

## COMMUNICATION ON PROGRESS 2011

Despite the recent events of financial crisis that affected the entire banking system, Banca Popolare di Sondrio renews its continuous and everlasting commitment to comply with the ethical principles and values, followed since its foundation.

Our **support to the ten principles** of the United Nations Global Compact is annually renewed through explicit **declaration of the Chairman** to the shareholders during the Annual meeting: « As part of the global Compact project ,which sets out to affirm the ten universal principles announced by the United Nations on economic growth that respects the rights of people and the environment, we have delivered to the offices in New York our annual report on the progress achieved during the year. Among other things, we explained the role played by our cooperative bank in favor of areas where we operate which we offer incentives and opportunities to progress not only from an economic standpoint, but also socially and culturally.» (from Annual Report page 52).

«The criteria followed by management to achieve the Bank's mutualistic goals are point 1 and 2 of our Article of Association, they read " The company's activities are based on the **principles of mutuality and cooperation**" and "As part of the institutional work to facilitate the development of all productive activities, the company, in consideration of its specific objectives as a cooperative bank, intends to provide specific support for the smaller enterprises and cooperatives present in the territories served; in addition, it will take all appropriate steps to spread and encourage savings." » (from Annual Report page 78).

Notwithstanding the difficult context we are facing, Banca Popolare di Sondrio has continued on the path of development. Funding reflects the trust that our customers have in us, while the trend in loans offers a measure of the ongoing efforts we are making in favour of local economies, households and business in particular. « This means that household and business have been able to rely on their bank which, given the necessary requirements, never betrayed its commitment. Our is a precise, long term choice of field in a perspective of **social responsibility to support the economy of our territories.** » (from Annual Report page 108).

During the year 2011 the following **actions** have been carried on with regards to the Global Compact principles.

### HUMAN RIGHTS

#### PRINCIPLE 1: BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNALLY PROCLAIMED HUMAN RIGHTS.

- Our Institute cooperated with World Food Programme to collect funds in favour of **humanitarian initiatives**. In particular, during the year 2011, we participate in the collection of funds for the victims of the Haiti's earthquake, helping WFP to give out millions of meals for the people who lost everything in the disaster. Following the terrible drought occurred in Africa and on the basis of our everlasting principle to fight worldwide famine, we supported the WFP mission for Ethiopia, Kenia, Somalia, Gibuti e Uganda to give highly nutritious food for those people who are suffering famine and drought. **(HR1)**
- Following the Italian law on the adoption of the organizational model, our good Institute implemented an **Ethical Code**. It recalls the principle of due diligence and responsibility to which our Bank has always been inspired by, together with the honesty that everyone must follow during his work. The managers ensure the respect of the Ethical Code and evaluate on a regular basis the individual conduct of employees against

corporate values. Any failure can lead, after an accurate and careful examination, to different sanctions foreseen in the corporate code. **(HR9)**

- « Making use of resources ,a typical aspect of banking, is combined with the attention to the world of art, history and traditions. A straightforward choice that has characterized the bank for years. This means working to attract more and more people to appreciate the often little known treasures of our land. We dedicate special attention to young people, especially in trying to get them used to more frequent contact and familiarity with intellectual and artistic form of expression. It is a way of enriching the range of opportunities open to them during the educational process. An action of **social value**, which finds “universal ” expression and access through our new website <http://nonsolobanca.popsi.it>, which has a section on culture and leisure.» (from Annual Report page 65).
- «Even in a difficult economy such as that being experienced the bank has continued to provide support to households either by lending directly, or through collaboration with special providers of consumer credit as well as by granting mortgage loans for house purchase.» (from Annual Report page 117). The constant growth in the number of shareholders, increased of 5.055 unities from 2010 to 2011, reaching a total of 173.383, is a sign of our vitality as a cooperative bank, able to involve a growing body of people in its activities, which also leads to more business.
- We also support **collecting of funds** in favour of the research against cancer and other diseases. **(LA8)**

The outcomes of such actions are difficult to quantify, since they involved different non-profit organizations, and we are not allowed to give out information about money collected. The social outcomes are impossible to quantify.

#### PRINCIPLE 2: MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.

- Banca Popolare di Sondrio was an active partner for the 2011 UN’s “SAY NO to violence against women” campaign. Through its cooperation with United Nations Regional Information Centre for Western Europe, it offered a scholarship to the winner of the European Fabbrica Youth Prize concourse to come to Italy to have and intra business training, including tutoring, facilities, work station in a well-known company. **(HR1)**

#### LABOUR

#### PRINCIPLE 3: BUSINESS SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF RIGHT TO COLLECTIVE BARGAINING.

- « As regard to regulatory issues, there was the revision of the rules governing the apprenticeship contract, which have to be implemented on renewal of the National Collective Labor Contract for the banking industry, which expired on 31 December 2010. Negotiations for renewal of the contract continued during 2011 and it has been signed during the current year. Relations with **Trade Unions** continue to be based on reciprocal respect.» (from Annual Report page 64). **(HR5)**
- Our Bank subscribed the Additional Labour Contract with various Trade Unions such as Federazione Autonoma Bancari italiani, Federazione italiana bancari assicurativi, federazione italiana sindacale lavoratori assicurazioni e credito and Confederazione Generale Italiana per il Lavoro. The Contract is applicable to the whole staff of the bank, today at 2.549 persons. **(LA4, LA9, HR5)**

#### PRINCIPLE 6: ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.

- « Among its strategic objectives Banca Popolare di Sondrio has improved local presence while maintaining a strong link with the customers. The implementations of these guidelines can see as a main protagonist the staff of our bank enhanced through the development of **individual skills**. Our work environment rewards enthusiasm, commitment and personal initiative, in line with the company philosophy, the foundation of which is the team spirit, the customer focus as well as the sense of belonging and the identification in the mission of cooperative bank.» (<http://www.popso.it/cm/pages/ServeBLOB.php/L/IT/IDPagina/164>)
- Our bank respects the so called equal opportunities and we favour the **integration** of disabled with ad hoc training course even without the law obligation. **(LA8)**
- Banca Popolare di Sondrio and its «Human Resources management has been focusing essentially on covering the staff requirement of the peripheral and central units, due to the start-up of the new branches or the need to reinforce personnel in a particular unit through internal rotation and the inclusion of new resources. Particular attention has been devoted to the definition of the appropriate **carrier paths**, especially through performance assessments, recognition of skills and analysis of potentials, as well as organizing targeted functional training and on-the-job coaching.» (from Annual Report page 63)
- «Intensive trainings has been given thorough combination of classroom sessions and online multimedia courses that kept constantly updated. Classroom training, which takes place in a climate of an open and lively discussion, involved 2.006 participants during 2011, for a total of 64.685 man/hours, whereas 2.470 employees took multimedia courses for a total of 60.585 man/hours. » (from Annual Report page 64) **(HR3, SO3, HR8)**
- Five weekly training sessions have been dedicated to the new hires to transmit them the knowledge of the work both from a technical and legal point of view. **(HR3, SO3, HR8)**

At year-end the work force consisted of 2.549 persons, an increase of 62, +2,49%.

#### ENVIRONMENT

Banca Popolare di Sondrio has an environmentally policy based on ISO 9001 applied since 1998.

#### PRINCIPLE 7: BUSINESS ARE ASKED TO SUPPORT A PRECAUTIONARY APPROACH TO ENVIROMENTAL CHALLENGES

- Our institute has a long experience for what environment is concerned , we are shareholder of “Teleriscaldamento cogenerazione Valtellina, Valchiavenna e Valcamonica SPA”, this can be seen as a commitment to innovative initiatives in the area we are in, but also as a way to finance numerous projects related to **renewable energy** from hydroelectric plants to biomass and biogas. **(EN18, EN6, EN30)**

#### PRINCIPLE 8: UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIROMENTAL RESPONSIBILITY.

- Each office and branch of Banca Popolare di Sondrio is involved in the reduction of volumes and in the separate collection of waste as well as the reduction of raw materials (paper) needed for work. **(EN18, EN22)**

- From 2008 our institute has been offering a new financial product that has as main objective to sustain the saving of energy issue and the use of renewable energy. **(EN18, EN26)**
- From 2005 our bank has been giving the possibility to the clients to substitute the paper version of documents with a digital one without having to print it all the time. **(EN30)**

#### PRINCIPLE 9: ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIROMENTALLY FRIENDLY TECHNOLOGIES

- Our bank has virtualized many operational servers obtaining a significant reduction in energy used (roughly – 70%) with a consequent reduction in heat dissipation. **(EN30, EN5, EN6, EN7, EN18)**
- We have optimized the branch hardware basing the operations on a highly energy efficient machine made with recyclable components. We estimate an **energy saving** of about 25%. **(EN2, EN5, EN6, EN7, EN18, EN30)**
- We have a system of digital documents collection so that there's no need to print everything having so a considerable reduction in paper wasted. **(EN30)**

#### **ANTI-CORRUPTION**

#### PRINCIPLE 10: BUSINESS SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY

- «An **AML function** inside our bank was set up during the year in accordance with specific instruction issued by the Bank of Italy. Included in the system of internal controls, this function has unified the management and mitigation of the risk of money laundering and terrorist financing. The new structure, while performing the task of planning, coordination and verification in relation to the bank's risk management policies on money laundering, also within the Banking Group, plays attention not only to the effectiveness of its IT and organizational tools, but also to staff training and the updating of documentary support for the benefit of operators, who also receive adequate assistance» (from Annual Report page 58) This policy is carried out for all the 300 units of our business. **(SO2, SO5)**
- During the year an online course on the compliance was launched to help the employees get familiar with the matter and to teach them how to be compliance in respects of all sort of norms. The whole staff of the bank was involved in the training. **(SO3)**
- In our institute we have a wide range of internal checks. For example, a well consolidated practice is to have at least a double authorization for each movement of money in order to reduce more and more the possibility of corruption. Moreover, a modern system of filtering for all incoming and outgoing payment orders helps the operators to recognize possible transaction made by internationally recognized suspicious persons. These procedures are applicable in all business unities. **(SO2)**

Notwithstanding the fact that the outcomes of these policies are not numerically quantifiable, the increasing number of shareholders and customers together with the good performance of our stock in the market, let us be comfortable with our choice of adhere to the UN principles because we understood that the market and the shareholders appreciate them and are satisfied.