



**Banca Popolare di Sondrio**

Fondata nel 1871



## COMMUNICATION ON PROGRESS 2013

In 2004 the management of Banca Popolare di Sondrio SCpA, a medium-sized Italian bank inspired by the popular cooperative banking movement, decided to enter into “Global Compact” UN project, letting it become a vivid part of its every day’s activity.

Even during the economic crisis, that has been hitting modern society and has been intensely affecting the financial and business world, our popular Bank has never forgotten its mission, that is to assist customers and shareholders offering services that can satisfy their every banking, financial or insurance need.

Banca Popolare di Sondrio has always dedicated great care and attention to the matter of capital adequacy, in order to balance scale and operational growth - intended to ensure support for the territories served - with the capital required to **ensure harmonic and balanced growth, built on solid foundations**. Own capital represents on the one hand the fuel for growth and, on the other, the protection against risk. Finding and maintaining the correct balance is not trivial, since it means taking account of differing interests, choosing between alternative approaches and establishing long-term strategies that are acceptable to the members.

This last aspect - as a cooperative society with more than 181,000 members – is fundamental for our Bank and is reflected in the approach to growth adopted over the past decades, and when planning that for the years to come. In the past, the capital and operations of the Bank have been expanded by a combination of self-financing and special capital operations. This will continue in the future, respecting the values and the criteria followed by the Management to achieve the Bank’s **mutualistic goals**.

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 saving».

Commento [MS1]: HUMAN RIGHTS:  
Principle 1



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Once again, our commitment in 2013 has been to satisfy the demand for banking products and services - especially, of course, the need for credit - from our customers and, in particular, our members. This is the primary mission of a cooperative bank, such as ourselves. As always, we have acted accordingly, giving attention not only to the needs of individuals, but also to the more general requirements of the communities to which they belong. This means working with a vision that seeks to make best use of the resources and specific characteristics of each territory, thereby reflecting their nature and desires. In this way, we also comply with the guiding principles established in the Valtellina Community Statute: **identity, solidarity and subsidiarity**.

**Commento [MS2]: HUMAN RIGHTS:**  
Principle 1

We provide support and guidance which, especially when it comes to the granting of credit, implies exercising a sense of responsibility, prudence and measure when selecting the economic initiatives that deserve assistance. The scale of our loans to customers, 20,843 million, shows the size of our unwavering commitment: undiminished by the general economic crisis, although rendered more challenging and delicate.

Lending activities have dedicated special attention to **eco-compatible initiatives**, with loans to encourage the use of renewable sources of energy and those associated with rural development plans. About the ecological theme, it is worth mentioning an important project for data center and server farm management concluded in 2013 at our IT Centre, thus leading to better efficiency and energy saving of about 30%.

**Commento [MS3]: ENVIRONMENT -**  
Principle 7, 8 and 9  
[EN18] [EN5] [EN6] [EN7] [EN26]

The work carried out with Finlombarda on the capitalization of the social cooperatives has considerable **social significance**; as has our collaboration with INPS (Italian Social Security) and the Central Institute of Italian Cooperative Banks on the issue and payment of «work vouchers» for casual labour. Besides, in 2013 Banca Popolare di Sondrio promoted, together with Comunità Montana Alta Valtellina (*High Valtellina Mountain Community*), the “Prestito d’onore” (*honor loan*) project, which grants financial supports at concessional rate up to € 200.000,00 to university students, who can pay them off after studies.

Funding activities have respected the primary need to safeguard **savings**, a requirement that has been intensified by the ongoing economic and financial crisis. On the one hand, this crisis has made it harder to save and, on the other, it has increased the risks associated with the allocation of funds. Many of the certainties that assisted savers to make their decisions in past decades have vanished; accordingly, we have worked to provide customers with all necessary support, without

**Commento [MS4]: HUMAN RIGHTS:**  
Principle 1



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neglecting those that prefer the most simple forms of saving instrument. The products and services offered – as extended and refined, in order to respond appropriately to every need – assure transparency and respect in full the propensity of individual customers to accept risk.

Our 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.

The rise in direct deposits to 24,059 million, +1.68%, despite the concentration experienced by the banking system as a whole, confirms the positive response of our customers and their confidence in us. Our services also dedicate professional attention to the banking needs of entities and institutions. Our offer - delivered through dedicated desks, traditional branches and electronic tools - is designed for both local entities and the numerous other institutions, sometimes operating at national level, with which we have cooperated for some time.

The number of members has increased further; the rise of 4,121 to 181,217 members confirms our ability to involve a growing number of persons in the activities of the Bank. A simultaneous increase in the number of member-customers is a concrete and dynamic reflection of the way we implement the founding principles of the cooperative banking movement.

Our institutional communications have always used - in compliance with specific legislation - ways and means appropriate to the nature and number of the shareholder base, as the main recipient of the Bank's messages. The traditional letter from the Chairman on the performance of the Bank is sent to shareholders and friends every six months, in the middle and at the end of the year. The directors' report and annual financial statements provide a comprehensive picture of the events that took place during the year, explained using language that seeks to be understandable by all.

The Bank and the membership also come together at the annual general meeting: this key moment in the life of our business is facilitated by the provision of transport services and is marked by a lunch event. This participation by members also extends to the various meetings organized both directly by the Bank and in collaboration with local entities and institutions.

The will to contribute towards the economic and social development of the communities that we serve also manifests itself in the financial support that we give to a vast range of initiatives. They are the result of a **solidarity-based vision of the**



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**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.

Commento [MS5]: HUMAN RIGHTS:  
Principle 1

The ties between the Bank and its territories underpin our longstanding commitment to the **promotion of the culture, art, history, traditions and natural wealth of the areas in which we operate**. While this commitment represents a dutiful gift to those communities and places that saw us form and helped us to grow and develop, it also represents a way to understand even better the mould that formed our identity as a cooperative bank.

The promotional and cultural activities carried out year after year have deepened our ties with the areas served. The wealth created, not so much in terms of works of exceptional value, but rather by the pervasive testimonials emanating from a collective spirit, is also available to the general public thanks to the Internet. Related to this, our website **nonsolobanca.popsa.it** provides wide-ranging information and analysis on matters concerning Valtellina and Valchiavenna, not least as support for tourism there.

Cultural, social and sport initiatives during the year 2013 were as follows:

- 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 SpA and through it for the tourist complex of the Stelvio and the Upper Valtellina.
- 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.
- The traditional celebration of World Savings Day.
- The support provided, in collaboration with other parties, for the improvement of economic and social conditions in the various geographical areas of activity.
- The contributions made in favour of public and private entities, universities, hospitals and institutions to which we provide treasury services.



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- The economic support given to the creation of the new emergency medical service in the province of Sondrio.
- The contribution of € 32.500,00 from Solidarity Account to different charitable institutions.
- The donations made – from the amount allocated for this purpose at the shareholders' meeting – to support entities and associations that carry out cultural, sporting or voluntary work.

Our work is based on **relationships**; on thousands if not millions of relationships with members, customers, other banks, financial intermediaries and the multitude of counterparts we are in contact with every day. All these relationships are explained by and founded on the reliability and good name of the Bank, both values that are essentially in the hands of our personnel.

Our staff are responsible for building trust in the Bank, involving new members, expanding the customer base and consolidating established relations, by providing quality services that meet the specific expectations of each counterpart.

The careful selection of recruits gives continuity and new energy to our operations and business culture, supported by advanced training programmes and the functional management of the staff within each unit comprising the Bank's central and branch-level organisation.

The personnel department performs this work with great care, skill and commitment, thereby making an important contribution to the competitiveness of the Bank.

At year-end the workforce consists of 2,582 persons, an increase of 13, +0.51%. 22.93% of employees worked in the branches and 77.07% at the central offices. The average age of employees (38 years and 5 months) and their average length of service (14 years and 5 months) have increased by 8 and 10 months **respectively**.

The personnel department makes every effort to support the general objective of the Bank to grow by internal means. The professional growth of employees is achieved by means of varied experience at branch level, where the principal skills are acquired both alongside more expert colleagues and by targeted job rotation, as well as via intensive training in the classroom and using multimedia tools.

Classroom activities involved the delivery of 55,510 man-hours of training to 1,878 participants during 2013, while 2,477 employees dedicated 38,417 man-hours to

**Commento [MS6]:** HUMAN RIGHTS – Principle 1  
LABOUR – Principle 6  
[LA13]



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multimedia courses. The classroom training mainly related to operational matters, such as lending (investigation, guarantees, management and control of outstanding loans), the management of treasury services and communicating with customers, for branch tellers. As envisaged by IVASS Regulation 5/2006, the courses on regulatory matters included coverage of the insurance broking forms. These courses were attended by both new employees and those already authorised to operate. The training also addressed the anti-money laundering and anti-terrorism requirements, as well as banking transparency. The multimedia courses principally addressed the banking regulations, such as privacy, usury and health and safety at work, as well as the anti-money laundering and transparency aspects already mentioned.

The training of new recruits involved 220 persons during the year and consisted of five modules, each lasting one week, that covered the organisation of the Bank and branch activities; teller operations and communications with customers; commercial products and services; lending and international; investment services. In addition, 9 branch managers participated as tutors on the training courses envisaged by the regulations that govern professional apprenticeship contracts. Lastly, there was significant participation – 308 technical high school and university students drawn from the territories in which the bank is present – in internships both at branch level and at the central offices. Some of these were organised in collaboration with the Lombardy Region’s Internship Desk.

Relations with the trade unions continue to be based on reciprocal respect.

The Technical, Health and Safety department looks after the structural needs of the Bank, both via the development of new locations and by modernisation and maintenance work. Considerable effort resulted in the completion of 28 projects during 2013, with 14 still in progress. All work is carried out in accordance with the health and safety regulations, paying close attention to the functionality of the environments created and the containment of costs.

As part of the system of internal controls, the contribution and work of the **Compliance Unit** has intensified following the strengthened and expanded role envisaged for it under recently-revised regulations, especially with regard to the governance of legal and reputational risks. The Unit strives to prevent and mitigate these risks, not least to consolidate the culture of regulatory compliance and control at operational level. In this regard, specific attention is paid to the number of complaints received about our investment services - particularly low and promptly handled, the management of conflicts of interest, the transparency of banking services

**Commento [MS7]:** HUMAN RIGHTS – Principle 1 and 2  
LABOUR – Principle 3 and 6  
ANTI-CORRUPTION – Principle 10  
[HR3] [HR8] [LA8] [SO3]

**Commento [MS8]:** LABOUR – Principle 3  
[HR5]



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and, more generally, the consumer protection rules. These activities are carried out in collaboration with the other control functions, not least with a view to facilitating the necessary cohesion between the propensity to accept risk and real needs of customers on the one hand, and the Bank's commercial policies on the other.

The Anti-money laundering function seeks **to prevent and combat laundering transactions and the financing of terrorism by customers**. This function, as a centre of expertise on this delicate subject, is responsible for monitoring the controls on parties, accounts and transactions carried out every day by the banking network, which is kept constantly alert and informed about the issues involved.

**Commento [MS9]: HUMAN RIGHTS:**  
Principle 2

Once again, the anti-money laundering function provided valid support for the uniform application of the relevant regulations during 2013, especially with regard to those that are difficult to interpret or apply in practice. While ensuring that the required checks are carried out and that significant events - as defined in the latest regulations - are recorded, the function also promotes the action needed to strengthen the internal system of deterrents and controls over this phenomenon. Significant contributions have also been made to the harmonisation of control standards and practices within the Group, not least by coordinating the guidelines given for the mitigation of laundering risks in the various operational contexts.

**Commento [MS10]: ANTI-CORRUPTION – Principle 10**  
[SO2]

The delicate functions of the Internal Audit department include the assessment of operational processes in order to identify and contain the related risks, in the context of the wider system of internal controls; no less important, as a third-level control, are the checks carried out on the functioning of the specific second-level controls required by the regulations, such as risk control, anti-money laundering and regulatory compliance. The central and satellite audit offices work at the central and branch-level operating units to check their compliance with the internal and external regulatory frameworks, both of which are subject to constant change. Activities during 2013 involved 560 on-site and remote inspections, of which 87 were carried out together with the Board of Statutory Auditors. Audit work also extended to various members of the banking group, covering numerous important areas with a view to consolidating collaboration and discussions - respectful of the different roles - designed to identify and implement the best operational practices.

We are particularly proud to inform that the contribution given by Banca Popolare di Sondrio for the growth of economic, social, cultural and environmental welfare of the local territory gained in 2013 the official "**Social Responsibility Certification**" from the Chamber of Commerce of Sondrio.



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Furthermore, Standard Ethics confirmed the Social Responsibility Index of Banca Popolare di Sondrio, ranking 9<sup>th</sup> among Italian banks listed on the Stock Market: the index reflected the Corporate Governance in relation to voluntary institutional indication of European Union, Organisation for Economic Co-operation and Development (OECD) and United Nations.

For the second consecutive year, in 2013 Banca Popolare di Sondrio won the prestigious award “Creatori di Valore” (*Value Creator*) during the “Milano Finanza Global Awards 2013”, as the **best medium bank in Lombardy Region**, in terms of assets performance and efficiency.

These recognitions 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, always driven by lasting principles and values.

Therefore, we intend to continue supporting Global Compact: “Lastly, we are «active» participants in the «Global Compact» project, which is an important UN initiative designed to promote universally recognised principles in the areas of human rights, employment, the environment and the fight against corruption. Our «Communication on Progress» included a description of the principal activities carried out by the Bank in the area of social responsibility, indicating the progress made thanks to: the adoption of a code of business ethics; full compliance with the domestic and international regulations governing money laundering, as well as the fight against terrorism and corruption; our respect for human rights and the principles of environmental protection.” – The Board of Directors, from Banca Popolare di Sondrio - Annual Report 2013 pag. 58.

Sondrio, 20<sup>th</sup> August 2014