	✓					✓			✓			
Ties with the territory and the community									✓			
Support for saving and informed decisions	✓							✓				
Evolution of the service model and relations with the distribution network						✓						
Human rights and diversity				✓		✓		✓				
Relations with the supply chain										✓		
Indirect environmental impacts					✓					✓	✓	
Direct environmental impacts					✓					✓	✓	



## SUSTAINABLE ECONOMIC PERFORMANCE

### SOLIDITY AND ECONOMIC PERFORMANCE

The Group 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 Group, the stability and financial security expected by 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.

In a highly recessionary environment, with production stoppages and uncertainties at every level, the activities of the Bank were penalised and the repercussions of the adverse macroeconomic situation made it appropriate to record extraordinary credit risk provisions. Thanks to the diversification and commitment of the respective organisations, the Group – BPS, BPS (SUISSE) SA, Factorit Spa and Banca della Nuova Terra Spa – was able to tackle in a suitable manner the persistent adverse events, achieving positive initial results that will be presented to the shareholders for approval.

### IMPACT OF THE COVID-19 PANDEMIC

Against this background of serious recession, the Group overcame the complex initial phase and reacted with strength, prudence and good sense in tackling the persistent adversities in the best possible way. Following the problematic first quarter, the accounts gradually reflected marked improvement. Consolidated net profit for the year totalled Euro 106.6 million, compared with Euro 137.4 million in the comparative period, down 22.4%.

The unexpected economic and financial crisis is having, and will continue to have, a significant impact on the lending sector: as a consequence, extraordinary provisions for credit risk were recorded and the loans sector was strengthened both centrally and at branch level.

The solidity of the Group is evidenced by various factors, including the CET1 Ratio, the Tier 1 Ratio and the Total Capital Ratio that, last September, came in at 16.32%, 16.36% and 18.55% respectively. These indicators were essentially confirmed at the end of December, placing BPS on the podium alongside the national-level banks.

Further information about the impact of the pandemic on economic performance is provided in the Financial Report.



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

<b>Economic value directly generated</b>	<b>Unit of measurement</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
a) Revenue (Net sales + gains on financial investments and sales of assets)	€ thousand	761,124	789,191	710,501
<b>Economic value distributed</b>				
b) Operating costs (payments to suppliers, non-strategic investments, royalties and facilitating payments with a clear commercial objective)	€ thousand	221,732	215,804	227,648
c) Wages and employee benefits total expenses for employees (current payments, not future commitments)	€ thousand	250,883	253,689	240,542
d) Payments to lenders (all financial payments made to lenders of the organisation's capital)	€ thousand	27,203	0	22,669
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	€ thousand	104,395	111,489	82,414
f) Investments in the Community (voluntary contributions and fund investments in the community)	€ thousand	179	213	322
<b>Economic value obtained</b>				
Economic value generated less Economic value distributed	€ thousand	156,732	207,996	136,907

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.

The Value Added produced in the year amounted to Euro 761 million, a decrease of Euro 28 million compared with 2019.

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

- Employees 33% – direct remuneration in the form of salaries and leaving indemnities and indirect remuneration, such as social security contributions and the cost of personnel-related services (canteen, reimbursement of travel expenses);
- Public Administration 13.7% – payment of direct and indirect taxes;
- Shareholders 3.6% – payment of dividends
- Suppliers 29.1% – payment of services received from professionals and others.

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 Euro 0.4 million 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.

Business is also conducted in order to ensure the reliable and sustainable generation of value for all stakeholders in the Group (shareholders, customers, employees, local communities, suppliers, authorities), guaranteeing at the same time transparent disclosure of the level of risk accepted, in order to avoid legal/reputation issues that may derive from disputed levels of profitability / return on capital.

ESG dimension	ESG sub-category of risk	Description of risk	Control method
Environmental and climate risk (E)	Transition (Market)	Strategic and business risks deriving from investment in companies active in productive sectors not perceived by markets to provide adequate support for the transition to a low-carbon economy	Conduct of business founded on healthy and prudent management principles, in compliance with the prudential supervisory instructions
Environmental and climate risk (E)	Transition (Reputation)	Reputational risks deriving from investment in companies active in productive sectors not perceived by public opinion and customers to provide adequate support for the transition to a low-carbon economy	Conduction of business in a manner that ensure a reliable generation of value for all stakeholders, in compliance with the principles of economic, social and environmental sustainability
Social risk (S)	Strategy and business	Strategic and business risks deriving from investment in companies that operate in controversial countries / sectors, in terms of their respect for laws and human rights and, as such, subject to embargoes or other international trade restrictions	Participation in international initiatives founded on respect for environmental, social and governance criteria, such as the UN Global Compact
Social risk (S)	Reputation	Reputational risks deriving from investment in companies that operate in controversial countries / sectors, in terms of their respect for laws and human rights and, as such, subject to embargoes or other international trade restrictions	
Governance risk (G)	Strategy and business	Strategic and business risks deriving from ineffective corporate policies that impact on capital adequacy and the ability to source the liquidity needed to satisfy the contractual commitments accepted	



Governance risk (G)	Reputation	Reputational risks deriving from weakened financial strength or economic / financial imbalances, with consequences in terms of inadequate profitability / remuneration of capital	
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## **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 161,870 members at 31 December 2020.*

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 (<https://istituzionale.popso.it/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



*The first six months of the year were marked by the spread of the "Coronavirus", a.k.a. Covid-19, which has unforeseeable effects on the healthcare and economic systems that resulted in major, unexpected discontinuities with respect to the established models. This emergency caused us to reflect on the delicate equilibrium between people, people and businesses, people and the State, people and nature.*

Letter to the Shareholders and Friends, 30 June 2020



The 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.

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.

Despite the critical situation at a global level due, in the main, to the Covid-19 pandemic, the Group has remained true to its mission, which is to support the local economic fabric: 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.

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.

### COVID-19 IMPACT

Ties with the territory and the community, representing as always the cornerstone of the Group's mission, have grown even stronger as a result of the emergency: indeed, numerous loans and lines of credit, beyond those guaranteed by the State, were granted in order to provide adequate support for productive activities, households and private individuals in general. The moratoria introduced by the government and those agreed at ABI level were activated promptly. The Bank also approved additional concessions on a voluntary basis for certain other categories.

The one-on-one interviews carried out in order to update the materiality matrix identified that, despite the Covid-19 pandemic, the perception and significance of this topic have not changed, remaining one of those considered most important.



### FS13: Access points in low-populated areas

	2020	2019	2018
Total Group access points (treasury offices, branches, desks)	503	484	484
Number of municipalities < 5,000 inhabitants served	130	130	130
Number of access points in municipalities < 5,000 inhabitants	135	135	135
<b>Percentage</b>	<b>26.84%</b>	<b>27.89%</b>	<b>27.89%</b>
Number of access points in municipalities < 5,000 inhabitants closed during the year	0	0	0
Number of access points in municipalities < 5,000 inhabitants opened during the year	0	0	0

*The branches of BPS (SUISSE) SA were also included in 2020.*

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

	2020	2019	2018
<b>Territorial distribution of the portfolio</b>			
North	68.53%	69.95%	70.59%
Centre	20.68%	18.36%	19.02%
Switzerland	10.79%	11.69%	10.39%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Distribution of the portfolio by size and type of customers</b>			
Micro businesses	13.20%	13.74%	16%
SMEs	21.56%	20.51%	20%
Large Enterprises	8.36%	7.36%	7%
Individuals	35.65%	37.10%	34%
Entities and institutions	21.23%	21.29%	23%
<b>Total (%)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## INITIATIVES IN SUPPORT OF CUSTOMERS

### **Suspensions and moratoria linked to the pandemic (Households and Businesses)**

In order to tackle the effects of the economic crisis accentuated by the Covid-19 emergency, various measures were issued by governmental institutions and other agencies throughout 2020, commencing from the early months of the year: loan instalment payments were first suspended in the "Red Zones", identified initially in the province of Lodi, following urgent measures adopted by the Civil Protection Authorities; while the most recent measures involved extensions to the various suspensions and to access to the "SME-MCC Fund" pursuant to the 2021 Budget Law (Law 178 dated 30 December 2020). In addition to these measures and prior to their implementation, the Bank arranged for the voluntary/negotiated suspension of loan instalment payments by private individuals and businesses.

The various measures are summarised below.

The Italian government issued regulations suspending the bank loan payment obligations of debtors in difficulty caused by the spread of the pandemic.

Regarding SMEs with temporary cash flow problems attributable to the pandemic, art. 56 of the "Cure Italy" Decree allowed them to apply, by 30 September 2020, for payment date extensions on their lines of credit, advances against invoices and other documents, and other loans falling due prior to that date, as well as for the suspension of instalment payments on loans granted prior to the entry into force of that Decree on 17 March 2020. The measure came with an initial "automatic" extension of the due dates to 31 January 2021, unless waived by the beneficiaries. This was followed, in similar vein pursuant to the 2021 Budget Law, by a further extension of the suspension deadlines to 30 June 2021.

Regarding households and consumers, new funding was made available – with a temporary expansion of scope – for access to the "Solidarity fund for first home mortgages" (so called "Gasparrini Fund") by natural persons including, temporarily, freelance workers and professionals, with a mortgage or a contract for the purchase of property in Italy for use as their principal private residence, for an original amount not exceeding Euro 400 thousand, on condition that the applicants were victims of the events envisaged in the measure as a result of the healthcare emergency (e.g. loss of job, government-assisted lay-off, reduced billings by freelance workers/professionals). This assistance envisages the total suspension, on more than one occasion if requested, of mortgage payments for up to 18 months, with reimbursement by the "Fund" of 50% of the interest accumulated during the suspension period.

In addition to the moratoria envisaged by law, ABI also promoted similar measures under specific memoranda of understanding.

Regarding the MPMI (Micro businesses and SMEs), ABI and the trade associations that had previously signed the "2019 Credit Agreement" signed

an Addendum that extended application of the package of measures referred to as "Recovering Businesses 2.0": this suspends the principal payments on a loan for up to 12 months, or extends the duration of the loan by up to 100% of its residual life. The agreement relates to unimpaired bank loans outstanding at 31 January 2020 that were granted to businesses adversely affected by the pandemic.

In June, the "2nd Covid-19 Addendum" extended the scope of application of the Agreement to larger enterprises as well; as part of the extension – from 30/6/2020 to 30/9/2020 – of the deadline for applying for a moratorium, businesses were also able to request the total suspension of all instalment payments and, therefore, not just of the principal element.

On 17 December, the "3rd Covid-19 Addendum" took account of the new regulatory framework updated by the EBA, extending to 31 March 2021 the deadline for requesting suspensions for up to 9 months.

Regarding households and consumers, ABI and 17 Consumers' Associations signed a new Agreement envisaging the suspension for up to 12 months of principal payments on mortgage loans and other instalment loans (including consumer credit) arranged prior to 31 January 2020. On extension – from 30/6/2020 to 30/9/2020 – of the deadline for applying for a moratorium, counterparties could also request suspension of the entire instalment payment.

Having regard for the updates to the EBA guidelines, the same counterparties signed a new agreement in December covering applications by 31 March 2021 for the suspension for up to 9 months of the instalments (principal or the entire instalment) due on mortgage loans and other instalment loans, including consumer credit, granted prior to 16 December 2020 to households, freelance workers (including artisans, small traders, farm labourers etc.) and professionals who are members of professional bodies or associations affected by the Covid-19 pandemic.

At 31 December 2020 the Bank has approved moratoria/suspensions on 23,951 operations with a total exposure of Euro 4.6 billion; of these, Euro 4.25 billion relate to moratoria granted pursuant to the relevant legislation;

- 14,678 suspensions totalling Euro 2.75 billion pursuant to the "Cure Italy" Decree;
- 1,703 suspensions totalling Euro 679 million pursuant to the "ABI-Businesses" Credit Agreement;
- 407 moratoria totalling Euro 42 million in relation to the "Gasparrini Fund";
- 6,594 moratoria totalling Euro 780 million regarding the ABI measures for households;
- 6 "Red Zone" suspensions totalling Euro 1.1 million;
- 563 suspensions/moratoria totalling Euro 351 million following applications not covered by the ABI agreements/government legislation.



Aside from the moratoria for households/consumers, the majority of applications came from the hotels and catering, tourism and travel agencies, textiles and clothing, transportation and storage, and retailing sectors.

### **Birth support fund 2019 (formerly new borns fund)**

Starting from November 2019, the "Birth support fund" was reactivated to guarantee the loans granted to households with children born or adopted from 1 January 2017 onwards (as envisaged in the 2017 Budget Law).

This fund essentially clones a similar initiative that involved the Bank during the period 2009-2014, before being shutdown by the Ministry 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.

The volume of operations during 2020, carried out in collaboration with a Virtual Unit, was very low: 9 operations totalling Euro 69,000 (in just over one month of activity in 2019, 3 operations were completed for a total of Euro 28,000).

### **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.

### **Business School – Courses for businesses**

Business School is a platform for learning about foreign trade that was created by the Bank several years ago, together with Edulife. This platform seeks to inform customers about the activities of the Bank in foreign markets, stimulate their international growth and build their loyalty, as well as develop relations with operators that are not yet customers. Business School can be visited at <https://businessschool.popso.it>, but registration is required before its content can be studied. Registration is open to all customers and, indeed, to all personnel interested in taking the courses available, which cover internationalisation tools, the technical aspects of foreign trade and the banking tools available to support international transactions. Business



School also provides access to recorded webinars, as well as to the news and information about foreign markets that are published regularly; in addition, the Home Page contains a calendar of the courses for which visitors can register.



### 7 days Country

- Russia
- Singapore
- Switzerland
- Thailand
- Japan
- China
- InvestUSA



### 9 training courses

- International payments
- Incoterms 2020
- Measures in support of lending and internationalisation
- SIMEST tools in support of internationalisation
- Protection of foreign receivables in a world post Covid-19
- Documentary credits
- E-commerce and Export 5.0
- International bank guarantees
- Conformity verification programme



### 2 B2B projects

- Engineering sub-suppliers meet German buyers
- Food & Wine online B2B meetings

## BPS (SUISSE) SA – "YOUR BANK, YOUR VALUES"

A very broad range of products and services are offered, ranging from forms of lending (including mortgages, Lombard loans, commercial loans) to asset and investment management and administration (asset management, advisory services, financial planning, pension and insurance products), as well as transnational operations (such as payments, debit/credit cards and FX).

A key characteristic, greatly appreciated by customers, is the stability of the relations established: the same contact person, as a member of a "small" team, works with individual customers to address all their needs, coordinating activities if specialist contributions are required in specific fields. The accessibility of the management team of the Bank confirms the lean organisational structure, making interactions easy.

## 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.

The cultural activities of the Group during the past year were very much contained by the Coronavirus: no conferences or conventions were organised and even the Stelvio Pass events were suspended (including the "Re Stelvio Mapei" King of the Mountain event, which normally attracts thousands of athletes and sport lovers).

A breeze of optimism and courage was felt in Piazza Cavour, in the centre of Bormio, when the "Kuerc" presented the 21st "Milanesiana", a cultural tour that held its first event in the town on 29 June, marking the restart of cultural and other activities. The crowd in attendance applauded Elisabetta Sgarbi, creator of the event, her brother Vittorio and Paolo Crepet, a well-known psychiatrist and sociologist. To mark the occasion, our Bormio No. 1 branch exhibited the paintings of Luca Crocicchi, a Tuscan artist.

IN COLLABORAZIONE CON  
**COMUNE DI MILANO**  
**REGIONE LOMBARDIA**

29 GIUGNO > 6 AGOSTO  
 LETTERATURA  
 MUSICA CINEMA  
 SCIENZA ARTE  
 FILOSOFIA TEATRO  
 DIRITTO ECONOMIA

**I COLORI**

Ideata e diretta  
 da Elisabetta Sgarbi

**LA MILANESIANA 2020**  
 21° ANNO > 21<sup>ST</sup> YEAR

When discussing the cultural aspects, we need to mention our Notiziario magazine, which publishes articles by well-known authors on a wide range of subjects that are much appreciated by its many readers. The first issue of the year hosted an elegant monograph on Le Corbusier, the famed architect; this work also embellished the cultural section of the 2019 Financial Report of our Swiss subsidiary. Published works also remembered Cardinal Carlo Maria Martini, famous theologian and bible expert, and Alberto Sordi, the renowned actor and entertainer who passed away in 2003. Both had been guests of the Bank, addressing the public in September 1985 and October 1996 respectively.



The "Invitation to the Palace" initiative, devised originally by ABI, reached its XIXth edition on 3 October 2020 with a series of virtual tours that, as hoped, were very well received.

The activities of the Luigi Credaro library, owned by the Bank, were also affected by the anomalous situation. Numerous users took advantage of the on-line services and, when possible, visited Palazzo Sertoli Guicciardi with the necessary precautions, of course.

Turning to BPS (SUISSE) SA, the "in person" events dedicated to customers were deferred to 2021, due to the Covid-19 pandemic, but promotional activities continued nonetheless. The marketing strategy was promptly adapted to take account of the difficult situation, focusing on digital projects that overcame the physical distance between the Bank and its customers.

## 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.

Following the lockdown, Pirovano opened again in July to provide hospitality to summer skiing enthusiasts and those wishing to recharge mind and body surrounded by the natural beauty of the mountains. Regrettably, due to the international situation, the doors had to be closed again soon afterwards.





## **SPONSORSHIP AND DONATIONS**

Once again in 2020, despite the pandemic situation and the problems connected to it, 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 are always intended to generate additional value added, amplifying the benefit obtained by their recipients via small virtuous spirals that self-perpetuate.

The Group approach to requests for donations is to provide broad support, rather than focus on high-profile initiatives: the latter approach would not be consistent with the values of the Group, which focuses less on budget allocation and more on the needs identified by the network, while monitoring the funds available in order to accept as many deserving applications as possible.

Multiple appeals were assisted from nursing homes, 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.

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 commission.

We also maintain "Solidarity Current Accounts", a category of account established many years ago that, again in 2020, resulted in donations being made to the following non-profit associations:

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

## Donations\*

	Unit of measurement	2020	2019	2018
Welfare organisations	€	163,319	49,950	35,451
Humanitarian and volunteer institutions	€	24,306	30,194	23,174
Cultural and artistic associations	€	4,185	12,360	21,800
Recreational clubs	€	6,972	18,143	16,283
Musical associations	€	6,170	16,188	1,885
School	€	2,600	6,850	17,800
Public entities	€	5,833	1,249	9,339
Religious entities	€	26,172	27,347	18,416
Trade associations	€	7,081	13,841	12,471
Sundry other associations	€	39,250	36,476	165,386
<b>Total</b>	<b>€</b>	<b>285,888</b>	<b>212,600</b>	<b>322,005</b>

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

The significant increase in the amount relating to "Welfare organisations" reflects the donation of healthcare equipment to ATS della Montagna – Sondrio for use during the Covid-19 emergency (Euro 107,569.23).

The function responsible for collecting this data will seek to automate the donation authorisation process during 2021, making the related administration more eco-friendly (e.g. by reducing the volume of paper) and improving certain functional aspects, such as research and determination of the accounting/administrative effects that derive from the acceptance of applications, while also enhancing its ability to track the impact of the various initiatives.

## Sponsorships

	UoM	2020	2019	2018
Cultural and recreational associations	€	33,951	34,757	65,891
Trade associations	€	4,000	17,793	15,019
Religious Schools and Associations	€	9,253	14,343	18,856
Sports and sundry other associations	€	132,330	146,432	174,324
<b>Total</b>	<b>€</b>	<b>179,534</b>	<b>213,325</b>	<b>274,090</b>



The data reflects an overall contraction in the support provided as a consequence of the pandemic that affected most of 2020, preventing many initiatives and events from taking place. Among the initiatives supported by Banca Popolare di Sondrio it is worth mentioning the Sondrio Festival: this annual international exposition of documentaries dedicated to parks is sponsored by the Bank in view of its social and environmental importance.

The Covid-19 pandemic also significantly influenced the activities of Banca Popolare di Sondrio (SUISSE), reducing many of the planned initiatives but without blocking all types of innovative action: to mark the 25th jubilee of BPS (SUISSE), the Bank promoted a competition open to customers and the Swiss public in general entitled "E-bike competition. We celebrate, you win!". This initiative, launched on 2 March 2020 and completed in September, offered both customers and the general public a chance to win one e-bike at each branch, thus promoting ecological mobility while also enhancing communications and interactions with the territory as a whole. This highly sustainable activity was advertised on TV and radio, in magazines, on posters and via multimedia communications.

### **RISKS ASSOCIATED WITH THE TOPIC**

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.

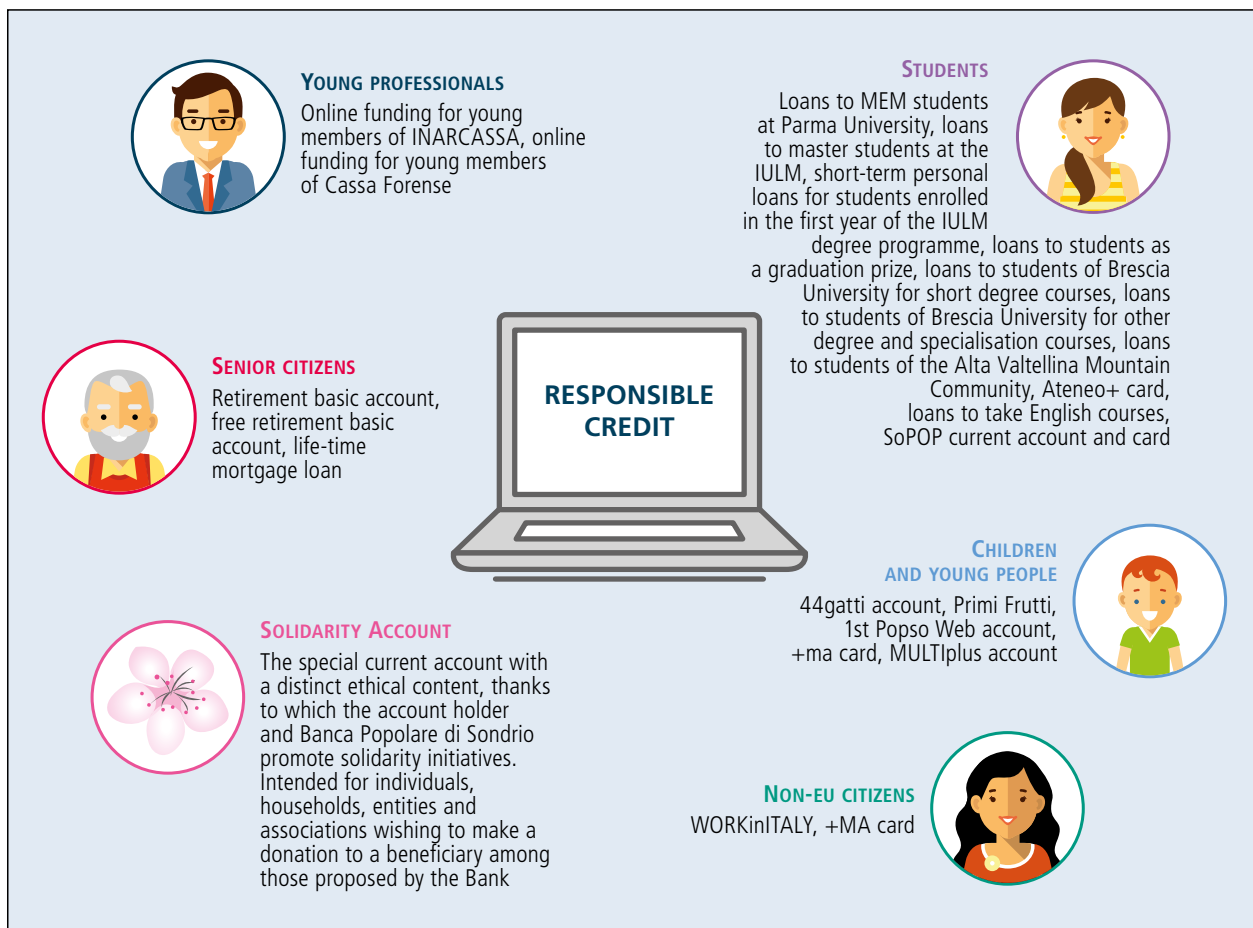
Confirming the traditional vocation of the Bank, intensive efforts were dedicated during the year to providing supportive facilities in the face of the Covid-19 pandemic (e.g. moratoria, loans backed by public guarantees), as well as forms of solidarity for healthcare and welfare institutions active in the local territories.



ESG dimension	Sub-category of ESG risk	Risk description	Control method
Social risk (S)	Credit	Credit risks associated with the financial support provided to local entrepreneurs faced with economic difficulties/crises	<p>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)</p> <p>Definition of debt restructuring plans and activation of suspensions / extensions of loan periods (e.g. moratoria) in support of local businesses (and to safeguard employment levels)</p>
Social risk (S)	Reputation	Reputational risks associated with the adoption of lending policies not properly designed to provide economic support to local communities and promote the territories served	Adoption of economic support policies for local entrepreneurs, as well as promotion of environmental and social activities (cultural, sporting, religious, charitable) in the local communities

## 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 the corporate ethos and build an organisational structure representative of the Group.*

## **COVID-19 IMPACT**

Responsible credit has undoubtedly been one of the material topics most affected by the pandemic: the Group has helped a lot the categories most in need of economic support, both by implementing the government measures and by acting on a voluntary basis. In this regard, the moratoria granted on outstanding loans have been particularly important, offsetting the decline in cash inflows caused, in the short term, by the lockdown measures and, more generally, by the difficult economic situation.

In the context of broader work to monitor the entire portfolio of performing loans, General Management has carried out an analysis of business customers in order to identify those in need of greater attention, given the particular economic difficulties associated with the Covid-19 emergency. Specifically, this analysis was supported a new indicator for the operational measurement of riskiness, known as the Covid Rating, which seeks to identify the increase in riskiness attributable to the pandemic at individual counterparty level, considering in particular the economic sector in which the customer is active.

The one-on-one interviews identified that, while the pandemic did not affect this topic much for most stakeholders, customers and commercial partners consider the topic to have a very high social impact, being indeed one of the most significant.

More specific considerations about the impact of the pandemic can be found under each KPI reported.



## NEXI COVID-19 INITIATIVES

In April 2020 Banca Popolare di Sondrio joined the “Digital Solidarity Programme”, in collaboration with Nexi, in order to assist the recovery of commercial activities. Three initiatives were activated with regard to Acquiring, in order to simplify and facilitate the receipt of digital payments:

- Pay by link – Service for the receipt of remote payments via a link sent to the customer by the operator. Offer of a monthly fee with free installation and transaction costs (until 31 December 2020 in this last case).
- Micropayment reimbursements – Initiative for the benefit of operators, with repayment of the commissions charged on small digital payments received between 1 March and 31 December 2020.
- “Nexi Welcome” Mobile POS – Offer designed for new customers that use the payment acceptance service sporadically and not on a continuous basis. No fee and the installation costs were borne by the Bank (promotion initially valid until 30 June 2020, then extended to 31 December 2020). The operator receives a small, light Mobile POS device that works with a smartphone, ensuring practical efficiency even on the go.

## 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		2020	2019	2018
SoPOP loan: interest-free loan linked to the on-line SoPOP account, for students studying for three-year and/or master degrees	Cumulative amount (€)	24,000	-	-
Loan for students of the University of Parma studying for the master in engineering management (MEM)	Cumulative amount (€)	325,000	325,000	325,000
Loan for students studying for the IULM Master	Cumulative amount (€)	125,100	162,452	98,000
Short-term personal loan for students enrolled in the first year of the degree course – IULM	Cumulative amount (€)	70,195	67,822	121,300
Loan to students as a graduation prize	Cumulative amount (€)	22,714	22,088	13,900
Loan to students of the University of Brescia on short degree courses	Cumulative amount (€)	2,066	6,128	12,800

Loan to students of the University of Brescia on other degree or specialisation courses	Cumulative value (€)	35,395	56,104	78,500
Loan to students of the Alta Valtellina Mountain Community	Cumulative value (€)	175,875	168,680	160,000
Loan for children and youth to take English courses (promoted from September 2018)	Cumulative loans at 31/12 (€)	6,755	8,977	8,770
Loans to students of the University of Pavia (promoted from 2020)	Cumulative loans at 31/12 (€)	8,079	-	-
On-line loans for young people registered with INARCASSA	Amount (mn €)	0.33	0.1	0.48
On-line loans for young people registered with CASSA FORENSE	Amount (mn €)	2.14	1.73	2.6
Reverse mortgages	Amount (mn €)	0.59	3	3.35

<b>COMPARISON OF ALL RELATIONSHIPS</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Active +MA cards	73,018	60,249	43,345
Active Ateneo+ cards	158,924	149,158	117,722
Current accounts (Individuals and Joint accounts)	387,210	377,969	367,989
Deposit books (Individuals and Joint accounts)	33,804	34,630	35,782
<b>Total relationships</b>	<b>652,956</b>	<b>622,006</b>	<b>564,838</b>

<b>RELATIONS WITH WEAKER MEMBERS OF THE COMMUNITY</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Active +MA cards <25	20,850	17,846	15,773
Active Ateneo+ cards	158,924	149,158	120,723
Current accounts (Individuals and Joint accounts)	15,795	15,693	12,097
Deposit books (Individuals and Joint accounts)	13,462	13,365	367,989
<b>Total relationships</b>	<b>209,031</b>	<b>196,062</b>	<b>161,503</b>
<b>% comparison</b>	<b>32.01%</b>	<b>31.52%</b>	<b>28.59%</b>

The trend in lending for social purposes, including relations with weaker members of the community, remains steady with growth during the year in some cases, confirming that the pandemic has only had a minimal impact on this data.



### **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.

### **BANCA DELLA NUOVA TERRA SPA, ASSIGNMENT OF ONE-FIFTH OF SALARY OR PENSION AND DELEGATION OF PAYMENT (CQS/CQP)**

The assignment of a fifth of salary/pension is a form of lending, initially reserved for government and public-sector employees (Presidential Decree 180/1950), that was subsequently extended to pensioners by Law 80/2005 and to private-sector employees. This is now one of the most common forms of lending in Italy.

A fixed-rate loan is repaid directly by the employer or pension agency, which charges the monthly instalment against the pay/pension slip.

The name given to this form of lending derives from the fact that the instalment payment cannot exceed one-fifth of the net monthly salary or pension amount.

## **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 comprises BPS and SUISSE data, while the second just includes Factorit data, because calculations are made differently.*

<b>Total value of loans granted for social purposes with respect to total loans granted in the reporting period</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total loans to customers	22,091,114,385.00	18,201,432,501.01	16,638,356,759.89
Loans for social purposes	187,486,742.00	198,076,278.94	181,163,115.99
<b>Percentage of total loans granted for environmental purposes with respect to total loans granted</b>	<b>0.85%</b>	<b>1.09%</b>	<b>1.09%</b>

the above data relates to BPS and SUISSE

<b>Total value of loans granted for social purposes with respect to total loans granted in the reporting period</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total loans to customers	2,563,541,624.00	2,355,644,095.25	2,324,663,000.50
Loans for social purposes	15,141,936.00	14,171,433.17	1,019,970.43
<b>Percentage of total loans granted for environmental purposes with respect to total loans granted</b>	<b>0.59%</b>	<b>0.60%</b>	<b>0.04%</b>

the above data relates solely to Factorit

### **SOLIDARITY ACCOUNT**

Since 1996, Banca Popolare di Sondrio offers 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.

<b>ASSOCIATION</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
AIRC – ASSOCIAZIONE ITALIANA RICERCA SUL CANCRO	30,000	30,000	25,640
UNICEF	17,500	15,000	13,950
AVIS – ASSOCIAZIONE VOLONTARI ITALIANI SANGUE	3,000	3,000	2,520
ADMO – ASSOCIAZIONE DONATORI MIDOLLO OSSEO	2,000	3,000	3,430
AISLA – ASSOCIAZIONE ITALIANA SCLEROSI LATERALE AMIOTROFICA	3,000	3,500	3,710
<b>Total</b>	<b>55,500</b>	<b>54,500</b>	<b>49,250</b>



## COLLABORATION WITH ETICA SGR

Collaboration with Etica Sgr, consisting primarily in the placement of funds belonging to the Ethical System – Sustainable Values and Sustainable Futures.

The feature of Etica is that it is the only Italian asset manager to establish, promote and manage mutual funds that, without exception, are socially responsible by combining financial analysis with assessments using ESG criteria, which address environmental, social (e.g. gender equality) and good governance (e.g. corruption) matters. 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 (e.g. commitment to reduce greenhouse gas emissions) and governance aspects of the issuers.

Only issuers with a suitable qualitative profile and a 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 active shareholders and funds invest and exercise their voting rights.

The ethics committee provides advice and makes recommendations, so that Etica Sgr can grow in an ethical and socially-responsible manner.

Etica Sgr offers six mutual funds that make ethical investments:

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

<b>Ethical funds</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Assets on deposit (mn €)	558	459	369
Number BPS customers that subscribe to Etica funds	15,149	13,108	11,042

The growth in the dissemination of ethical funds among customers continues to accelerate.

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.



The assets under management by Etica Impatto Clima at 31/12/2020 total 45,071,145 euro.

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.

### **RISKS ASSOCIATED WITH THE TOPIC**

Lending policies founded on the principles of financial inclusion and support for the weaker members of the population have always underpinned the activities of the Group, generating positive returns in terms of recognition and reputation for our dedicated pursuit of social objectives.

In this context, Banca della Nuova Terra plays a key role, offering salary/pension-backed loans and opportunities for persons unable to access traditional loans to delegate their payment responsibilities to recognised parties.

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 corporate and community regulatory requirements and the principles embodied in the Code of Ethics.

<b>ESG dimension</b>	<b>Sub-category of ESG risk</b>	<b>Risk description</b>	<b>Control method</b>
Social risk (S)	Credit	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)



Social risk (S)	Credit	Credit risks associated with loans granted to parties active in countries / sectors that are controversial in terms of their respect for the law and human rights	Recourse to the "salary/pension-backed" and "delegated payment" products offered by Banca della Nuova Terra
Social risk (S)	Reputation	Reputational risks associated with loans granted to parties active in countries / sectors that are controversial in terms of their respect for the law and human rights	Analysis of the qualitative profile of the loan applicant and the product sector concerned, in compliance with internal and external regulatory requirements and the principles embodied in the Code of Ethics

## SUPPORT FOR SAVING AND INFORMED DECISIONS

### ESG INVESTMENTS



*A sustainable investment combines yield objectives with ethical, ecological and social values. Sustainable investments recognise that corporate responsibility and social values are valid criteria for choosing an investment. These investments take into consideration the need of investors to earn a yield, as well as their impact on the company concerned and the environment. They encourage businesses to improve their performance on environmental, social and governance matters.*

Source USSIF (*The Forum for Sustainable and Responsible Investing*)



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.

Banca Popolare di Sondrio analyses constantly the changes in the political, economic and financial environment, examining the news and

commentary published in the press and by info providers, the economic and corporate data disseminated via those channels, the information about mutual funds and SICAVs, and the studies and research prepared by other intermediaries or specialist firms.

This publicly-available material and information is used by personnel, on a systematic or occasional basis, to identify historical trends and compare issuers, UCITS and financial instruments. In particular, with regard to bonds, the quality and fundamentals of issuers (governments, supranational entities, companies) are monitored, together with their debt structure, microeconomic prospects and the link with macroeconomic variables, as well as the characteristics of each issue, the promotion of sustainable development (Green, Social and Sustainability) and/or their inclusion in a specific sustainable benchmark. The number of contributors is also checked to ensure that the market is sufficiently liquid, with efficient pricing. With regard to equities, significant news is examined together with the market consensus about the different micro/macro data, the calendar of events, the data on traded volumes, and any changes in creditworthiness or target value assigned by rating agencies or investment houses/brokers. In addition, the environmental, social and governance factors are evaluated, as well as their inclusion in any ESG benchmarks and the indications derived from technical analysis in the search for optimal operating conditions. Concerning UCITS, these are subdivided into homogeneous groups having regard for the asset classes in which they invest, their investment policies, the volume of assets under management and their cost structure. Quantitative analyses are carried out on their operating results, together with qualitative analyses focused on their selection strategies, the management of ex-ante risk, the ESG/SRI/SDGs criteria used, any use of derivatives, their management team (curricula and stability) and any ESG certifications, as well as assessment of the investment companies that manage them (reliability, reputation etc.).

The acquisition, analysis and processing of this information are key to efficient assessment of the environment and related investment opportunities that, in turn, is essential when building portfolios of financial instruments designed to optimise the risk-yield profile based on the established investment opportunities. This activity combines analysis of the fundamentals with technical analysis, without overlooking the environmental, social and governance (ESG) factors that are integral to the decision-making process.

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).

### **THE ESG APPROACH OF BPS (SUISSE) SA**

The investment methodology devised by BPS (SUISSE) SA seeks to combine the best of Swiss and international experience in the area of ESG investments, while recognising the role of the Bank as a mutual fund manager, an asset manager and an investment advisor to both domestic and international retail and private customers.

The Swiss Bank strives to apply the following principles:

- objectivity, with performance as the guiding principle in investment selection at all times
- positive screening, with recourse to reliable and experienced research firms in order to limit and/or exclude from investment portfolios those public or private entities that pay little attention to sustainability matters
- topic orientation, with special attention dedicated to the environmental sustainability of investments
- negative screening, with the exclusion of companies active in the production or distribution of controversial armaments or that do not achieve minimum ethical standards
- integration, with incremental use of qualitative ESG research from differing sources within the analyses carried out at each level

### **COVID-19 IMPACT**

During the pandemic, the BPS Group had to revolutionise its internal organisation in order to maintain continuity at all levels within the various business processes while, at the same time, introducing the measures needed to protect the health of customers and personnel.

The technical infrastructure made it possible to continue working with customers, albeit in a different way and with only a limited number of difficulties. In many cases, contacts intensified in working hours, given that many counterparties were engaged in smart working or simply in quarantine, and therefore reachable at home either by telephone or electronically.

Under these exceptional circumstances, the value of being close at hand remained central, even if applied differently in the voluntary and reciprocal efforts made to ensure effective bank-customer communications. The mutual drive to maintain the established human and professional

relations was preserved and even enhanced, in the hope of meeting regularly again as soon as possible.

The stakeholder engagement work carried out using the Scigno platform found that the healthcare emergency has had little impact on this topic, but the one-on-one interviews identified that the impact of Covid-19 has been and remains significant, especially for the higher risk segments given the desire to create a more inclusive society.

As a broker of Arca Assicurazioni products, Banca Popolare di Sondrio participated in the addition of temporary free cover against Covid-19 contagion to the policies written for SMEs, generating additional goodwill among the customers concerned.

### FSII: Percentage of assets subject to environmental or social screening

	2020	2019	2018
Total assets managed	5,936,646,990 €	5,578,016,992	5,206,860,429
Total assets managed that are subject to environmental or social screening	975,243,911 €	731,307,818	593,339,574
<b>Percentage of assets subject to environmental or social screening</b>	<b>16.43%</b>	<b>13.11%</b>	<b>11.40%</b>

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.

	2020	2019
Total assets managed	536,203,336 €	425,614,665
Total assets managed that are subject to environmental or social screening	109,470,557 €	4,579,904
<b>Percentage of assets subject to environmental or social screening</b>	<b>20.42%</b>	<b>1.08%</b>

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-identified asset management line launched during 2019 and to Popso ESG investment funds.



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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total monetary value of the "GPF Dinamica Bilanciata 30% Valori Responsabili" line – FS7 and FS8	38,632,734.00	42,694,733.00	42,571,53
Total monetary value of Etica SGR funds with environmental impact (for example Fondo Etica Impatto Clima) – FS8	45,071,145.22	27,082,092.23	0
Total monetary value of Etica SGR funds and Christian Brothers Investment Services with social/environmental impact (for example Fondo Etica Bilanciato) – FS7 and FS8	90,109,105.77	87,416,698.19	0

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

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 the proposal of 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.

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.

## **PLACEMENT OF SUSTAINABLE PRODUCTS: ARCA FONDI SGR**

Since 1983 Banca Popolare di Sondrio has drawn on the experience and professionalism of Arca Fondi SGR Spa to implement the investment solutions most suited to the needs of customers.

The mutual funds of Arca SGR achieve maximum diversity in terms of investment type, management style, geographical area and business sector.

The ability to purchase fund units in very small amounts (100 euro) ensures accessibility for small savers, who can also make periodic payments (via accumulation plans), with a view to investing the flow of savings while reducing the overall investment risk.

The range of ESG mutual funds offered by the Bank was extended during 2020; in particular, from 2020 the new funds in the Arca Fondi range, being "Arca Opportunità Green" and "Arca Green Leaders", and the innovative "Arca Azioni Far Fast ESG Leaders" and "Arca Azioni America ESG Leaders", prioritise issuers compatible with the sustainability criteria specified in the UN Principles for Responsible Investment embodied in the acronym ESG (Environmental, Social and Governance).

Similar innovations were introduced to the funds in the Arca Previdenza line, which are now known as "Rendita Sostenibile", "Crescita Sostenibile" and "Alta Crescita Sostenibile" ("Sustainable Yield", "Sustainable Growth" and "Sustainable Fast Growth").

Further information is available on the website of Arca Fondi Sgr, or at all branches of the Bank, where copies of the Prospectus can be obtained without charge.

## **CONFLICT OF INTEREST MANAGEMENT**

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 company website and available at the branches via intranet. Full and detailed information is provided to customers.

### **RISKS ASSOCIATED WITH THE TOPIC**

The Group offers a wide range of banking products designed to express solidarity and social inclusion for the weaker members of the population, together with investment solutions capable of generating yield. They benefit the real economy and reward businesses that adopt virtuous practices respectful of the law, human rights and shared ethical values.

Commercial policies apply sound principles of professionalism, customer focus and precise identification (and satisfaction) of their needs, ensuring the transparent provision of information about the characteristics of each product and the related economic conditions applied, thus mitigating the potential risks deriving from complaints, legal proceedings or penalties levied as a consequence of inadequate disclosures / improper business conduct.

<b>ESG dimension</b>	<b>Sub-category of ESG risk</b>	<b>Risk description</b>	<b>Control method</b>
Social risk (S)	Strategy and Business	Risks of a financial nature deriving from an inability to attract investors and customers, due to the weak or unrecognised offer of products/financial instruments capable of combining economic returns with ethical and social objectives	Commercialisation of products/ financial instruments that combine financial performance with ethical, social and, more generally, sustainability considerations
Social risk (S)	Reputation	Risks of a reputational nature associated with the weak or unrecognised offer of products/ financial instruments capable of combining economic returns with ethical and social objectives	Business conduct in accordance with the ethical principles of transparency and professionalism, in order to ensure the provision of suitable products/services tailored to the characteristics and risk profile of each customer



Governance risk (G)	Legal and Policy risk	Risks of an operational nature (non-compliance risk) associated with: <ul style="list-style-type: none"><li>- omissions, shortcomings, infringement of the disclosure/transparency obligations regarding the products/services offered to customers</li><li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li></ul>	
Governance risk (G)	Legal and Policy risk	Risk of compensation claims (conduct risks) associated with: <ul style="list-style-type: none"><li>- omissions, inadequacies, infringement of the disclosure/transparency obligations regarding the products/services offered to customers</li><li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li></ul>	
Governance risk (G)	Legal and Policy risk	Risk of compensation claims (legal risk) deriving the alleged inadequacy of the yield/return on the products/services offered to customers	
Governance risk (G)	Reputation	Risks of a reputational nature associated with: <ul style="list-style-type: none"><li>- omissions, inadequacies, infringement of the disclosure/transparency obligations regarding the products/services offered to customers</li><li>- adoption of improper professional practices with regard to the promotion/distribution of products/services</li></ul>	
Governance risk (G)	Reputation	Risks of a reputational nature linked to inadequate profitability/remuneration of products/services offered to customers	

## 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.

### COVID-19 IMPACT

The use of electronic banking services, to obtain information and give instructions without visiting a branch, increased considerably during the pandemic, enabling customers to satisfy their needs effectively without physical contact.

With regard to the activities of the Bank during 2020, the Compliance function carried out a check – with satisfactory results – on the efforts made

to tackle and contain the spread of the Covid-19 virus in working environments, as well as on the related processing of personal data.

The survey carried out on the Scigno Internet Banking portal and the one-on-one interviews determined that the pandemic has not affected this topic, even though – as stated by one stakeholder – it is clear that a suitable and up-to-date distribution model is both fundamental and strategic for the business.

## **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 SCRIGNO*facile* 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. It has two Internet Banking products, users can choose freely between them, to move from one environment to the other, without having to log in again.

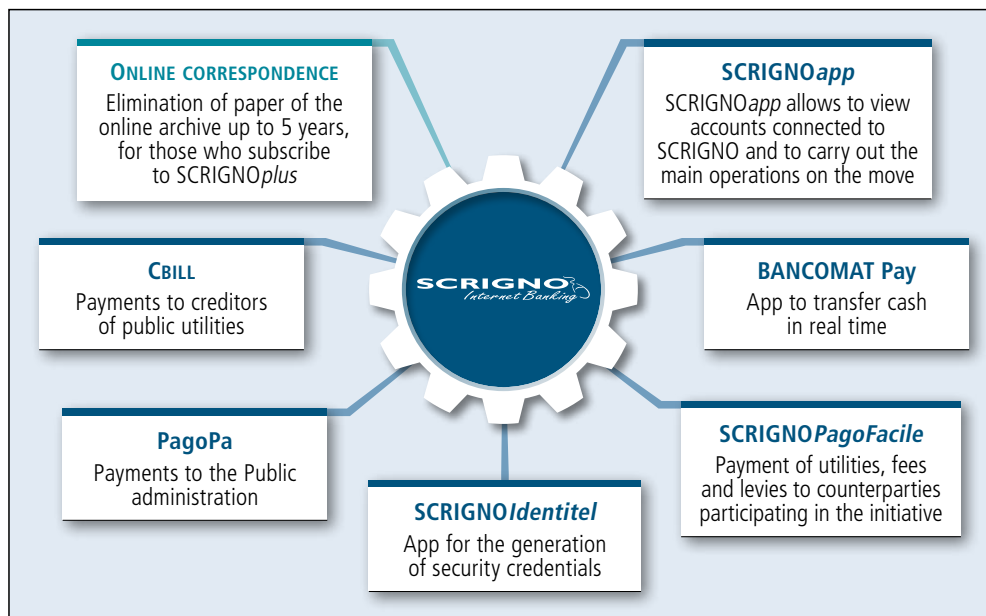
The graphics and technology underlying SCRIGNO*Internet Banking* were updated in 2010, adapting to the latest conditions; as a result, SCRIGNO*Internet Banking* (as well the institutional website [popso.it](http://popso.it) and [nonsolobanca.popso.it](http://nonsolobanca.popso.it)) became natively accessible to persons with reduced motor and sensory capabilities via the use of supporting technologies (such as screen readers and voice synthesisers).

On-line banking makes services accessible while on the move, with SCRIGNO*app* (mobile banking) and SCRIGNO*IdentiTel* (generator of security credentials): these on-line services are updated constantly for security purposes, in compliance with the European PSD2 Directive.

The Bank also make "navigosereno" available to users and customers. This service provides information and news about IT security and can check for the most common vulnerabilities affecting computers, smartphones and tablets.

SCRIGNO *Internet Banking* also hosts various initiatives of a social nature, addressing solidarity, scientific progress, the local territory and cultural matters; as a result, customers can contact the organisations concerned and, if desired, support their activities.

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) SA

- 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



## MANAGEMENT OF 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 within the Legal 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. With regard to BNT: the Complaints Office provides contact liaison with the Compliance Unit of the Parent Company; as part of the Secretariat, Legal and General Affairs department, this office manages complaints and appeals to the FBA independently from the business functions responsible for the commercialisation of banking products and services. Specific, well-established internal procedures identify properly the activities, roles, functions, levels of responsibility and conduct required, as well as the information flows needed to manage complaints and participate in cases brought before the FBA;
- *investment services*, entrusted to the Compliance Unit, 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 IN THE BANCA POPOLARE DI SONDRIO GROUP**

The Compliance Unit within Parent Company checks and evaluates – in relation to relevant matters identified in its operating manual, with the exclusion therefore of regulatory areas addressed by other second-level control functions – the effectiveness of controls over regulatory compliance risks, essentially being the risk of incurring judicial or administrative penalties, significant financial losses or reputational losses due to the infringement of external or internal (self-)regulations.

Specialist Controllers collaborate with this Unit in the following areas: operational continuity, taxation, employment and pensions, occupational health and safety. The scope of action was extended in February 2020 to include two new Specialist Controllers that cover regulatory reporting and securitisations; covered bank bonds; long-term refinancing; A.BA.CO – government securities and mortgage loans. In addition, regulatory compliance is supported by the Compliance Contacts for ICT, mortgage loans and, from September 2020, conflicts of interest, related parties and the prevention of interlocks.

Operationally, the Compliance Unit applies a disseminated compliance model that combines direct activity in core areas, especially consumer protection (investment services, transparency, usury, privacy, consumer code...), with the professional collaboration provided by Specialist Controllers and Compliance Contacts in their specific areas. The objectives here are to benefit from the support provided and strengthen these specialist teams and professional profiles, on a continuous basis, when monitoring and controlling specific business risks.

The operational mandate of the Unit is specified in the general Regulation governing non-compliance risk (level I), the specific Regulation governing the Compliance Unit (level II) and the Operating Manual for the management of non-compliance risk. This last document defines operating procedures in the context of the model for managing non-compliance risk described in the general Regulation.

The respective activities of the Unit, the Specialist Controllers and the Compliance Contacts are assisted by the on-line ABICS application, provided and updated regularly by ABI, that – by reference to detailed topic matrices – makes effective risk assessment possible, so that any residual risk can be identified in relation to the regulatory/operational areas considered and mapped in detail. This includes, with regard to sustainability matters, the risks associated with mandatory employment and occupational health and safety.

With regard to Banca della Nuova Terra (BNT), operational compliance activities are outsourced to the Compliance Unit of the Parent Company, whose manager is also responsible for the compliance activities outsourced by BNT. Scaled to the activities of this subsidiary, the operational compliance



model essentially replicates that of the Parent Company, both with regard to the regulatory areas monitored and with reference to the criteria and methodologies adopted for the analysis of non-compliance risks.

### 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) as in previous years.

#### **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 the information and labelling of products or services, nor related to marketing activities (including advertising, promotion and sponsorship).

#### **RISKS ASSOCIATED WITH THE TOPIC**

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 and awareness campaigns towards users, to combat criminal attacks to protect customers and the Bank itself.

ESG dimension	Sub-category of ESG risk	Risk description	Control method
Social risk (S)	Legal and Policy risk	Risk of penalties (non-compliance risks) associated with the failure to apply / inadequate application of principles and techniques for the design, building, maintenance and update of digital systems (websites and mobile applications) that can be accessed and used by persons with disabilities	Adoption of a specific operational model to control IT risks (including cyber risk)  Existence of "accessible versions" of websites and on-line services  Structured process for the advance approval of operational innovations
Social risk (S)	Reputation	Risk of a reputational nature associated with the failure to apply/inadequate application of principles and techniques for the design, building, maintenance and update of digital systems (websites and mobile applications) that can be accessed and used by persons with disabilities	Adequate prior training of personnel with regard to operational innovations
Governance risk (G)	Technology	IT risks (indemnities, restoration costs) associated with vulnerabilities/dysfunctions in computer systems and the technological infrastructure that supports the distribution of products/ services to customers	



Governance risk (G)	Strategy and business	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	
Governance risk (G)	Reputation	Risks of a reputational nature associated with vulnerabilities/dysfunctions in computer systems and the technological infrastructure that supports the distribution of products/services to customers	

## RELATIONS WITH THE SUPPLY CHAIN

As a complex organisation comprising numerous operational units at central and branch level – spread throughout a wide territory – the Bank has a constant need for supplies of diversified goods and services from third parties in order to carry out its activities effectively. These supplies therefore contribute to operational efficiency, commercial competitiveness, regulatory compliance in multiple areas and the safety of persons, working environments and installations. Accordingly, it is necessary to define and govern precisely the management of purchasing, in terms of the related authorisations and administrative activities, in order to optimise the operational effectiveness of the supplies made to the organisational units that ordered them, while ensuring their cost-effectiveness for the Bank in quality and price terms.

The Bank has implemented an organisational model pursuant to Decree 231/2001, which is updated to reflect any changes in operating conditions. The objective of this model is to mitigate and, where possible, prevent commitment of the environmental and other offences identified in the legislation, having regard for the provisions of Decree 121/2011, as amended. Bank suppliers are informed about the organisational model adopted in a clause contained in their contract forms; they are also requested to comply with the instructions contained in the corporate Code of Ethics.

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.

### COVID-19 IMPACT

Due to the pandemic, the sales made by suppliers were lower than in the prior year due, above all, to the shutdown of their activities.

As identified from the one-on-one interviews and the questionnaire published on Scigno, this topic has not been especially affected by the emergency, especially when considered in relation to our banking activities.

### GRI Standard 204-1: Proportion of spending on local suppliers

	2020	2019	2018
Procurement expenditure	266,006,935.54	208,445,627,85	212,481,204.42
of which to local suppliers	178,702,308.68	130,190,869.00	139,711,231.86
<b>% of total</b>	<b>67.18%</b>	<b>62.5%</b>	<b>65.8%</b>

## 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, 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 SA, which is subject to rigorous supervision by the Swiss supervisory authority, demonstrates 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 model implemented by the Parent Company and Factorit (pursuant to Decree 231 dated 8 July 2001), intended inter alia to prevent the crime of corruption, explicitly requires the provision of information and training to all recipients of the Code of Ethics. Information is transmitted by means of circulars and the publication of internal regulations. The training is developed through classroom courses and compulsory courses accessible via the multimedia platform.

Given constant changes in the regulatory environment and periodic increases in the number of specified offences, it has proved necessary to revise the model in order to cover appropriately all the new unlawful deeds. For this purpose, on 1 December 2020 the Supervisory Body presented the updated document to the Board of Directors for approval.

Specifically, the revisions included the addition of tax and contraband offences, as well as changes to the IT crimes, the unlawful processing of data and the offences of embezzlement, extortion, improper inducement to give or promise benefits, corruption and abuse of office.

The corporate intranet includes a section dedicated to this regulation, where it is also possible to submit reports to the Supervisory Body via an on-line form or by e-mail. These reports are examined by the members of the Board who, during investigations, may discuss them with the reporting person.

## **COVID-19 IMPACTS**

This topic is highly significant in an Italian context, albeit already well regulated; according to the stakeholders, the pandemic has not had any effect on the importance of the topic.

## **GRI Standard 205-2: Communication and training about anti-corruption policies and procedures**

No training courses on anti-corruption matters were delivered to members of the governing bodies during 2020. The percentage of employees who received training on this topic rose to 89.76% in 2020, from 76.15% in 2019 and 74.91% in 2018. All members of the governing bodies during the three-year period considered have been informed about the anti-corruption policies and procedures of the Company.

With reference to BPS (SUISSE) SA, the corporate bodies of the Company and the independent control functions are aware of the risks associated with corruption; however, the Swiss 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, in line with previous years.

## **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, in line with previous years.

## RISKS ASSOCIATED WITH THE TOPIC

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 entities resident in 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.

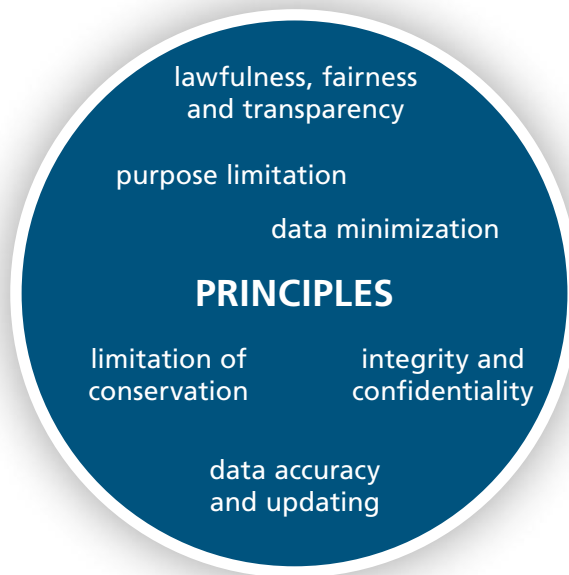
Management of these risks is implicitly guaranteed by the adoption of an organisational model based on the principles of independence and transparency, within which specific functions and control systems are envisaged to monitor/report on operating behaviour and practices that do not comply with internal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

ESG dimension	Sub-category of ESG risk	Risk description	Control method
Governance risk (G)	Legal and Policy	Risks of penalties (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
Governance risk (G)	Legal and Policy	Risks of compensation associated with failure to comply/inadequate compliance with laws, regulations, voluntary codes, internal procedures and codes of conduct	System of internal controls  Adoption of an "Organisation, management and control model" and a Code of Ethics pursuant to Decree 231/2001
Governance risk (G)	Reputation	Risks of a reputational nature associated with failure to comply/inadequate compliance with laws, regulations, voluntary codes, internal procedures and codes of conduct	Internal system for reporting violations (whistleblowing)

## 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.



Since 2016, Banca Popolare di Sondrio has implemented a specific organisational structure for the management of privacy/GDPR matters, establishing the role of DPO within the pre-existing Compliance Unit and creating a team for the operational protection of personal data with the Data Protection and Management Office of the Organisation Department. This team is tasked with defining guidelines and rules of the governance of this topic, consistent with the strategies adopted by the Bank.

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).

Group policies are aimed at:

- defining the organisational model and business processes for the protection of personal data;
- implementing effectively the principles of data protection, identifying the actors involved and their roles in the related processing activities;
- identifying the technical and organisational measures that ensure the processing of personal data in compliance with the GDPR, updating and revising them as necessary;
- identifying the documentary support for the protection of personal data;
- establishing roles and control activities that ensure proper application of the data protection regulations.

The Regulation applies to all companies within the banking group that process personal data directly and/or via third parties.

The Parent Company provides the guidelines needed to ensure consistent decision-making at Group company level and coordinates the management and control of the risks identified, checking compliance with the relevant regulations and implementation of the instructions included in this Regulation.

A series of activities have been carried out to ensure the proper management of personal data. In particular:

- introduction of the register of processing activities in order to identify and catalogue the processing carried out directly or via external processors;
- introduction of specific courses for employees on the following topics such as: "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";
- 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;
- during 2020, the Data Management and Protection Office of the Bank began work on including data privacy/protection within the Integrated Framework of ICT Risks, defining the related risk scenarios and obtaining specific ISO/IEC 27701:2019 certification on data protection matters.

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.

### **Update of the regulation for the use of IT equipment and services and for the proper management of corporate data**

The constant evolution of the regulatory environment, technologies and related business processes have made it necessary to revise the existing regulation, issued in November 2015, that governs the use of IT equipment and services and facilitates the proper management of corporate data. The document was updated with reference to current regulations and, in particular, the Code for the protection of personal data (Regulation (EU) 2016/679, GDPR), the measures issued subsequently by the Italian Data Protection Authority (Garante) and the Workers' Statute (Law 300 dated 20 May 1970), as well as the practices and rules already in force and applied by the Bank. The regulation is founded on compliance with the principles of responsibility and confidentiality and, above all, seeks to increase awareness of the need to ensure the confidentiality of information and the security of the IT equipment used to process it.

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). All IT and security incidents are notified using a well-defined process that envisages immediate involvement of the Security Officer, who manages any escalation to the appropriate organisational levels. 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 (the whole process is aligned with FINMA regulations and it is checked regularly).

### **COVID-19 IMPACT**

During 2020, the Compliance function carried out a check – with satisfactory results – on the efforts made to tackle and contain the spread of the Covid-19 virus in working environments, as well as on the related processing of personal data.

As identified from the stakeholder engagement activities, the topic of data protection – albeit adequately controlled – was significantly affected by Covid-19 as a consequence of smart working and the larger number of remote transactions.

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

	2020	2019	2018
<b>Total number of complaints about breaches of customer privacy</b>	7	3	0
of which from external parties	7	3	0
of which from regulators	0	0	0

A total of 7 complaints were received about 5 IT incidents, which were managed appropriately in compliance with internal policies on the assessment of incidents/data breaches.

### RISKS ASSOCIATED WITH THE TOPIC

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. Additionally, certified structured controls are implemented in relation to IT security and the protection of personal data (e.g. with regard to the Parent Company, the maintenance of ISO/IEC 27001:2013 certification and the acquisition of ISO/IEC 27701:2019 certification).

ESG dimension	Sub-category of ESG risk	Risk description	Control method
Governance risk (G)	Legal and Policy risk	Risks of compensation (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)	Certified structured controls are implemented in relation to IT security and the protection of personal data (e.g. with regard to the Parent Company, the maintenance of ISO/IEC 27001:2013 certification and the acquisition of ISO/IEC 27701:2019 certification)
Governance risk (G)	Legal and Policy risk	Risks of compensation (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)	
Governance risk (G)	Reputation	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)	



## **PERSONNEL ENHANCEMENT AND DIALOGUE WITH EMPLOYEES**

The development and success of a service company cannot be separated from the quality of its personnel who, 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.

## **COVID-19 IMPACT**

The topics most affected by the pandemic have been those associated with the management of personnel: in particular, the dialogue with employees has intensified greatly, with periodic e-mail communications to remind each of them about the protocols to follow (governmental and other), together with daily and/or weekly communications about the Covid-19 situation within the Bank. Recruitment was reduced, especially in the early months, although in the circumstances the overall number was consistent with prior years. Interviews were conducted on-line, initially for organisational reasons and then as the new *modus operandi*.

Covid-19 also affected the amount of leave taken: there was an increase in paternity leave, especially during the first half of the year, and recourse was also made to the special leave introduced to tackle the healthcare emergency and enhance the work-life balance.

On the training front, apprenticeships were suspended during 2020 and classroom sessions, also reduced to some extent, were held remotely rather than in person.

The stakeholder engagement activities identified that the pandemic has had a considerable impact on this topic: personnel management has risen in importance and the worker-employer relationship has intensified, with the establishment of greater trust – not least in relation to smart working.



## GRI Standard 102-8: Information on employees and other workers

**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.

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
	766	2,536	<b>3,302</b>	738	2,541	<b>3,279</b>	703	2,537	<b>3,240</b>
of which: Switzerland	150	190	<b>340</b>	150	187	<b>337</b>	143	187	<b>330</b>
of which: Italy	616	2,346	<b>2,962</b>	588	2,354	<b>2,942</b>	560	2,350	<b>2,910</b>

**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	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	0	37	<b>37</b>	0	39	<b>39</b>	0	39	<b>39</b>
Middle managers	72	690	<b>762</b>	68	681	<b>749</b>	71	684	<b>755</b>
Office workers	694	1,809	<b>2,503</b>	670	1,821	<b>2,491</b>	632	1,814	<b>2,446</b>

## Total employees by age

Age	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<= 29 years old	178	304	<b>482</b>	166	310	<b>476</b>	139	269	<b>408</b>
30-50 years old	448	1,572	<b>2,020</b>	440	1,601	<b>2,041</b>	441	1,671	<b>2,112</b>
>= 51 years old	138	662	<b>800</b>	127	635	<b>762</b>	123	597	<b>720</b>

**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	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total number of permanent contracts	758	2,516	<b>3,274</b>	722	2,520	<b>3,242</b>	686	2,507	<b>3,193</b>
of which: Switzerland	150	190	<b>340</b>	572	2,333	<b>2,905</b>	543	2,320	<b>2,863</b>
of which: Italy	608	2,326	<b>2,934</b>	150	187	<b>337</b>	143	187	<b>330</b>
Total number of fixed-term or temporary contracts	8	20	<b>28</b>	16	21	<b>37</b>	17	30	<b>47</b>
of which: Switzerland	0	0	<b>0</b>	0	0	<b>0</b>	0	0	<b>0</b>
of which: Italy	8	20	<b>28</b>	16	21	<b>37</b>	17	30	<b>47</b>

**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	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full-time employment as defined by national laws	648	2,517	<b>3,165</b>	635	2,524	<b>3,159</b>	605	2,519	<b>3,124</b>
Part-time employment as defined by national laws	118	19	<b>137</b>	103	17	<b>120</b>	96	20	<b>116</b>



## Breakdown by areas of employment/task

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Total ABI categories</b>	766	2,536	<b>3,302</b>	738	2,541	<b>3,279</b>	703	2,537	<b>3,240</b>
Distribution	375	1,767	<b>2,142</b>	364	1,771	<b>2,135</b>	347	1,795	<b>2,142</b>
Business unit	100	221	<b>321</b>	72	191	<b>263</b>	65	182	<b>247</b>
Staff	167	216	<b>383</b>	171	248	<b>419</b>	167	241	<b>408</b>
Operational services	124	332	<b>456</b>	131	331	<b>462</b>	124	319	<b>443</b>

## Employees broken down by area of operations

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
North	582	2,092	<b>2,674</b>	553	2,106	<b>2,659</b>	525	2,098	<b>2,623</b>
Centre	34	254	<b>288</b>	35	248	<b>283</b>	35	252	<b>287</b>
Abroad	150	190	<b>340</b>	150	187	<b>337</b>	143	187	<b>330</b>

**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.

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Education</b>									
<b>University degree</b>	368	897	<b>1,265</b>	338	867	<b>1,205</b>	337	889	<b>1,226</b>
of which: Italy	337	834	<b>1,171</b>	311	809	<b>1,120</b>	307	833	<b>1,140</b>
of which: Switzerland	31	63	<b>94</b>	27	58	<b>85</b>	30	56	<b>86</b>
<b>High school diploma</b>	388	1,595	<b>1,983</b>	390	1,626	<b>2,016</b>	356	1,601	<b>1,957</b>
of which: Italy	271	1,469	<b>1,740</b>	268	1,498	<b>1,766</b>	244	1,471	<b>1,715</b>
of which: Switzerland	117	126	<b>243</b>	122	128	<b>250</b>	112	130	<b>242</b>



	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Education</b>									
<b>Middle school diploma</b>	10	44	<b>54</b>	10	48	<b>58</b>	8	49	<b>57</b>
of which: Italy	8	43	<b>51</b>	9	47	<b>56</b>	7	48	<b>55</b>
of which: Switzerland	2	1	<b>3</b>	1	1	<b>2</b>	1	1	<b>2</b>

### **GRI Standard 102-41: Collective bargaining 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

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
No. of employees covered by collective contracts	616	2,346	<b>2,962</b>	588	2,354	<b>2,942</b>	560	2,350	<b>2,910</b>
No. of employees not covered by collective contracts	150	190	<b>340</b>	150	187	<b>337</b>	143	187	<b>330</b>
% employees covered by collective contracts	80.42	92.51	<b>89.70</b>	79.67	92.64	<b>89.72</b>	79.66	92.63	<b>89.81</b>

## GRI Standard 401-1: New employee hires and employee turnover

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>New recruits</b>	62	86	<b>148</b>	84	130	<b>214</b>	82	98	<b>180</b>
of which: Italy	52	70	<b>122</b>	70	111	<b>181</b>	59	85	<b>144</b>
of which: Switzerland	10	16	<b>26</b>	14	19	<b>33</b>	23	13	<b>36</b>
<= 29 years old	50	61	<b>111</b>	65	96	<b>161</b>	57	78	<b>135</b>
30-50 years old	10	18	<b>28</b>	15	19	<b>34</b>	21	17	<b>38</b>
>= 51 years old	2	7	<b>9</b>	4	15	<b>19</b>	4	3	<b>7</b>
Incoming staff turnover-ratio between new recruits and total employees	8.09%	3.39%	<b>4.48%</b>	11.38%	5.12%	<b>6.53%</b>	11.66%	3.86%	<b>5.56%</b>

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Leavers</b>	35	89	<b>124</b>	55	120	<b>175</b>	141	273	<b>414</b>
<= 29 years old	19	26	<b>45</b>	33	47	<b>80</b>	30	44	<b>74</b>
30-50 years old	9	22	<b>31</b>	14	32	<b>46</b>	11	27	<b>38</b>
>= 51 years old	7	41	<b>48</b>	8	41	<b>49</b>	9	24	<b>33</b>
<b>Reason for leaving</b>									
Voluntary leavers (excluding retirement)	16	29	<b>45</b>	20	54	<b>74</b>	19	42	<b>61</b>
Retirement	4	36	<b>40</b>	4	32	<b>36</b>	3	18	<b>21</b>
Dismissal	2	9	<b>11</b>	5	6	<b>11</b>	3	8	<b>11</b>
Other (i.e. end of a fixed-term contract)	12	16	<b>28</b>	26	28	<b>54</b>	25	27	<b>52</b>
Outgoing turnover rate – ratio between new recruits and total employees	4.57%	3.51%	<b>3.76%</b>	7.45%	4.72%	<b>5.34%</b>	6.69%	3.59%	<b>4.26%</b>

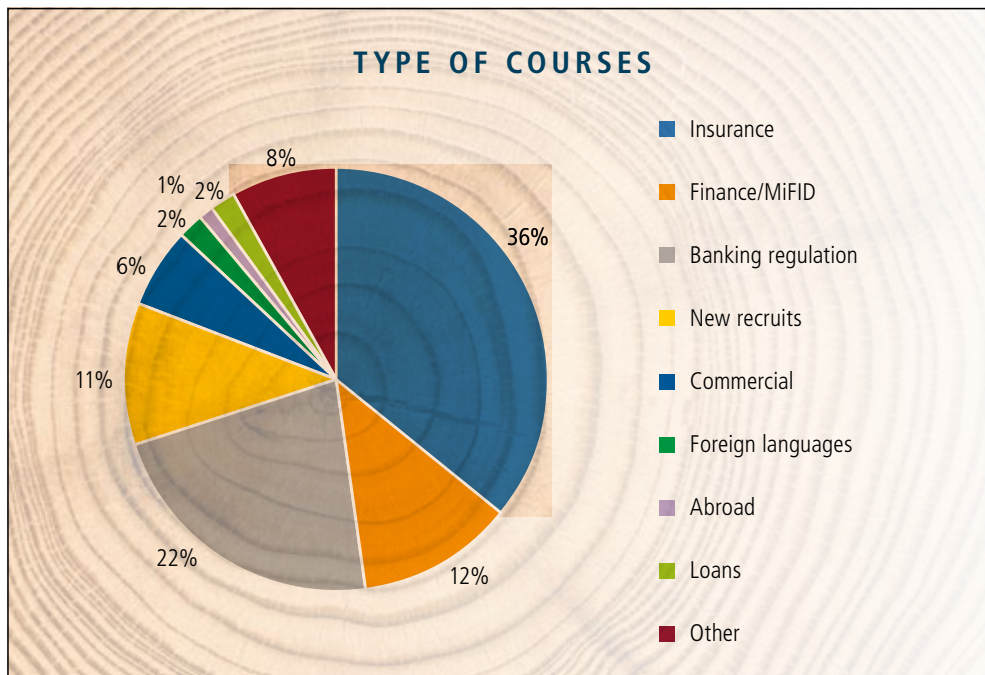


### GRI Standard 401-3: Parental leave

Maternity/Paternity leave covers the mandatory period, as well as optional leave taken as days or as hours.

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of employees who have taken parental leave	162	67	<b>229</b>	121	15	<b>136</b>	113	7	<b>120</b>
No. of resignations after returning from parental leave during the year	1	0	<b>1</b>	0	0	<b>0</b>	2	0	<b>2</b>
No. of resignations after returning from parental leave in the prior year	0	0	<b>0</b>	1	0	<b>1</b>	0	0	<b>0</b>
Rate of return to work after taking parental leave	99.38%	100%	<b>99.56%</b>	100%	100%	<b>100%</b>	98%	100%	<b>98%</b>
Job retention rate after taking parental leave	100%	100%	<b>100%</b>	98%	100%	<b>98%</b>	100%	100%	<b>100%</b>

## 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 (bank products and services, introduction to lending, the securities markets and international business). 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 Personnel Department supports the central organisations in the scheduling of training on various subjects including, but not limited to, IVASS, portfolio advice, MiFID2, compliance, loans/management of NPLs, banking transparency, privacy, occupational health and safety, the administrative responsibility of banks, market abuse, cash handling, money laundering and cybersecurity.

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.

The fundamental purpose of training at BPS (SUISSE) is to develop and update constantly all collaborators, as this is key to the competitiveness and success of the Bank. BPS (SUISSE) supports and encourages continuing professional education, as well as the maintenance of employability in the jobs market, regardless of length of service, level and hierarchical position, age, nationality and gender. The Bank organises, supports and assists participation in internal and external training courses dedicated to professional and personal development, both financially (by agreement with the HR Office) and by making the necessary time available.

The collaborators of BPS (SUISSE) and, in particular, Customer Advisors, must have adequate knowledge of the rules of conduct and the specific knowledge and technical-specialist know-how needed to carry out their activities and profession, pursuant to the Federal law on financial services (LSerFi) and the order dated 1 January 2020. The training provided to Bank personnel therefore includes all those initiatives designed to provide, keep updated and develop the abilities, knowledge, skills and behaviours needed to perform their current duties in an optimal manner and prepare for future challenges. Customer Advisors grow and develop by participating in training paths designed to obtain Federal SAQ certification and, above all, to maintain that certification by attending at least 8 hours of training every year; ad hoc specialist technical courses are organised for all other personnel. BPS (SUISSE) offers to Staff the possibility of taking long-term courses in order to obtain certificates and diplomas recognised at national and international level; additionally, it organises intervention of mentors in order to build leadership skills.

### BPS (SUISSE) SA ACADEMY

The Academy is the training platform devised by the Bank as a vehicle for training Customer Advisors and all those who work in that area, enabling them to develop the skills necessary to measure up and tackle successfully the challenges posed by the market, both now and in the future. The Bank has organised various moments of internal and/or external training in the context of BPS Academy, which must be attended by all those who manage a portfolio of customers. These courses are strictly operational, covering Legal&Compliance (FATCA, LSeRFi, money laundering etc.), Sales, Loans, IT, Leadership and other topics considered useful on a daily basis.

Despite the pandemic, the internship programme at Group branches continued during 2020, albeit in a reduced form.

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. 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, this approach 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.

Over the past 10 years, internships have been organised for more than 2,400 students.

**GRI Standard 404-1: Average hours of training per year per employee:** the numbers refer to head counts. Total number of training hours to employees.

Qualification	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	0	764	<b>764</b>	0	1,008	<b>1,008</b>	0	889	<b>889</b>
Middle managers	1,917	23,682	<b>25,599</b>	1,987	27,979	<b>29,966</b>	1,306	27,082	<b>28,388</b>
Office workers	21,900	72,442	<b>94,342</b>	22,297	86,347	<b>108,644</b>	17,902	81,859	<b>99,761</b>



	2020			2019			2018		
Average training hours per employee	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	0	21	21	0	26	26	0	23	23
Middle managers	27	34	33	29	41	40	18	40	38
Office workers	32	40	38	33	47	44	28	45	41

### RISKS ASSOCIATED WITH THE TOPIC

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.

Given the pandemic and compliance with the exceptions made to the governance of employment relationships, the Bank introduced smart working during the year – especially for persons employed at the central offices – in order to facilitate the management of family commitments, not least those deriving from the closure of kindergartens and schools.

ESG dimension	Sub-category of ESG risk	Risk description	Control method
Social risk (S)	Legal and Policy	<p>Risks of a compensation nature (non-compliance risk) associated with:</p> <ul style="list-style-type: none"> <li>- violation of contractual/regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels)</li> <li>- unfair conduct intended to create discomfort at work or compromise the psycho-physical health of workers (e.g. job stripping, under employment, mobbing, straining)</li> </ul>	<p>Precise compliance with the employment regulations</p> <p>Adoption of suitable incentive mechanisms/policies</p> <p>Training and professional development programmes</p>



Social risk (S)	Legal and policy	<p>Risks of compensation (legal risks) associated with:</p> <ul style="list-style-type: none"> <li>- violation of contractual/ regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels)</li> <li>- unfair conduct intended to create discomfort at work or compromise the psycho-physical health of workers (e.g. job stripping, under employment, mobbing, straining)</li> </ul>	<p>Adoption of corporate welfare measures designed to promote the well-being of employees</p> <p>Access to flexible forms of working (part-time, smart working, delocalisation)</p>
Social risk (S)	Reputation	<p>Risks of a reputational nature associated with:</p> <ul style="list-style-type: none"> <li>- violation of contractual/ regulatory obligations governing employment relationships (e.g. adequacy of remuneration levels)</li> <li>- unfair conduct intended to create discomfort at work or compromise the psycho-physical health of workers (e.g. job stripping, under employment, mobbing, straining)</li> </ul>	
Social risk (S)	Strategy and business	<p>Risks of an operational nature (organisational risks) associated with:</p> <ul style="list-style-type: none"> <li>- shortage of properly trained and experienced personnel</li> <li>- personnel dissatisfaction with adverse effects on productivity levels</li> <li>- inability to attract new "talents" or retain personnel already hired</li> </ul>	
Social risk (S)	Reputation	<p>Risks of reputational nature associated with inadequate/poor corporate welfare systems in favour of employees</p>	

## HEALTH AND SAFETY

The Bank strives to disseminate a culture of occupational health and safety developing awareness about risks and promoting responsible conduct by all personnel, while also providing suitable working conditions that safeguard the psycho-physical well-being of workers and respect their human rights and morals.

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.

### **403-1 - Occupational health and safety management system**

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 (RSPP), 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.

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.

### **403-3 - Occupational health services**

The BPS appointed a company doctor who collaborates with the Bank and the prevention and protection office on the assessment of risks, not only for planning and medical monitoring purposes, but also for the preparation and implementation of measures that protect the health and psycho-physical well-being of workers, for the delivery of training and information to workers and for the organisation of first-aid services.

The health of all employees of BPS (SUISSE) SA who work at video-terminals for more than 20 hours each week is monitored.

### **403-2 - Hazard identification, risk assessment, and incident investigation**

### **403-4 - Worker participation, consultation, and communication on occupational health and safety**

Periodic meetings (pursuant to art. 35 of Decree 81/2008) are held with the Workers' Safety Representatives (RLS), which can also flag issues by e-mail or telephone at any time. The Prevention Office sends a summary of criminal events at branches to the RLS, together with all risk assessment documents (DVR).

The Bank provides copious information to personnel on workplace safety matters, via internal circulars, service orders and e-mails, including the notification of emergency plans and fire prevention registers to branch employees, together with the schedules for evacuation drills. All communications are accessible in a specific section of the corporate intranet, together with the general and specific DVRs for each branch, the emergency plans, the most important regulations and the trade union communications sent by e-mail to personnel.

Workers can request technical support via an internal procedure and have access to the records of maintenance work carried out by external firms.

### **403-5 - Worker training on occupational health and safety**

The delivery of health and safety courses is completed with an attendee satisfaction questionnaire and the issue of a certificate confirming participation.

A number of 8-hour courses were delivered in 2019 to train operators in the implementation of prevention and fire containment measures, while the 8-hour refresher course held in 2020 for RLS was delivered in a virtual classroom.

All employees of BPS (SUISSE) SA have received general training in this area (updates are provided in accordance with the latest instructions derived from the State-Regions Agreements dated 21 December 2011 and 7 July 2016).

### **GRI 403-6 - Promotion of worker health**

All employees and their family members are guaranteed healthcare support via an internal Support Fund, which also arranges for check-ups at authorised facilities.

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 employees of BNT and Factorit are covered by health insurance arranged by the company, while those of BPS (SUISSE) SA are covered against workplace injuries.

Corporate welfare is described in more detail in a separate section of this document.

### **403-7 - Prevention and mitigation of occupational health and safety impacts directly linked by business relationships**

In order to avoid and mitigate significant adverse effects on occupational health and safety deriving from operations, products, services and commercial relations, the Bank considered the related dangers and risks when preparing the analysis of interference risks (DUVRI) and specific safety protocols for the suppliers of external services, consultants and contractors.

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.

The analysis and monitoring of risks result in the preparation of risk assessment documents, as required by the regulations. In particular, the

aspects monitored include compliance with technical-structural standards (e.g. installations, equipment, physical and biological agents, Covid-19 etc.), ergonomics in the workplace, prevent and protection measures, organisational activities (e.g. response to fire, first-aid needs, hydro-geological and earthquake risks), healthcare monitoring, provision of information and training to employees. With regard to the psychosocial problems, especially work-related stress, each year the Personnel Department collects and processes information on this topic and the specific risks are reviewed every two years.

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.

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 the workers of foreign companies.

## **COVID-19 IMPACT**

During the pandemic, as an operator integrated with the local economy, the BPS Group had to revolutionise its internal organisation in order to maintain continuity at all levels within the various business processes while, at the same time, introducing the measures needed to protect the health of customers and personnel. Within just a few days of the onset of the pandemic in March, employees were assigned to specific areas and locations within the different facilities, in order to avoid crowding, and compliance with the related health and safety requirements was assured, in large measure, by smart working.

The principal measures taken included:

- shift work for personnel with holidays and paid leave;
- use of smart working, where possible;
- restrictions on access by customers and suppliers;
- afternoon closure of branches;
- suspension of classroom training;
- limitation of meetings, travel and movements between offices to those strictly necessary;
- enhanced daily sanification of working environments;
- specific sanification of branches closed following direct contact with persons infected by the coronavirus;
- installation of plexiglass protective panels in branches and offices.



The stakeholder engagement work found that this topic is fairly important and has been especially affected by the pandemic.

### GRI 403-9 - Work-related injuries

	2020	2019	2018
Injuries at work	24	33	39
Recordable injuries during working hours	3	11	9
Percentage of total	12.50%	33%	23%
Injuries with serious consequences (excluding death)	0	0	0
Percentage of total	0%	0%	0%
Deaths following injuries at work	0	0	0
Injuries while commuting	21	22	30
Percentage of total	87%	67%	77%
Workdays lost due to injuries	375	409	374
Days of absence during the period	21,377	15,301	15,577
Hours actually worked	4,614,543	4,747,782	5,199,987
Workable days	820,336	810,623	801,746
Injury rate (frequency)*	5.20	7	8
Rate of serious injuries	0	0	0
Rate of deaths deriving from injuries	0	0	0
Severity rate**	0.08	0.09	0.07
Absenteeism rate***	2.61	1.89	1.94

\* 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.

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

## CORPORATE WELFARE

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 the night out of town due to work requirements, the Company makes a monthly contribution towards their 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.

### **BPS (SUISSE) SA, a bank that takes care of its employees**

The welfare activities of the Swiss bank include the provision of incentives for physical exercise (agreements with gyms and participation at sporting events), the supply of healthy, organic foods (distribution of citrus fruits and FELFEL (good food at work) during breaks), care for employees with health issues, small gifts to mark birthdays, bank accounts for newborns, workplace injury insurance, leave to look after children and parents in the event of injury or illness.



## RISKS ASSOCIATED WITH THE TOPIC

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 arrangement of appropriate insurance).

With specific reference to management of the Covid-19 pandemic, action to minimise contagion risks and guarantee business continuity included:

- intensive work to raise employee awareness (and that of branch customers) about the need to comply precisely, at all times, with the instructions given to contain the pandemic;
- extraordinary recourse to forms of smart working, consistent with the various business priorities;
- supply of adequate PPE, such as face masks and sanitising gel, to person not working from home;
- increased sanification and improvements to the working environments, including the identification of new premises and the installation of protective plexiglass screens at existing workstations;
- recourse to quick messaging systems and video-conferencing, consistent with the corporate security policies adopted, in order to exchange business communications and plan meetings.

ESG dimension	Sub-category of ESG risk	Risk description	Control method
Social risk (S)	Legal and Policy risk	Risks of compensation (non-conformity) associated with failure/inadequacy 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)
Social risk (S)	Legal and Policy risk	Risks of compensation (legal risks) attributable to failure/inadequate compliance with regulation on health and safety at the workplace	Arrangements of specific insurance cover for professional injuries (and more)
Social risk (S)	Reputation	Risks of a reputational nature associated with failure to comply with the regulations governing occupational health and safety	Activation of precautionary measures and flexible working methods (e.g. smart working) in order to combine health and safety with operational continuity needs

## 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. The Group recognises respect for Human Rights as a fundamental requirement, protecting and promoting them in the conduct of all activities.

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 and has zero tolerance for reprisals against employees who complain about discrimination or harassment, or those who provide information in that regard.

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.

The remuneration policies of the Group are designed to comply with current legislation and the contractual provisions applicable to the banking sector including, in particular, the national collective employment contract and supplementary negotiations, as well as the various in-house agreements.

BPS (SUISSE) obtained Federal Fair-ON-Pay+ certification during 2020, which recognises this Swiss financial institution as a fair employer that pays attention to diversity. This certification highlights the constant commitment of the Bank to the equal treatment and remuneration of men and women, thus overcoming a cultural challenge that politicians and employers have been addressing for many years.

**BPS (SUISSE) SA:  
"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) SA 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.

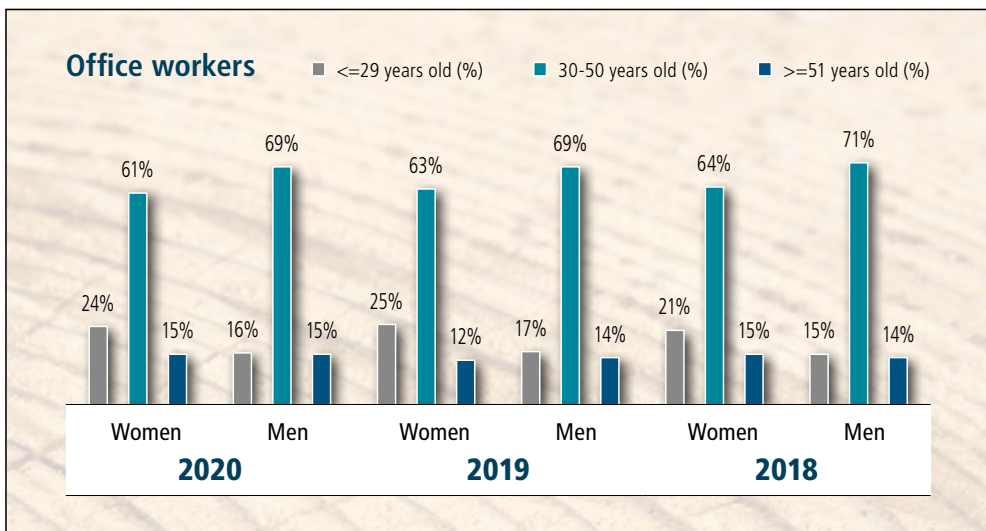
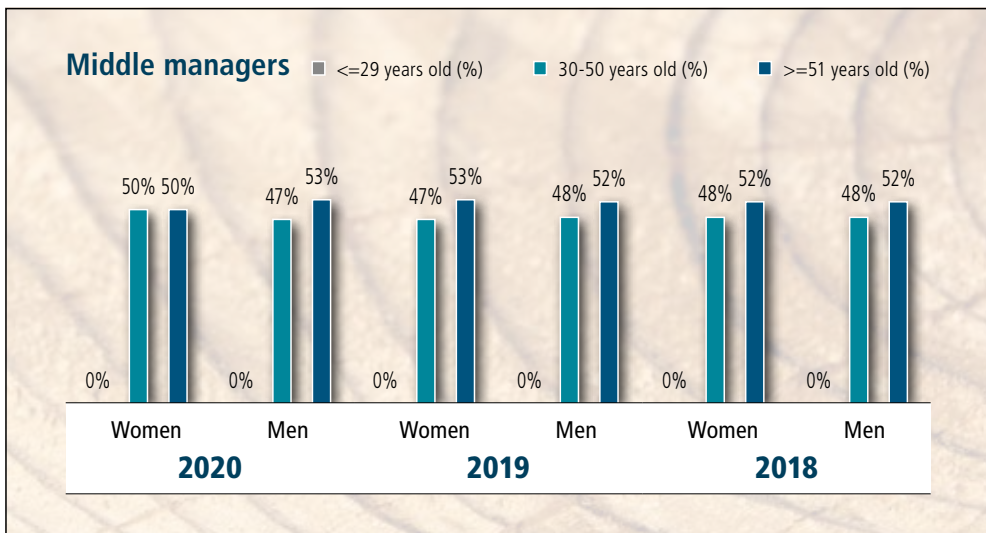
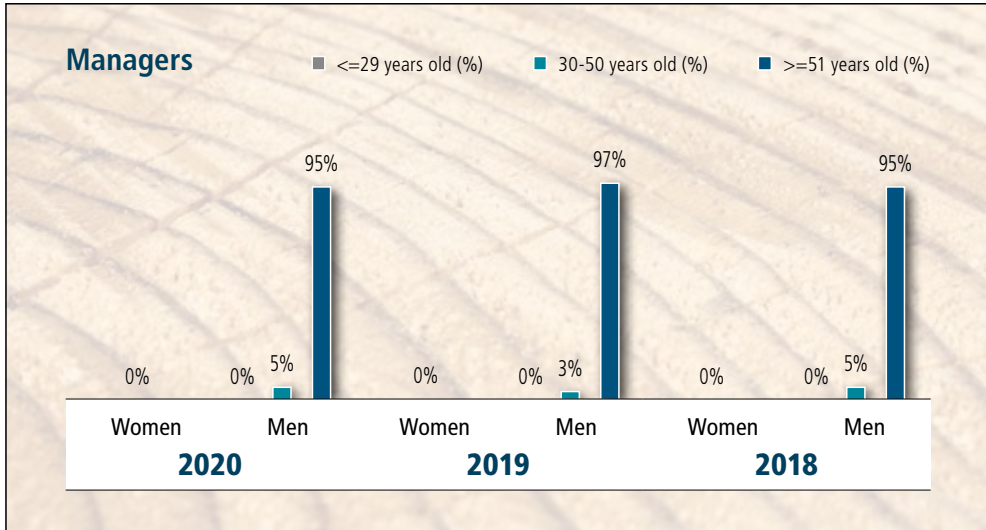
With regard to the recruitment process, linguistic bias is minimised from the job announcements forward and the recruitment and selection processes are addressed in a manner that is as free from prejudice as possible.



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

Total Board members	2020		2019		2018	
	Women	Men	Women	Men	Women	Men
Total Board members (number)	7	13	6	14	6	21
Total Board members (%)	35%	65%	30%	70%	22%	78%

Composition of the governing bodies: breakdown by age	2020		2019		2018	
	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%	5%	0%	4%	0%
>=51 years old (number)	6	13	5	14	5	21
>=51 years old (%)	30%	65%	25%	70%	19%	78%





## **GRI Standard 405-2: Ratio of basic salary and remuneration of women to men**

\* In accordance with the privacy protection laws and related jurisprudence, BPS (SUISSE) SA does not report any remuneration-related data.

\*\* The percentage related 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**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Average basic salary	96%	98%	100%
Average remuneration	83%	82%	87%

### **OFFICE WORKERS**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Average basic salary	75%	75%	75%
Average remuneration	70%	68%	69%

Remuneration is a fundamental tool for attracting and retaining personnel with the professionalism needed to ensure the growth of Group companies and their ability to compete in the markets addressed.

Accordingly, it is important to enhance the human resources of the Bank by assigning them to roles of increasing responsibility and complexity.

In this regard, the remuneration policies of the Parent Company have evolved alongside and in support of the general expansion of business activities. Over time, this expansion has revealed the need for increasingly qualified professional resources to work in both the central and branch offices, partly because of the new areas that we have opened, and partly because of the higher level of competition within the banking system. As such, it is essential to motivate personnel to realise their full potential, helping them to enhance their skills and perform their duties at the highest level.

While taking general market logic into account, also to be able to attract, maintain and motivate the best human resources, the Bank has remained faithful to certain fundamental principles: attention to the sustainability of

compensation policies over the medium to long term, balance, meritocracy, gradualism and the desire to create relationships that will last over time.

The gradual progression of professional career paths is accompanied by a balanced remuneration policy designed to motivate and retain the best resources who, consistent with our values, support the growth of the business. This vision is shared by the other members of the banking group, while recognising the special circumstances of Banca Popolare di Sondrio (SUISSE) SA and the characteristics of the jobs market in the factoring sector.

There have been no particular changes to remuneration policies affecting normal operations: all executives and sector/branch managers are involved in the recommendation of remuneration levels.

**GRI Standard 406-1 Incidents of discrimination and corrective actions taken:**

no discriminatory incidents were reported, as in previous years.

In order to promote the development of a legality culture and ensure a working environment where employees 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**

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.



ESG dimension	Sub-category of ESG risk	Risk description	Control method
Social risk (S)	Legal and Policy risk	Risks of compensation nature (non-compliance risk) associated with: <ul style="list-style-type: none"><li>- adoption of discriminatory practices (e.g. gender inequality, type of contract)</li><li>- anti-union practices</li><li>- application of unequal conditions</li></ul>	Precise compliance with the employment regulations  Adoption of non-discriminatory practices, both when recruiting and in the context of existing relations
Social risk (S)	Legal and Policy risk	Risks of compensation (legal risks) associated with: <ul style="list-style-type: none"><li>- adoption of discriminatory practices (e.g. gender inequality, type of contract)</li><li>- anti-union practices</li><li>- application of unequal conditions</li></ul>	
Social risk (S)	Reputation	Risks of a reputational nature associated with: <ul style="list-style-type: none"><li>- adoption of discriminatory practices (e.g. gender inequality, type of contract)</li><li>- anti-union practices</li><li>- application of unequal conditions</li></ul>	Internal system for reporting violations (whistleblowing)



## SUSTAINABLE MANAGEMENT OF OUR ENVIRONMENTAL IMPACTS

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 Logistic and operational Support unit 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 Logistic and Operational Support unit 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 perimeter of environmental data reporting includes the following companies: Banca Popolare di Sondrio, Factorit SpA, Pirovano Stelvio SpA and, for the first time, Banca Popolare di Sondrio (SUISSE), whose contribution to our environmental data reporting reflects the considerable efforts made by the functions concerned.

### DIRECT ENVIRONMENTAL IMPACTS

The direct environmental impacts, defined in Regulation EMAS 761/2001, are those directly correlated with the various production, distribution and organisational processes (consumption of water and energy, production of waste and equivalents, emission of climate-altering gases); with regard to their management, Banca Popolare di Sondrio has laid down a series of "good practices":

- 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 CO<sub>2</sub> 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.

### **COVID-19 IMPACT**

The pandemic has had a significant impact on environmental data: reduced travel, lower consumption of heating fuel, petrol and diesel, shorter opening times and reduced use of paper and toner, resulting in a marked decrease in the numbers with respect to 2019, not least due to the effects of smart working as a result of the lockdowns.

There was also a reduction in the production of waste: compared with the prior year, the pandemic resulted in suspension of the collection of paper waste for recycling, which will be addressed in the current year.

The stakeholder engagement work identified that Covid-19 has not had a particular impact on this topic, which is however becoming ever more important, especially at a regulatory level.

## ENERGY CONSUMPTION

### GRI Standard 302-1: Energy consumption within the organization

Direct energy consumption

	UoM	2020	2019	2018
Heating	GJ	65,163	60,655	69,350
Natural gas	Smc	1,410,922	1,249,078	1,544,449
Diesel fuel	l	463,284	492,286	451,943
LPG (liquid propane gas)	kWh	3,693	3,582	4,339
Electricity consumed (withdrawal + self-production)	kWh	18,702,352	17,850,082	18,138,677
Purchased electricity	kWh	18,465,638	17,622,385	17,931,527
of which from renewable sources (purchased)	kWh	18,084,315	17,358,291	14,751,488
Electricity from renewable sources produced and consumed	kWh	236,714	227,697	207,150
District heating	kWh	1,472,744	1,394,880	506,036
Non renewable district heating purchased	kWh	817,126	541,288	451,153
Renewable district heating purchased	kWh	655,618	853,592	54,883
Non-renewable air cooling purchased	kWh	0	0	0
Renewable air cooling purchased	kWh	0	0	0
Total energy consumption	GJ	137,791	129,935	136,469
Renewable energy	kWh	18,976,647	18,439,580	15,013,521
% renewable on the total	%	49.58%	51.09%	39.60%
Non-renewable fuel consumption – Diesel	l	53,127	62,918	60,534
Non-renewable fuel consumption – Gasoline	l	21,004	24,229	19,603
Total non-renewable fuels (including car park)	GJ	67,738	63,684	72,146

Considering inclusion of the data from BPS (SUISSE) SA for the first time, 2020 energy consumption was essentially the same as in 2019, except in the case of non-renewable district heating, which includes the direct consumption of condominium utilities from 2020; the reduction in the number of litres of diesel fuel consumed was also due to the effects of Covid-19.



## 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 "enermanagement" measurements.

### GRI Standard 305: Emissions

Direct emissions (Scope 1)	UoM	2020	2019	2018
<b>Total direct emissions</b>	<b>t CO<sub>2</sub>e</b>	<b>6,933</b>	<b>4,433</b>	<b>4,816</b>
Heating oil	t CO <sub>2</sub> e	1,240	1,318	1,286
Diesel for motor vehicles	t CO <sub>2</sub> e	142	168	162
Petrol	t CO <sub>2</sub> e	49	57	51
LPG (liquid propane gas)	t CO <sub>2</sub> e	6	6,1	7
Natural gas	t CO <sub>2</sub> e	2,799	2,465	3,048
Fluorinated Greenhouse Gases (F-gas)	t CO <sub>2</sub> e	2,698	419	262
Electricity from renewable sources produced and consumed	t CO <sub>2</sub> e	0	0	0

The difference, due principally to the F-Gas data, was caused by the delayed activation of the F-Gas portal in 2019.

<b>Indirect emissions (Scope 2)</b>	<b>UoM</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total indirect emissions – "Location based" method</b>	<b>t CO<sub>2</sub>e</b>	<b>5,809</b>	<b>5,894</b>	<b>6,186</b>
Total electricity purchased (renewable or non-renewable) (national grid average emission factor)	t CO <sub>2</sub> e	5,502	5,595	5,967
Total district heating purchased (renewable or non-renewable)	t CO <sub>2</sub> e	308	299	219
Other (specify)	t CO <sub>2</sub> e	0	0	0
<b>Total indirect emissions – "Market based" method</b>	<b>t CO<sub>2</sub>e</b>	<b>372</b>	<b>241</b>	<b>1,868</b>
Non-renewable electricity purchased	t CO <sub>2</sub> e	186	118	1,764
Electricity purchased from renewable sources	t CO <sub>2</sub> e	0	0	0
Non-renewable district heating purchased	t CO <sub>2</sub> e	186	124	103
Renewable district heating purchased (zero emission factor)	t CO <sub>2</sub> e	0	0	0

<b>Other indirect emissions (Scope 3)</b>	<b>UoM</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total other emissions	t CO <sub>2</sub> e	647	3,901	4,348
Goods and services purchased (Paper & Toner)	t CO <sub>2</sub> e	407	3,398	3,810
Business trips (public transport)	t CO <sub>2</sub> e	240	504	538

The differences were mainly due to the reduction in travel as a result of the pandemic and the change made to the calculation method, in accordance with the ABl guidelines.

	<b>UoM</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
NO <sub>x</sub> , SO <sub>x</sub> , and other significant emissions	t	5	4	5
NO <sub>x</sub>	t	4	4	4
SO <sub>x</sub>	t	1	1	1



## 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 or volume

Materials used	UoM	2020	2019	2018
Total weight of materials used	kg	481,288	494,202	548,882
Total FSC certified paper	kg	148,188	139,165	177,632
Total paper used (non-certified)	kg	318,956	339,705	355,531
Toner and cartridges	kg	14,145	15,332	15,719
Consumption of paper per employee	kg	141.47	162.77	185.19
Toner consumption per employee	kg	4.28	5.21	5.46

The slight decrease reflects the special nature of the year analysed.

### GRI Standard 306-2: Management of significant waste-related impacts

Waste generated, directed to recovery and disposal	UoM	2020	2019	2018
<b>Total waste generated</b>	<b>kg</b>	<b>286,358</b>	<b>461,407</b>	<b>318,400</b>
Of which hazardous	kg	260	1,095	914
Of which non-hazardous	kg	286,098	460,312	317,486
<b>Total waste directed to recovery (reuse or recycling)</b>	<b>kg</b>	<b>26,455</b>	<b>445,187</b>	<b>291,854</b>
Of which hazardous	kg	0	0	0
Of which non-hazardous	kg	26,455	445,187	291,854
<b>Total waste directed to disposal (landfill or waste-to-energy)</b>	<b>kg</b>	<b>27,711</b>	<b>16,220</b>	<b>26,546</b>
Of which hazardous	kg	150	1,095	914
Of which non-hazardous	kg	27,561	15,125	25,632

The reduction compared with the prior year was due to suspension, as a result of the pandemic, of the collection of paper waste for recycling.

The values obtained reflect an estimate made using 2019 data: this is because, due to the pandemic, the Municipality of Bormio has not yet analysed the Stelvio Pass waste produced in 2020: the quantity of waste produced was weighted with reference to the number of months during which the facility was open to the public in 2020: 4 instead of 7 in the prior year.

## RISKS ASSOCIATED WITH THE TOPIC

The Banca Popolare di Sondrio Group strives to contain the environmental impacts generated directly by its business activities, with a view to reducing its ecological footprint in terms of CO<sub>2</sub> emissions and the consumption of raw materials.

ESG dimension	Sub-category of ESG risk	Risk description	Control method
Environmental and climate risk (E)	Transition (Technology)	Risks of an operational nature (organisational risks) connected with inefficiencies or inadequacies in the infrastructure and technological resources employed by the business, in terms of energy dispersion and/or carbon emissions	Reduction of the ecological footprint based on the Environmental Policy prepared by the Logistic and Operational Support Office
Environmental and climate risk (E)	Transition (Legal and Policy)	Non-compliance risks attributable to non-conformities /improper management – including by external suppliers – of infrastructure, technological resources and general support services, with impacts in the form of penalties for failure to comply with environmental laws and regulations	Participation of personnel in the ABI discussions held on the efficiency and sustainability of equipment
Environmental and climate risk (E)	Transition (Reputation)	Risks of a reputational nature connected with the business use of infrastructure and technological resources perceived as inefficient or obsolete, in terms of energy dispersion and/or carbon emissions	

## INDIRECT ENVIRONMENTAL IMPACTS

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.

The good practices adopted by the Group include:

- 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.

### **ETICA IMPATTO CLIMA**

As stated in the section on Responsible credit, among the Etica SGR funds placed by Banca Popolare di Sondrio the Etica Impatto Clima (Climate Impact) fund is particularly important in terms of direct environmental impacts.

The objective of this fund, launched on 1 October 2018, is to make sustainable investments pursuant to Regulation (EU) 2019/2088: dedicated to those wishing to invest responsibly with moderate capital accumulation and a special focus on the transition to a low-carbon economy, balancing the opportunities for equity market appreciation with a solid base in bonds.

Etica Impatto Clima diversifies the investment made, balancing the opportunities for equity market appreciation with bond market yields, paying particular attention to climate-change matters. Securities are selected following a careful environmental, social and governance (ESG) analysis of the issuing companies and countries.



## COVID-19 IMPACT

The effect of the pandemic on indirect environmental impacts has been very significant: following the Relaunch Decree, the Bank – in addition to the usual support given to customers and businesses – has been able to support the territory served during the post-emergency phase by purchasing tax credits and contributing to the green requalification of Italian properties.

Stakeholder engagement via the questionnaire published on the Internet banking platform (Scigno) and the one-on-one interviews conducted indicates that the pandemic did not change stakeholder perception of this topic, which is becoming ever more important.

## FS8: Monetary value of products and services designed to designated 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 (for example: purchase of photovoltaic installations).

	2020	2019	2018
Total loans to customers	22,091,114,385.00	18,201,432,501.01	16,638,356.76
Loans for environmental purposes	36,835,662.00	36,378,754.68	42,400.38
<b>Percentage of total loans granted for environmental purposes with respect to total loans granted</b>	<b>0.17%</b>	<b>0.20%</b>	<b>0.25%</b>

## **SUPERBONUS 110%, ECOBONUS, SISMABONUS**

On 17 July 2020, the Italian Parliament converted Decree 34/2020 "the Relaunch Decree" into law, implementing urgent new measures in support of its economic and employment policies.

For more than 20 years, Italy has offered tax incentives to those who renovate buildings and installations in buildings used for residential or similar purposes.

The new system has increased the percentage tax deduction, raising it to 110% of the costs incurred on energy upgrades to existing buildings that reduce climate-related emissions linked to internal heating services, for example by achieving an improvement of 2 Energy Classes (classification pursuant to Directive 2010/31/EU).

The incentive mechanism enables the contractor, usually on completion of the work, to benefit from a tax credit of up to 110% of the costs incurred.

This credit can be offset by those entitled in the following 5 income tax declarations or, alternatively, may be sold in whole or in part to a third party, including financial intermediaries, that in turn may deduct it for tax purposes.

There are two different mechanisms for transferring the credit:

**DIRECT CREDIT TRANSFER** (the customer finances the works and earns the tax credit, which can be offset for tax purposes or transferred to the Bank).

**INDIRECT TRANSFER "DISCOUNT IN INVOICE"** (the company offers a discount in the invoice, up to 100% of the cost of the work and benefits indirectly from the tax credit, which can be offset for tax purposes or transferred to the Bank).

The Bank has initiated operations that allow the customer to pre-finance the work with a commitment to transfer the related tax credit on completion.

In substance, there are two approaches:

**"SUSPENDED CREDIT"** – the Bank agrees to purchase the tax credit earned by the customer, on completion of the work, without advancing any liquidity (financed by the customer or the business using own funds).

**"COMMITTED CREDIT"** – the Bank pre-finances the customer/business with a loan not exceeding the corresponding offer to purchase the tax credit (e.g. Credit [€] x Price).

In both cases, the government finances the customer in the form of a tax credit that it transfers to the Bank, but only in the second case does the Bank advance an amount that allows the customer / business to finance the work.

The maximum duration of the advance is 18 months, since it is linked to the validity of the tax incentive which expires at the end of next year.

Following examination of the applications received by the Bank, it is estimated that the "Superbonus 110%" tax credits should amount to about Euro 300 million in the two-year period 2020-2021, of which about 60% will be pre-financed (Euro 200 million).

## WORK THAT QUALIFIES FOR TAX INCENTIVES

### Some examples

SUPERBONUS 110% – "Essential" work	ECOBONUS – Other "Essential" work	SISMABONUS – "Essential" work
<p>Heat insulation work</p> <p>Work on at least 25% of the cladding of the building, up to a maximum of Euro 50,000</p>	<p>Other energy efficiency work carried out together with one or more "essential" activities.</p> <p>"Minor" work already benefiting from the bonus (e.g. replacement of doors and windows)</p>	<p>Anti-earthquake work on buildings</p> <p>Expenditure of up to Euro 96,000 on property located in earthquake risk areas 1, 2 and 3</p>
<p>Replacement of standard boilers with centralised condensing boilers, heat pump systems or both</p> <p>Work on the common parts of buildings, up to a maximum of Euro 20,000 per property</p>	<p>Photovoltaic installations</p> <p>Installations connected to the electricity grid, up to a maximum total of Euro 48,000</p>	
<p>Replacement of standard boilers with heat pump or hybrid systems</p> <p>Work on single family homes, up to a maximum of Euro 30,000 for each property</p>	<p>Recharge of electric vehicles</p> <p>Installation of necessary infrastructure in buildings</p>	

Recent surveys by ANCE, ANACI and ISTAT have shown that more than 80% of Italian properties belong to medium-low energy classes, with the need for efficiency improvement work, as set out in the PNIEC (National Integrated Energy and Climate Plan) and the "strategy for the energy requalification of Italian properties". This work is essential for the economic recovery of and employment in the construction sector, which is fundamental for the Italian economy and comprises a multitude of small businesses traditionally served by the Bank.



## RISKS ASSOCIATED WITH THE TOPIC

Partly prompted by the new EBA guidelines on loan origination and monitoring (EBA/GL/2020/06) in force from June 2021, the Group has launched a specific project to include ESG factors, and the related risks and opportunities, more directly in the policies and procedures adopted for assessing creditworthiness and managing credit and insolvency risks.

ESG dimension	Sub-category of ESG risk	Risk description	Control method
Environmental and climate risk (E)  Indirect risks considered to the extent possible	Physical (acute)  Operational and non-conformity risks	Risks of a credit-related nature associated with the granting of loans to parties operating in geographical areas/productive sectors exposed to the risk of climate change due to the heightening of extreme atmospheric events  Failure to comply with existing regulations	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)  Analysis of the qualitative profile of the loan applicant and the product sector concerned, in compliance with internal and external regulatory requirements and the principles embodied in the Code of Ethics
Environmental and climate risk (E)	Physical (Chronic)	Risks of a credit-related nature associated with the granting of loans to parties operating in geographical areas/productive sectors exposed to the risk of climate change due to the chronic nature of recurring atmospheric events	
Environmental and climate risk (E)	Transition (Technology)	Risks of a credit-related nature associated with the granting of loans to parties operating in productive sectors substantially /technologically hit by the transition to a low-carbon economy	Commercialisation of products/ financial instruments that combine financial performance with environmental and, more generally, sustainability considerations Environmental and climate risk (E)
Environmental and climate risk (E)	Transition (Legal and Policy)	Risks of a credit-related nature associated with the granting of loans to parties operating in productive sectors subjected to regulations governing the transition to a low-carbon economy	Level 1 and 2 controls

Environmental and climate risk (E)	Transition (Market)	Risks of a credit-related nature associated with the granting of loans to parties operating in productive sectors perceived by the market as inadequate in terms of support for the transition to a low-carbon economy	
Environmental and climate risk (E)	Transition (Reputation)	Reputational risks deriving from investment in companies active in productive sectors not perceived by public opinion and customers to provide adequate support for the transition to a low-carbon economy	
Environmental and climate risk (E)	Transition (Market)	Risks of a financial nature deriving from inability to attract investors and customers owing to a perceived weak or unrecognised (greenwashing) offer of products/financial instruments capable of combining economic performance with environmental sustainability objectives	
Environmental and climate risk (E)	Transition (Reputation)	Risks of a reputational nature deriving from a perceived weak or unrecognised (greenwashing) offer of products/financial instruments capable of combining economic performance with environmental sustainability objectives	



Independent auditor's 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 (the "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. (the "Company") and its subsidiaries (together with the Company, the "Group") for the year ended December 31, 2020 in accordance with article 4 of the Decree and approved by the Board of Directors on March 30, 2021 (the "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 ("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 ("Collegio Sindacale") 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.

### 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, 2020;
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 management and personnel of Banca Popolare di Sondrio S.C.p.A. and with 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 persons in charge 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, 2020 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, April 16, 2021

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.*

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