



COMMUNICATION ON PROGRESS 2012

Banca Popolare di Sondrio has been supporting the UN's project "Global Compact" since 2004, implementing its principles in our everyday activities and promoting them among enterprises and NGOs that have strict relationship with us, in order to help the achievement of the Millenium Development Goals.

Despite the persisting of the economic crisis and the critical Italian situation, also in the business year 2012 Banca Popolare di Sondrio has renewed its commitment to the UN, following the ethical principles and values which has been characterizing the bank since its foundation in 1871.

«We have **renewed our membership to the UN Global Compact project**, confirming that the Bank endorses the ten universally-accepted principles in the areas of human rights, labour, environment and anti-corruption. Membership of the Global Compact, which dates back to 2004, enables us to be part of the most important global entrepreneurial initiative, focused on sustainable development that respects human rights and the environment. More than 10,000 participants are committed to the project, including 7,000 businesses distributed in 145 countries.». It's declared in the Annual Report 2012 (see page 55), addressed to all the Bank shareholders.

Notwithstanding the fragile period, last year Banca Popolare di Sondrio continued to pursue and sustain the development of local business and we implemented the financial supports to our customers. As it's explained in the Annual Report at page 81: «In this matter, points 1 and 2 of our articles of association are fundamental points of reference for us; they read: "The company's activities are based on the principles of mutuality and cooperation" and "As part of 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". We have always understood that being "Popular" means being a local bank, close to households and businesses. Close not only in words, but also in our actions, which are above all the loans that we grant them. The numbers are clear: even in a year of general economic crisis and the consequent "credit crunch" at system level, loans rose +8.66%. In this way we were able to meet the needs of our customers, starting with those of our shareholders, **implementing in full our primary function as a cooperative bank from the point of view of social responsibility.**»



During 2012 the actions mentioned below were carried on in order to improve the integration of the Global Compact principles into our Bank.

HUMAN RIGHTS

Principle 1: Business should support and respect the protection of internationally proclaimed human rights.

- Banca Popolare di Sondrio provided reimbursement for medical treatments for all its workers and their families. This social help concerns specialized medical examination and the possibility to have a private room in medical centers. [HR1, LA6, LA8]
- The Bank also provides scholarships for its employees' children who attend primary and secondary schools, in the aim of contributing to educational fees. [LA8]
- Even in 2012 our Financial Institution adopted an **Ethical Code**, which defines commitments and ethical responsibilities in conducting businesses, values and principles, in particular due diligence and responsibility as well as honesty and fairness, that must be followed by all the Bank's staff. (<http://www.popso.it/cm/pages/ServeBLOB.php/L/IT/IDPagina/1322>) Our Bank truly believes in these values inasmuch as it works since its foundation to promote and support them. In concrete, it was done a specific course about "compliance" which involved all the employees. As it is reported on the Annual Report at page 70: «Of importance was a course held for the first time on the value of compliance, by which is meant conduct that respects the rules and the principles of honesty and fairness.»
- Consequently to the earthquake that in May shook the Italian region Emilia Romagna, our Bank opened an account in order to raise money to help the population during the reconstruction. The sum of € 5.800,00 was donated to the village of Rivara, located in the province of Modena in order to repair the main church. [HR1]
- Our charitable initiatives include the Solidarity Current Account, through which we make significant donations each year. In 2012 we collected € 30.500,00 in favour of charitable associations (among which UNICEF) and medical research centers (such as AIRC, AVIS and many others). [LA8]



Principle 2: Business should make sure that they are not complicit in human rights abuses.

- In our Bank there is an **Anti-Money Laundering Department** that works according to the international laws about this matter. It monitors daily that the bank doesn't have any contacts with:
 - Other financial institutions which don't respect these laws and/or are accused not to contrast effectively terroristic organization's activities that are a threat to peace and to international security;
 - Other financial institutions located in countries that are involved in laundering of dirty money coming from illegal activities which violate the **fundamental human rights**. [SO5]

Until now Banca Popolare di Sondrio has never been involved in any money laundering cases. [HR4]

LABOUR

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

- «The National Collective Labour Contract for the banking sector was renewed on 19 January 2012, having expired on 31 December 2010» - Annual Report 2012, page 71.
All the employees are covered by the **collective bargaining agreement** in full respect of the Italian law. [LA4]
- «Relations with the Trade Unions continue to be based on reciprocal respect» - Annual Report 2012, page 71.
An Additional Labour Contract has been subscribed with other Trade Unions as: Federazione Autonoma Bancari Italiani, Federazione Italiana Bancari Assicurativi, Federazione Italiana Sindacale Lavoratori Assicurazioni e Credito. All the employees are subject to this supplementary contract. [LA4, HR5]

Principle 6: Business should uphold the elimination of discrimination in respect of employment and occupation.

- Banca Popolare di Sondrio hires every year a large number of employees with legally protect status following and respecting the **non-discrimination principle with regards to employment and occupation**. At the moment there are 171 employees with legally protect status (disabled or orphans) in full respect of the minimum percentage according to the Italian law 68/99 (7% of the total amount of employees). [LA13]



- «Particular attention is paid to staff training and Human Resource management, which are assigned tasks of increasing importance to the efficient coverage of functional roles required by the development of the branch network and central offices.» - Annual Report 2012, page 70.
- «Intensive training contributes to professional development, implemented through a combination of on-the-job learning (working alongside more experienced colleagues and being assigned a variety tasks) and participation in interdisciplinary training course (both in the classroom and through multimedia techniques). The classroom activities in 2012 involved 1,843 employees, for a total of 60,084 man/hours; the multimedia courses were frequented by 1,881 participants, for a total of 34,704 man/hours. [...] Interactive training for new recruits – organized by the various heads of department – was then divided into five modules per five weeks. The main subjects were the organization of the Bank, how a branch operates; teller operations and communication with customers; investment services; credit and loans and international services; sales and marketing. This program involved 289 employees and 18 branch managers, the latter as tutors, implementing the provisions of the professional apprenticeship contract.» - Annual Report 2012, pages 70-71 [HR3]
- «An important opportunity was offered to **students of technical schools and universities** located in the provinces where the bank operates. This entails internships at the Bank's central and local offices, an activity that in the past year involved 305 young people, also in collaboration with the Lombardy Region's "Internship Window".» - Annual Report 2012, page 71. [EC7]

At year-end 2012, the workforce consisted of 2.569 persons, an increase of 20 (+0,78%).

ENVIRONMENT

Principle 7: Business should support a precautionary approach to environment challenges.

- Our Institution involved all its offices and branches in the separate collection of rubbish (especially paper and plastic). In all these places there are baskets with different colour in order to distinguish the different materials (blue for paper, yellow for plastic). This simple action wants to be an example for all the customers but, first of all, it reflects the working style of our bank: in respect of the environment. [EN18, EN22]
- Each office and branch of our Bank has been built as per the Italian law 10/91 and following updates regarding the eco-saving. The law draws some



guidelines about the energy-saving to be followed during the construction of the buildings. [SO5]

Principle 8: Business should undertake initiatives to promote greater environmental responsibility.

- Banca Popolare di Sondrio is supporting an initiative called “Risparmia gli Alberi” against the huge waste of paper, typical of our society. The bank promotes among its clients the use of online account statements instead of the traditional paper format. [EN26, EN30]
- In our IT center, in which more than 300 people are employed, it has been recently installed a new photovoltaic system. We want to minimize the high consumption of electricity through the use of solar panels. Our goal is to increase the self-production of energy in order to reduce the waste of it. [EN4, EN7, EN18, EN26, EN30]

Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies.

- As it's explained in the Annual Report 2012 at page 81 our Bank advocates «We have devoted attention to initiatives that are **environmentally friendly**. Talking of which, it is worth mentioning the loans that we have given to spread more and more the use or **renewable energy**, as well as those related to rural development plans.» [EN5, EN6]
- In the new branches of our bank there is a new and sophisticated lighting system in order to save energy. Basing on outside lighting, lamps switch on or off to save energy. This action has been done in order to reduce the consume and the waste of energy. [EN5, EN30]
- Another action has been done regarding lighting. All the new branches have LED lighting. It is a long-term investment because it's more expensive to install but it allows to save a lot of energy for the high consumption lighting and it lasts much more than a regular one. [EN5, EN6, EN26]

ANTI-CORRUPTION

Principle 10: Business should work against corruption in all its forms, including extortion and bribery.

- «As an integral part of the system of internal controls, the compliance unit is essentially responsible for monitoring legal and reputation risk. *Ex ante* controls relating to certain regulatory requirements have been intensified with a view, where possible, to preventing and mitigating potential risks. Effective interaction with other departments seeks, among the various



objectives, to enhance the **proper and transparent nature of transactions** with customers, especially when it comes to investment services.» - Annual Report 2012, page 61. [SO2]

- «The **Anti-Money Laundering function** has the delicate task of monitoring compliance with the rules of preventing money laundering and the financing of international terrorism. This ensures the effective governance of this specific risk, having regard for the potential impact on the Bank's reputation. In addition to daily support for branches, the function ensures careful application of the related regulations, having regard for their effect on business processes and procedures. This function also monitors the application of controls at various levels, taking direct action in situations where the potential risk is bigger. Work includes collaboration on the analysis and development of system, procedures, rules and methodologies needed to perform the required checks effectively.» - Annual Report 2012, page 62. [SO2]
- «In classroom training, great care has been given to courses on industry regulations, including those relating to Anti-Money Laundering and financing of terrorism, as well as the rules on transparency in banking services.» (Annual Report 2012, page 70) [SO3]

Regarding the Anti-Money Laundering function, the International Department submits every foreign bank or institution that wants to open a relationship with us to a specific AML Questionnaire in order to verify that the future counterpart operates following the international law.

- «**Internal Audit Department.** With a delicate role at the summit of the system of internal controls, this department audits processes – identifying and evaluating risks, assessing the related measures taken in mitigation and, if necessary, recommending appropriate organizational changes – and checks on the functioning of second-level controls. [...] The Work performed during 2012 confirms the intensity of the action taken: a total of 513 audit checks were carried out, including 101 together with the Board of Statutory Auditors, in addition to the checks performed for the other members of the banking group.» - Annual Report 2012, page 62. [SO2]

As it's clear from the extracts above, our Bank has more than one department for the control of the corruption in all its forms and everyday works hard to prevent it.



FURTHERMORE ABOUT US

In addition to all these actions, Banca Popolare di Sondrio has a wide and various cultural and social program, which promotes during the year. «Our approach to banking includes an interest in the world of culture. [...] We devote effort and resources to create opportunities for interaction between the public and the world of knowledge, history and arts. This is most congenial for our mission as a cooperative bank, as we are keen to promote both the economic and social growth of our local communities. Which also means protecting their historical, artistic and cultural wealth, spreading knowledge and perpetuating the memory.» - Annual Report 2012, page 71.

Following a brief description of the main initiatives promoted by the Bank:

- Running the library in Sondrio named after “Luigi Credaro”, illustrious compatriot and former Education Minister from 1910 to 1914. In addition to making available to the general public our significant heritage of books and documents, we have also established fruitful contacts with the world of education;
- Support for Pirovano Stelvio and through it for the tourist complex of the Stelvio and the Upper Valtellina;
 - o The traditional skiing competitions, permeated by usual spirit of friendship and conviviality, were held at the Stelvio Pass on 19th and 20th October 2012: the 3rd “Quadrangular Interbank Meeting” – attended, together with us, by Intesa Sanpaolo, Unicredit and Deutsche Bank – and the 11th “Pirovano Interbank Meeting”, the latter with the participations of 14 banks represented by 122 athletes;
 - o The ski season at Pirovano came to an end at the 13th Snowfestival, an event that has, among other things, raised charitable donations in favour of the Ariel Foundation, the Children’s Centre for Neuromotor Disabilities and Saints Gervasius and Protasius Parish in Bormio.
- The cultural events we organize on an ongoing basis such as conferences and seminars, as well as the publications we edit and publish, and the sporting events that involve a large number of participants. Examples of these are:
 - o The annual program of lectures. This year it was opened by Gino Strada, founder of Emergency, who, on 3rd February 2012, aroused keen interest in the theme “Emergency: an experience of medicine and solidarity”. Other meetings were held by important



personages as: Professor Franco Iseppi, chairman of the prestigious Italian Touring Club, Giuseppe Sopranzetti director of the Milan branch of the Bank of Italy, Hon. Professor Giulio Tremonti jurist and economist and several times Minister of Economy and Finance and many others.

- In September and November respectively, our Bolzano and Morbegno branches hosted the travelling exhibition “Carlo Donegani: a way to be followed. Genius and technique in alpine roads”, created in collaboration with the Donegani Scientific High School of Sondrio.
- “Mapey Day”, the sporting event sponsored by Giorgio Squinzi, chairman of Confindustria and his wife Adriana Spazzoli, organized by the Bank together with Unione Sportiva Bormiese and Pirovano Stelvio was again very enjoyable and successful. The 8th edition, held on 15th July 2012, was attended by around 3200 athletes.
- The traditional celebration of World Saving Day: for the 88th World Saving Day on 31st October 2012, the Bank organized a round table entitled “Working under the sky, bowing down to the ground”. This meeting was well attended by students and teachers from the three agricultural colleges: Istituto Agrario of San Michele all’Adige (Tn), the Istituto Tecnico Agrario Statale “A. Tosi” of Cologno (Lo) and the Istituto Tecnico Agrario Statale “G. Piazzi” of Sondrio.
- The contributions paid in favour of public and private entities, universities, hospitals and institutions to which we provide treasury services;
- Donations – from the amount allocated for this purpose at the shareholders’ meeting – to support entities and associations that carry out cultural, sporting or voluntary work.

«The will to help the economic and social development of the communities that we serve is well manifested in the financial support that we give to a vast range of initiatives on their behalf. They are the result of a solidarity-based vision of the market, where profit is accompanied by other objectives, reflecting a long-term assumption of responsibility towards the social context to which we belong for the enhancement of its identity.» - Annual Report 2012, pages 71-84.

Furthermore, we are really proud to be the winner of the prestigious award “Creatori di Valore” during the “Milano Finanza Global Awards 2012”. The Bank



Banca Popolare di Sondrio

Fondata nel 1871



have been awarded as the **best Bank in Lombardy Region**. Besides, our Chairman Piero Melazzini was recognized as the best cooperative banker of the year, which is a particularly prestigious award. We take this as a strong sign and a demonstration that the way we run our work and we administrate our Bank is appreciated.

All of these elements combined together with the increasing number of shareholders and the good performance of our Financial Institution make us believe that our customers have faith in our management and in our work, conducted following specific principles and values. The same principles and values that are strengthened, supported and shared by the choice to participate to the Global Compact Programme and which have always characterized and distinguished our Bank and its conduct.

As it is clearly highlighted in our Annual Report: «We are and we want to continue to be a cooperative bank, which means that we live by direct contact with the local area and with our customers. Thanks to the branches, the bank is perceived as a constant and reliable presence, as a point of reference that you can count on to create working relationships that will last over time. [...] We are convinced that our work is primarily based on the **relationship of trust** between people who know and respect each other. It is the banking model that we have implemented for more than 140 years and that we successfully propose in the areas where we have opened more recently, where we acquire new customers and new shareholders as proof of our dynamism and vitality.» - Annual Report 2012 pages 28-29.

Sondrio, 27th August 2013