

TOGETHER

WE DO

CONSOLIDATED  
NON-FINANCIAL  
STATEMENT

2019

EXTRA

ORDINARY

THINGS

TOGETHER  
WE DO  
**EXTRA**  
ORDINARY  
THINGS

CONSOLIDATED  
NON-FINANCIAL  
STATEMENT

2019

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CONSOLIDATED  
NON-FINANCIAL  
STATEMENT

2019

EXTRA

ORDINARY

THINGS



# Letter to our Stakeholder

We have reached Banco BPM's third year of operation: an intense and challenging journey that has brought together different banks with centuries of history creating the third-largest Italian bank; a bank for the community which thanks to its solidity, profitability and innovation, seeks to be a local point of reference. This journey, which has involved all of Banco BPM's different stakeholders, has made us even more conscious that, alongside physical expansion, our responsibilities and the awareness of our role in society have also grown.

In the past few years, despite the adverse environment, we have managed to achieve the only bank merger under the aegis of the new European regulator. We have all worked to build numerous projects **TOGETHER** with people, families, businesses, partners and institutions: we have succeeded because we have shared objectives and values and thanks to the commitment and the spirit of sacrifice of our people and to the special relationship we enjoy with our customers and our communities.

We wanted to renew this commitment in the new plan for 2020-2023, which further emphasises that the bank has all of the capabilities needed to face the great challenges of this era, in particular the shift towards a sustainable economy that does not just mean working to reduce the risks resulting from climate change, it also regards developing all of our communities through economic and social measures, as very clearly stated by the 17 sustainable development goals of the UN.

New scenarios await us, which will involve all of our operations, starting with the system of rules we have established to guarantee correct and transparent business conduct, an inclusive and respectful culture, attentive to the requirements of all stakeholders, which is able to find and offer solutions to meet all of society's needs.

This is why we are forging ahead with a consistent development plan, focusing internally on our *people strategy*, by investing in quality training, enhancing talent, updating tools and work environments, intensifying projects for a higher quality of life for the wellness of our people and their families.

Locally, we are working on projects that will have a positive impact: We are **WORKING** on offering a range of products that promote faster energy transition, we are launching partnerships that promote scientific research and employing young people, we are researching projects that can improve the urban, social and cultural environment by putting ourselves at the service of the community also by sharing spaces, assets and resources, as in the case of our corporate volunteering.

These are **THINGS** that belong to our history and represent our commitment to being a bank with roots in the heart of the country's economy, alongside all of its expressions and offering support in times of difficulty such as those characterising the first few months of 2020; a bond maintained through widespread presence and implemented with the support of everyone who has always been by our side, giving us their trust and encouragement, as well as sharing projects and **EXTRAORDINARY** energy.

**Together we can achieve extraordinary things: this is what we are seeking to do in all of our businesses, it is the approach that we want to pursue while continuing to work in the years to come.**

In this regard, the terrible emergency linked to the current COVID-19 epidemic represents an unavoidable challenge and is really putting us to the test. As a bank in the areas affected and involving our people, we have a great responsibility to provide security for savings and hope for a prompt recovery for businesses and families; in short to restore determination in our hearts and minds to be able to face the current difficulties and have faith in the future.

**Carlo Fratta Pasini**  
Chairman

**Giuseppe Castagna**  
Chief Executive Officer

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[gruppo.bancobpm.it/en](https://gruppo.bancobpm.it/en)

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[sostenibilita@bancobpm.it](mailto:sostenibilita@bancobpm.it)

## READING GUIDE

The Consolidated Non-Financial Statement of the Banco BPM Group contains **information on environmental and social topics, personnel, respect for human rights and the fight against corruption**. This helps to provide a better understanding of the Group's activities and the impact generated by the same.

The Group continues its journey towards sustainability in the belief that the obligations to draw up this document represent an **opportunity to share policies and strategies in various non-financial contexts with its stakeholders**.

This document also contains data and information on the requests of the main analysts as regards sustainable investing specifically reported.



### HIGHLIGHTS

At the beginning of each chapter



### NAVIGATING

Name of reference chapter top left of each page



### TITLES

Shown in the contents

### BOX

Topic examined in-depth



### REPORTS

Requests of analysts

To facilitate the reading of the document, we have included some links that refer to the contents of the document. You can click directly on the index titles to go directly to the relative contents. In addition, on the even-numbered pages we have added a "little hand" at the top which, if clicked, allows you to return to the document index.

The Consolidated non-financial statement is organised into **8 chapters**. The first **"Banco BPM Group: identity and commitment"** describes the Group and its mission, the way it operates, its reference context and important topics following **a materiality analysis**.

The following 5 chapters of the document then focus on these topics and the claim of their titles **"Together .." emphasises how important it is for the Group to share its objectives with its stakeholders**. The action that we are committed to take in future years is illustrated at the end of each chapter.

The second chapter **"Together to create value"** regards the distribution of economic wealth, the Group's solidity and the 2020-2023 Business Plan, fundamental information for the peace of mind and trust of our stakeholders, and which represents the springboard for all of the activities that are illustrated in the following chapters.

Chapters 3, 4, 5 and 6 **"Together with our customers", "Together with our people", "Together with our community" and "Together for the environment"** describe the policies adopted, management and organisation approaches and the main risks in each socio-environmental area in which the Group's business has an impact.

The chapter entitled "Together with our community" also illustrates the topics of **"Suppliers" and "Business Conduct"** as we believe that both the rules that guide the organisation and the value created and distributed through the relationship with our suppliers make a fundamental contribution to the community we operate in.

Chapter 7 illustrates the **"Recognitions"** that the Banco BPM Group received in 2019 and Chapter 8 **"Method and framework"** contains aspects related to the methodology adopted, the reconciliation table indicating how we comply with the requirements of the standard adopted (Global Reporting Initiative) as well as the independent auditors' report.

All Group departments contributed to the preparation of this document. The Communications Department led, coordinated and followed all stages of the relative process.



01



# BANCO BPM GROUP: IDENTITY AND COMMITMENT



# MISSION AND GROUP PROFILE

Banco BPM's mission is to create value for its stakeholders and for the local community, continuing the tradition that characterised the banks that formed the Group.

Belonging to a local community does not just mean working with its main players, it means sharing value with it.

## MISSION

Working and innovating to provide **customers**, people and businesses with the best possible service, operating fairly and transparently and contributing to the development of our country and to the creation of sustainable value over time.

Growing with commitment and responsibility, maintaining adequate capital solidity and profitability to meet our commitment to our **shareholders**.

Optimising our **personnel** whose work and commitment contribute to achieving the Group's objectives.

Continuing, as per tradition, to support initiatives aimed at promoting **social and environmental development in our reference regions**.



<sup>1</sup> For more details please see the chapter entitled ["Corporate identity and Citizenship"](#).

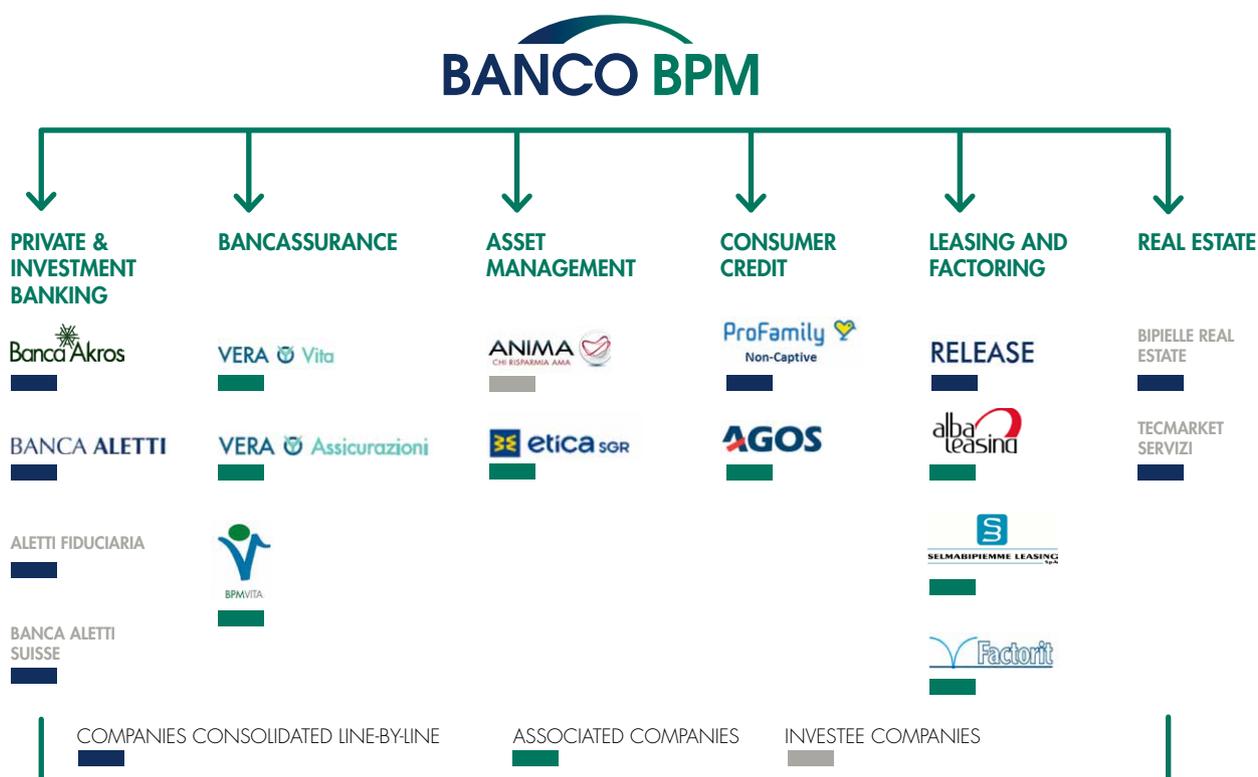
The two faces of the Bank's identity, one to offer financial services to families and businesses, the other its social commitment to the local community and regions, are also confirmed by the advertising campaign *"We are a bank that does normal things. But together we do extraordinary things"*<sup>1</sup>.



Banco BPM operates through a corporate structure that enables it to operate as a **commercial bank** and, through specialised companies, to operate in all of the main market segments: **private and investment banking, bancassurance, asset management, leasing and factoring, consumer credit.**

Within the Group, real estate companies provide support to the business.

The diagram below shows the main companies consolidated on a line-by-line basis, associated companies and investee companies, organised by business area.



This Statement, in line with the Consolidated Financial Statements, refers to all companies consolidated line-by-line, except for the exclusions specified in the paragraph entitled "Note on methodology".

**Several corporate operations, launched in 2018, were concluded in 2019, simplifying and improving the organisation of the Group.**

The reorganisation of the consumer credit segment was completed, through the sale of the entire share capital of Profamily S.p.A to Agos-Ducato, whose non-captive assets were demerged in advance to a new company, which maintained the name Profamily S.p.A. and which is wholly owned by Banco BPM.

In the private banking sector, the transfer of private assets to Banca Aletti was finalised, through capital contribution arrangements.

The subsidiary company Società Gestione Servizi BP Soc. Consortile p.az., which provides operational support, BP Property Management, which manages and maintains real estate used in operating activities and, in the financial sector, Holding di Partecipazioni Finanziarie Banco Polare S.p.A. were all incorporated into Banco BPM.

With regard to the real estate segment, the process of integrating several subsidiaries operating in the real estate sector, Sviluppo Comparto 6, Sviluppo Comparto 8 and Manzoni 65 into Bipielle Real Estate was completed.



## REFERENCE CONTEXT

### SUSTAINABILITY: AN EPOCHAL TURNING POINT

2017 —————→ 2018 —————→ 2019 ————— - - - - -

#### TRANSPARENCY IN CORPORATE COMMUNICATION

**Italian Legislative Decree 254/2016** obliges large entities of public interest to report non-financial topics considered “relevant given the activities and the characteristics of the enterprise”.

<sup>2</sup> Global Sustainable Investment Alliance – 2018 figures

<sup>3</sup> Bank of Italy – Signorini’s speech at the conference on Sustainable development, finance and climatic risk – July 2019

<sup>4</sup> European Commission and 2020 Budget Policy document – December 2019

#### SUSTAINABLE ASSETS UNDER MANAGEMENT<sup>2</sup>

- **Globally:** > \$ 30,000 billion (corresponding to 49% of total AuM) +34% since 2016
- **in Europe:** > \$ 14,000 billion (corresponding to 49% of total AuM) +17% since 2016

**Signatories of the Principles for Responsible Investment:**  
2,000 financial market operators  
**+33% since 2016**

#### EUROPEAN COMMISSION ACTION PLAN ON SUSTAINABLE FINANCE

Following the Paris Climate agreement in 2015 and the 2030 Agenda of the UN for sustainable development, the European Commission publishes an **Action Plan** with the objective of:

- reorienting capital flows towards sustainable investment;
- managing the financial risks related to environmental and social issues;
- promoting transparency and a long-term vision in business activities.

SUSTAINABLE  
ASSETS UNDER  
MANAGEMENT  
**>\$30,000  
BILLION**  
AT GLOBAL LEVEL

#### INTEGRATION OF ESG ELEMENTS INTO THE SYSTEM OF RISKS<sup>3</sup>

- Launch in Europe of work relating to the creation of a **framework** to define and assess the **risks originating from ESG** factors and their integration within the **SREP** (Supervisory Review and Evaluation Process for intermediaries) and **Pillar 2** (document regarding the assessment of a bank’s capital adequacy with relation to its risk profile);
- publication of the EBA (European Banking Authority) guidelines on granting and monitoring credit which considers, inter alia, **ESG factors, green lending, anti-money laundering, financing terrorism and innovation.**

#### GREEN DEAL<sup>4</sup>

The European Commission defines the new strategy for **growth through inclusive economic transition which considers the impact on the climate and the environment.** Italy envisages the establishment of two investment funds addressed to urban regeneration projects, energy reconversion and to motivate the use of renewable energy of over **€ 55 billion in the next 15 years.**

## THE SOCIO-ECONOMIC SYSTEM<sup>5</sup>

ECONOMIC DIMENSION

SOCIAL DIMENSION

ENVIRONMENTAL DIMENSION

### IN THE PAST 10 YEARS IN ITALY:



#### INCREASING

- **Average disposable** income per capita and the inequality of disposable income.
- **Absolute poverty** (an estimated 5 million individuals in this condition).
- The **% of graduates** and knowledge workers (Innovation and R&D) and in creative enterprises.
- The **share of female representatives in politics** (in Parliament and locally), in decision-making bodies and in the BoD of companies listed on the stock market.
- The **% of spending in R&D with relation to GDP** and investments in intellectual property, with a high contribution of Italian SMEs to the in-house innovation of products and services.
- **Public spending** to safeguard and enhance cultural assets and the landscape.
- **Energy from renewable sources** (over 1/3 of demand covered by renewable sources).



#### DECREASING

- **GDP**, although it has recovered in the past three years also due to industrial added value.
- The **saving rate** and average net worth (very high in any event).
- The **unemployment rate** and the rate of fatal accidents and permanent disabilities.
- The **early exit of children** from the education system (even though still high) and the participation of young people in political, social and cultural life.
- **Emission of CO<sub>2</sub>** and of other climate-altering gases, air quality and water dispersion.



#### in FUTURE YEARS GLOBALLY:

- **Slowdown of economies** (European and non-European).
- **Rising wages** increasingly correlated to qualification level.
- **Growth of the middle class** in non-OECD countries with an increasing demand for food, energy and water.
- **Europe and the USA overtaken by Asia** in terms of GDP and technological investment.
- **Increase of hostile environmental phenomena** (floods, drought, fire, desertification), with consequent migration, shortages and low quality of food.

<sup>5</sup> Source: Istat - Equitable and sustainable wellbeing in Italy 2019; IPCC Special Report on Climate Change and Land 2019; European Innovation Scoreboard 2019; Istituto Italiano di Studi Strategici "Niccolò Machiavelli" - Global Trends 2030

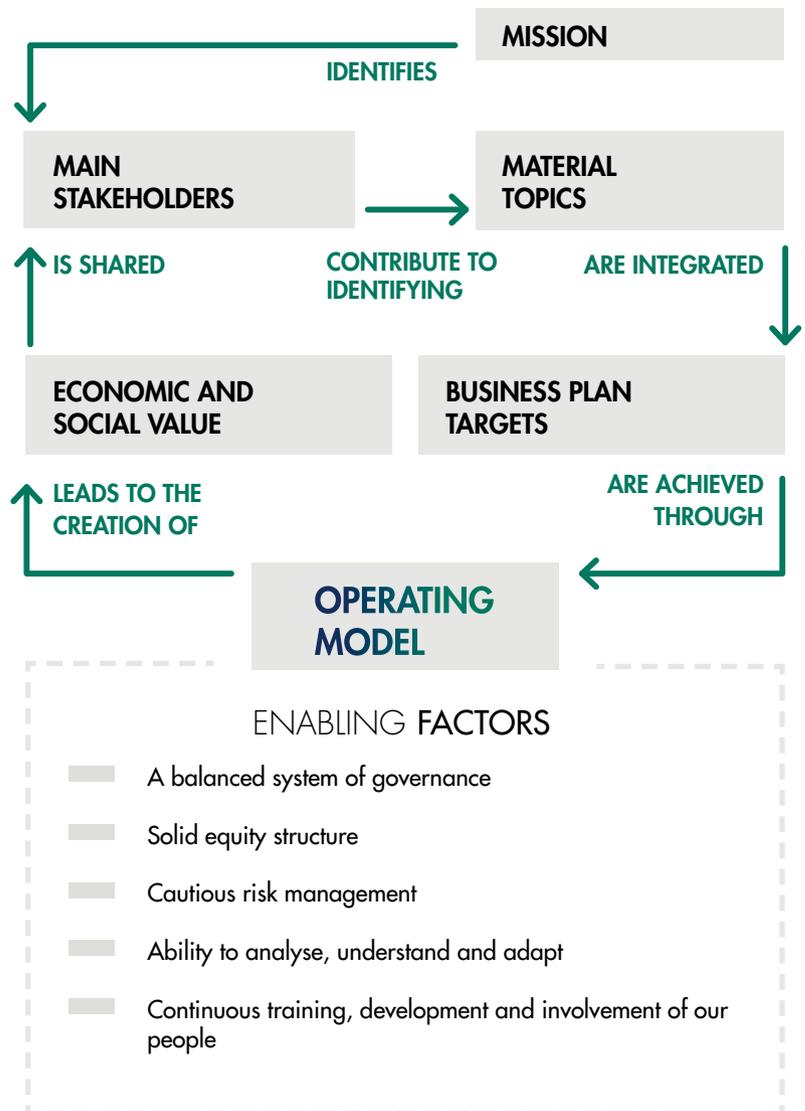


In 2015, the United Nations identified **17 Sustainable Development Goals (SDG)**. The achievement of these aims to redirect the current development model towards sustainability by 2030. These objectives represent a **reference framework for citizens, governments, institutions and enterprises.**



# BUSINESS AND OPERATING MODEL

Our business model illustrates the approach we intend to adopt to create sustainable value over time within an economic and social context open to risks and opportunities.



## OPERATING MODEL

Our operating model allows to transform resources and relationships into results through elements of value.

### COLLECTION OF FINANCIAL RESOURCES

DEPOSITS AND CURRENT ACCOUNTS	ECB AND INTERBANK MARKET
-------------------------------------	--------------------------------

We collect **financial resources** from our customers, from the ECB and from the interbank market.

### CUSTOMERS

INDIVIDUALS AND PROFESSIONALS	BUSINESSES AND PUBLIC ENTITIES	NON-PROFIT ORGANISATIONS AND INSTITUTIONS
----------------------------------	-----------------------------------	---

We attract a very **wide customer base**, with more or less complex needs, which are often very diverse.

### OFFER

SOLUTIONS FOR TRADITIONAL REQUIREMENTS	SOLUTIONS FOR COMPLEX REQUIREMENTS
--	--

We have the resources and the knowhow to offer both **traditional products and services** such as mortgages, loans, investment and savings products, insurance and trading services, and **solutions for complex requirements** to access the equity market, business development in Italy and abroad, hedging risk and business transformation.

### CHANNELS

BRANCHES	BANKERS	SPECIALIST CENTRES	ONLINE
----------	---------	-----------------------	--------

We have a **commercial model** in which **our physical presence** covers a large part of the country with branches and specialist centres dedicated to medium-large businesses, as well as separate branches and units for private customers, which can count on advice from our bankers. All customers can also use the **online channel**.



€ **7.1** BILLION  
SHARE  
CAPITAL

**375,000** APPROX.  
number of shareholders<sup>6</sup>

#### MAIN SHAREHOLDERS<sup>7</sup>

Capital Research and  
Management Company  
4,99%

Invesco LTD  
4,71%

MORE THAN 100  
PUBLICLY KNOWN  
INSTITUTIONAL  
SHAREHOLDERS  
representatives of about  
1/3 of the share capital

<sup>6</sup> Approximately 250,000 depositors with the Banco BPM Group as at 31/12/2019 and approximately 125,000 with other Intermediaries. The figure above represents the situation as at 2 January 2017, namely at the time of the share swap related to the merger between Banco Popolare – Società Cooperativa and Banca Popolare di Milano S.c.a.r.l, as no accounting transactions regarding the entire share capital were recorded after said date.

<sup>7</sup> Source: Consob.

<sup>8</sup> Figures based on information publicly available at the end of 2019 on Bloomberg, the majority of which provided and updated on a discretionary basis by various investors.

## ORGANISATIONAL AND GOVERNANCE MODEL

We adopt a traditional governance model<sup>9</sup> comprised by:

#### **SHAREHOLDERS' MEETING**

appoints the Board of Directors (BoD) and the Board of Statutory Auditors and establishes their remuneration; it is convened at least once a year and resolves on the approval of the annual Financial Statement and the allocation and distribution of profits.

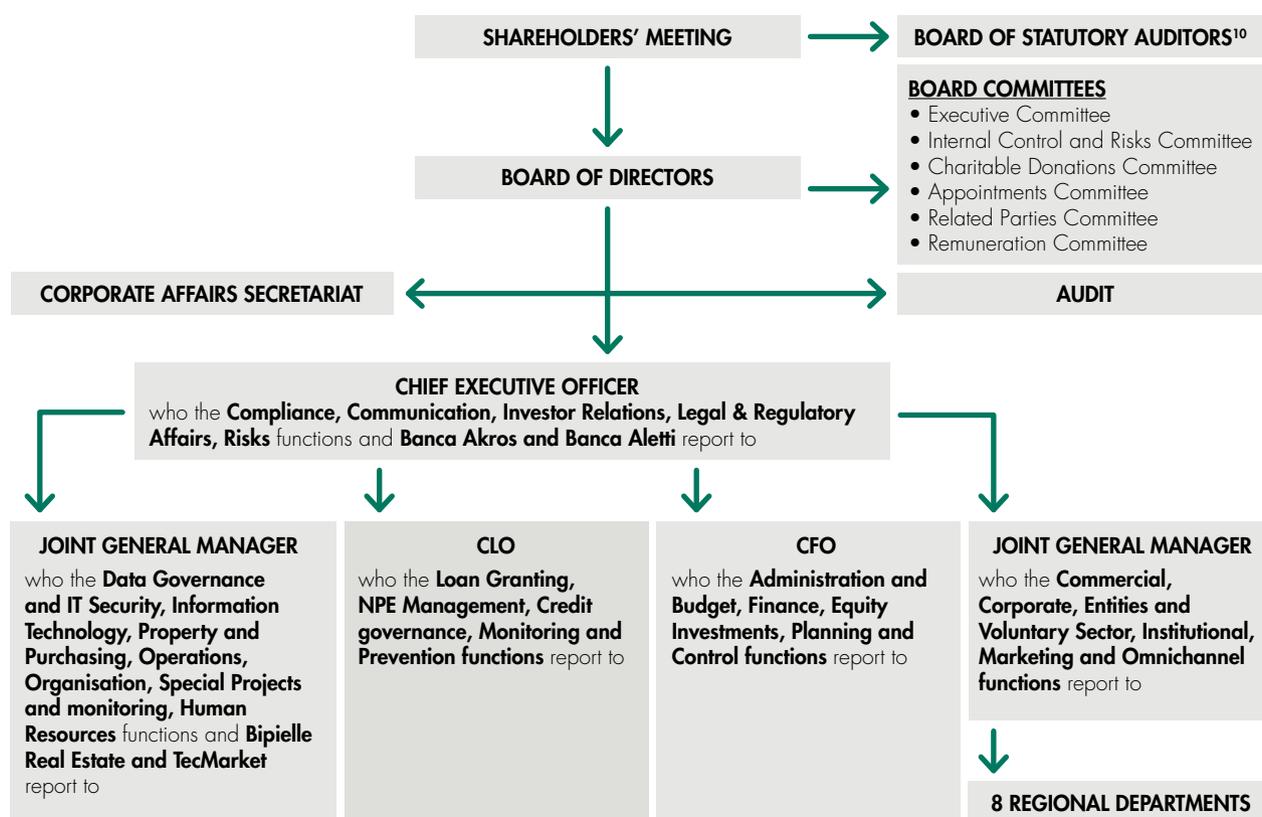
#### **BOARD OF DIRECTORS**

performs the duties of strategic supervision and management of the company.

#### **BOARD OF STATUTORY AUDITORS**

oversees auditing, monitoring, inter alia, the observance of legislation and the adequacy of the organisational and administrative/reporting structure of the company.

<sup>9</sup> Please refer to the [Report on corporate governance and ownership structure](#), for information on the process of appointing members of the BoD, and on their attendance of meetings, on the duties of the CEO and Chairman and the relationship between the two positions, on the way the performance of BoD members is assessed, on the voting rights of shareholders as regards the policy for the remuneration and resignation of BoD members, on the selection criteria for potential candidates to the position of board director. Please refer to the [Report on remuneration](#) for information on the remuneration of BoD members and on any clawback clauses and on direct and indirect holdings of BoD members.



The BoD has entrusted the supervision of **sustainability** to the Internal Control and Risks Committee, assisted by the second-level organisational unit "CSR and Institutional Relations with the Territory", whose duties also include defining the strategy, the tools and the actions that enable sustainability and corporate social responsibility to be integrated into the company's activities also through a **coordinated working group**, which, to this end, involves the Group's main companies and departments.

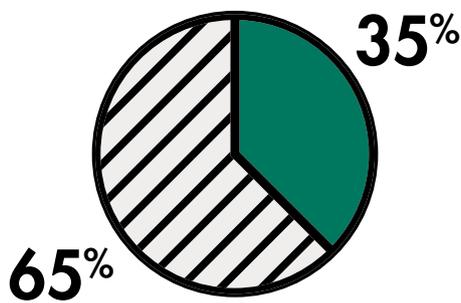
<sup>10</sup> The Board of Statutory Auditors is comprised by 5 Standing auditors, all of whom are over 50 years old, 2 women and 3 men.



The BoD of Banco BPM has 17 members, 5 of whom are part of the Executive Committee, with different areas of expertise with a view to ensuring a balanced combination of knowhow, experience and suitability to hold the position<sup>11</sup>.

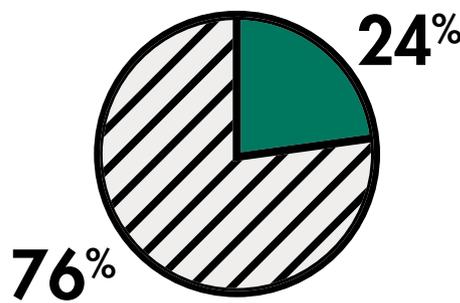
<sup>11</sup> According to the provisions of the law in force at the time and of the Articles of Association. In particular, the members of the BoD must meet requirements of professionalism, integrity and independence, and respect the criteria of competence, fairness and time commitment and the specific limits regarding multiple roles.

**DIRECTORS BY GENDER**



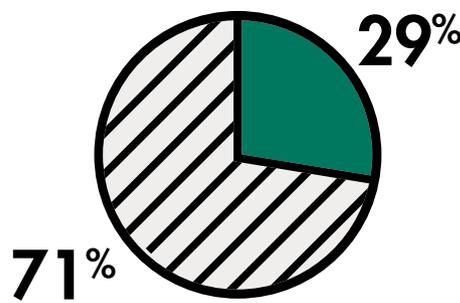
● WOMEN    ▨ MEN

**DIRECTORS BY AGE**



● 30/50 YEARS    ▨ > 50 YEARS

**DIRECTORS BY INDEPENDENCE**

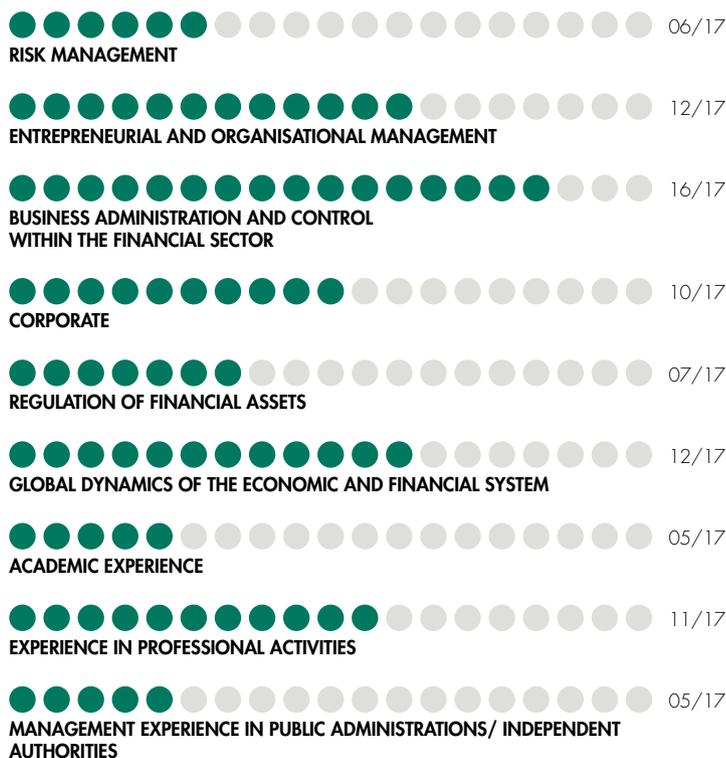


● NON-INDEPENDENT

▨ INDEPENDENT PURSUANT TO ARTICLE 20.1.6 OF THE ARTICLES OF ASSOCIATION

COMPOSITION OF THE BOARD OF DIRECTORS AND OF BOARD COMMITTEES	BOARD OF DIRECTORS BANCO BPM	EXECUTIVE COMMITTEE	INTERNAL CONTROL AND RISKS COMMITTEE	REMUNERATION COMMITTEE	APPOINTMENTS COMMITTEE	RELATED PARTIES COMMITTEE	CHARITABLE DONATIONS COMMITTEE
NO. OF DIRECTORS	17	5	4	4	4	3	8
OF WHICH EXECUTIVE <sup>12</sup>	5	5	0	0	0	0	2
OF WHICH NON-EXECUTIVE	12	0	4	4	4	3	6
OF WHICH INDEPENDENT PURSUANT TO ART. 20.1.6 OF THE ARTICLES OF ASSOCIATION <sup>13</sup>	10	0	4	3	4	3	5
OF WHICH WOMEN	6	0	2	3	1	2	2
OF WHICH MEN	11	5	2	1	3	1	6
OF WHICH < 30 YEARS	0	0	0	0	0	0	0
OF WHICH 30-50 YEARS	4	0	0	2	2	0	1
OF WHICH > 50 YEARS	13	5	4	2	2	3	7

#### DIRECTORS DIVIDED BY AREA OF EXPERTISE<sup>14</sup>



<sup>12</sup>If members of the BoD are also members of the Executive Committee, the term "executive" relates to the Corporate Governance Code of Borsa Italiana, the envisaged attendance of meetings of said Committee as well as the subject of the relative resolutions. Also note that the Supervisory Provisions of the Bank of Italy define an "executive member" as all board directors that are part of the Executive Committee.

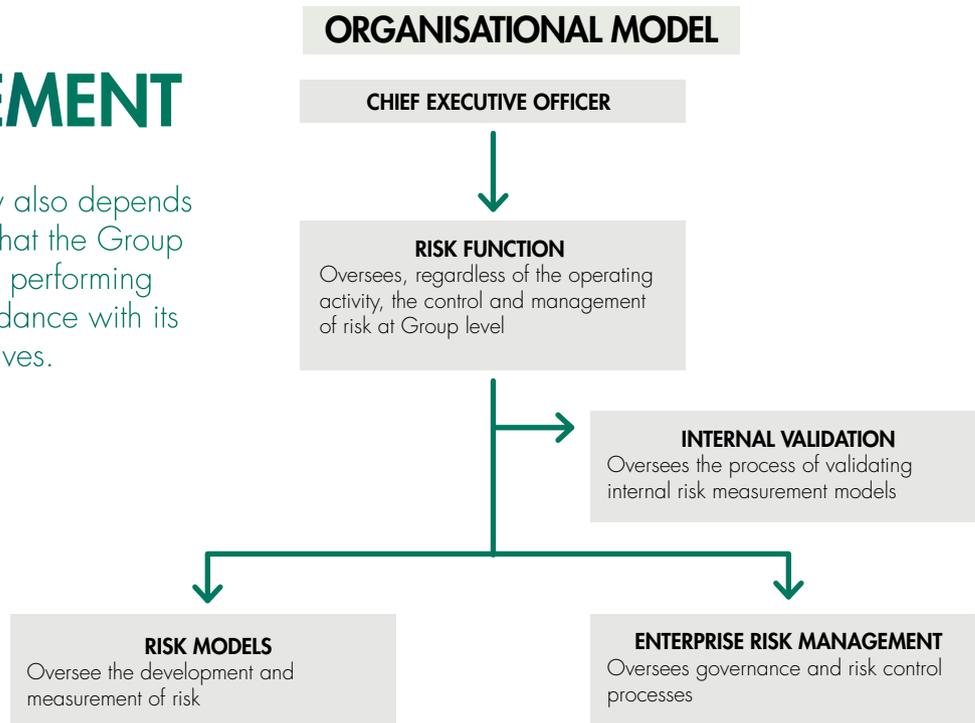
<sup>13</sup>Article 20.1.6 of the Articles of Association of Banco BPM contains a definition of independence which, on the one hand, considers the provisions of Article 148, paragraph 3 of the Consolidated Law on Finance and the recommendations contained in the Corporate Governance Code of Borsa Italiana and, on the other, fulfils the requirement to enable the straightforward certification of relevant situations (relating to degree of relationship, economic or professional relationships, etc.). Said statutory provision also makes reference to a board resolution regarding the identification of the quantitative and/or qualitative criteria used to determine the relevance of certain relationships in which the requirement of independence is deemed not to exist. The resolution was adopted by the Board of Directors at the meeting of 1 January 2017.

<sup>14</sup>For further details on the names and specific areas of expertise of the members of the BoD, please refer to the webpage.



# RISK MANAGEMENT

Business sustainability also depends on the level of risk<sup>15</sup> that the Group chooses to assume in performing its activities, in accordance with its strategies and objectives.



The objectives and the risk limits fall within the scope of the **Risk Appetite Framework** approved by the BoD through which, each year the Group's risk appetite is defined. This process entails **risk identification**, a structured and dynamic approach that involves the BoD and top management of the Group, with a view to **identifying, controlling and managing current and emerging risks**, also in adverse and forward-looking scenarios (3 years).

In 2019, in particular, we identified **social and environmental risk factors** from those that are becoming increasingly important for the business and we paid specific attention to the management and development of human capital.

The consideration of these factors is added to the **monitoring of specific areas<sup>16</sup> of company reputation** through qualitative/quantitative parameters, integrated with

the "sentiment" component gathered from the Internet thanks to the use of artificial intelligence and machine learning tools.

**Continuous risk monitoring and control is** accompanied by a timely and periodic flow of information to the BoD and the organisational units involved in risk management, and by the continuous improvement of risk measurement models.

Members of the BoD and Group employees also receive training, with a view to **spreading and promoting a sound and robust risk culture**, encouraging better awareness of important topics such as operating risk, compliance, safety, the administrative responsibility of banks, MiFID legislation, anti-money laundering, occupational health and safety and work-related stress.

<sup>15</sup> For a detailed overview of the risk management system, refer to the relevant section of the Consolidated Financial Statements - Section E of the Notes

<sup>16</sup> The areas monitored regard Regulatory Affairs, the perception of the financial markets, observance of the mission and of ethical principles, the litigation/sanctions area and that regarding IT/services.

# MATERIALITY ANALYSIS 2019

## HOW DID WE IDENTIFY THE MATERIAL TOPICS?<sup>17</sup>

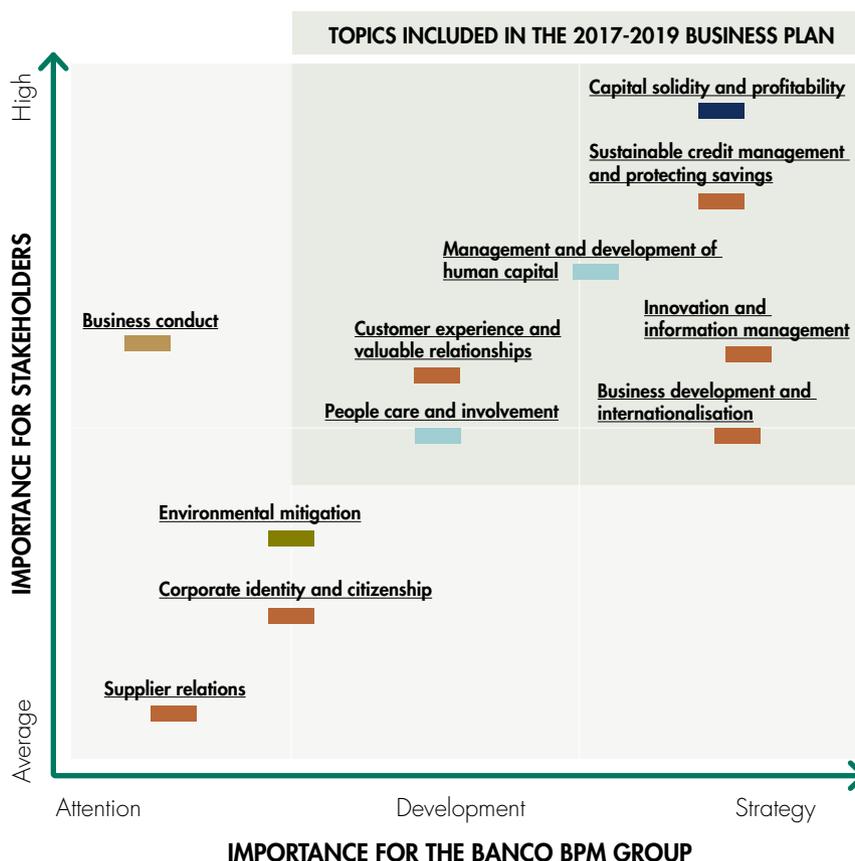


2018 topics identified by interviewing top management, analysing the context and the main requirements of analysts and investors regarding sustainable investing



Update, in 2019, of the main requirements regarding sustainable investing and UN goals (SDG)

- ECONOMIC TOPICS
- SOCIAL TOPICS
- ENVIRONMENTAL TOPICS
- PERSONNEL TOPICS
- TOPICS REGARDING THE FIGHT AGAINST CORRUPTION



## WHAT HAS CHANGED WITH RESPECT TO 2018?

- We have added the **topic of capital solidity and profitability** which are extremely **important in 2019** following 2 years of intense work on integration and reorganisation.
- For topics related to customers, we chose to:
  - **separate** the business part (protecting savings and sustainable credit management) from the relational part (customer experience and valuable relationships);
  - **improve** the part on innovation with content on working methods, data management, IT Security and privacy (innovation and information management);
  - **confirm** the focus on enterprises.
- With regard to **employees**, following the company reorganisation, greater attention has been paid to the wellbeing of our people (People care and involvement) and to their development (Management and development of human capital, which also considers trade union relations).
- **Support to the community** has been considered a distinguishing feature of our identity.
- **We confirm our focus on topics relating to suppliers, to company conduct and our growing commitment to the environment.**

<sup>17</sup>The identification of the material topics takes into account internal and external analyses and is consistent with Legislative Decree 254/2016 and the topics envisaged by the international framework of the Sustainability Accounting Standard Board (SASB).



02

TOGETHER  
TO CREATE  
VALUE



€ **4** OVER  
**BILLION**

ECONOMIC VALUE  
GENERATED

of which 70% distributed to our people, to our suppliers, to the public administration, to our shareholders, to our community and to the environment

**14.56%**

the phased-in  
CET 1 ratio

compliance with the minimum capital requirement of 9.315% requested by the ECB

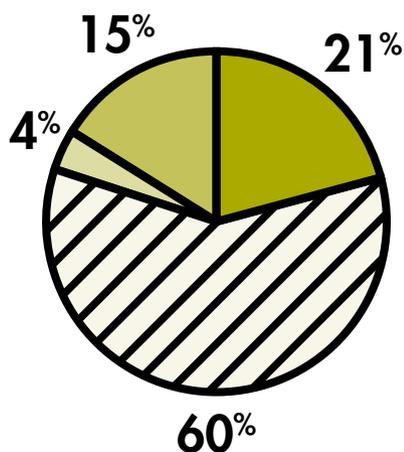


# ECONOMIC VALUE GENERATED AND DISTRIBUTED

We generate economic value, which is distributed among our main stakeholders, namely to those parties that influence the Group's business activities.

**In 2019, the economic value generated rose by 27% compared to 2018** mainly due to lower adjustments to receivables.

**Over 70% of this value is distributed to our stakeholders**, mostly to our employees, partners and suppliers as shown in the graph<sup>1</sup>.



	2019	2018
Interest and similar income	2,514	2,862
Interest and similar expense (-)	(516)	(569)
Fee and commission income	1,871	1,950
Fee and commission expense (net of the costs of external networks) (-)	(148)	(106)
Dividends and similar income	70	52
Profits (losses) on trading	(178)	(96)
Profits (losses) on hedging	7	(3)
Profits (losses) on disposals or repurchases	338	(112)
Profits (losses) on other financial assets and liabilities measured at fair value through profit and loss	110	(18)
Net losses/recoveries on credit risk	(722)	(1,679)
Profit/loss from contractual amendments without derecognitions	(2)	(2)
Other operating income/expense	338	701
Profits (Losses) on equity investments (the share of "profits/losses on disposals")	(1)	171
Profits (Losses) on disposal of investments	334	3
Profit (Loss) after tax from continuing operations	-	1
<b>TOTAL ECONOMIC VALUE GENERATED</b>	<b>4,015</b>	<b>3,155</b>
<b>TOTAL ECONOMIC VALUE DISTRIBUTED</b>	<b>2,819</b>	<b>2,920</b>
<b>TOTAL ECONOMIC VALUE RETAINED</b>	<b>1,196</b>	<b>235</b>

Compared to 2018, **the amount distributed to shareholders (€ 121 million)** is worth noting, due to the proposed dividend of € 0.08 per share<sup>2</sup> **as well as that distributed to the public administration of € 434 million** (mainly for contributions paid to deposit guarantee schemes and resolution mechanisms).

**Around 30% of the value generated was retained** to further strengthen the Group's equity.

- SUPPLIERS
- /// EMPLOYEES AND PARTNERS
- SHAREHOLDERS
- PUBLIC ADMINISTRATION

<sup>1</sup> The graph does not consider the amount of € 16 million relating to the profits recorded by subsidiaries that are not wholly owned and **the amount distributed to the community and to the environment of € 6 million** which, with regard to the contribution illustrated in the chapter entitled "Corporate identity and citizenship" is based on the accruals principle, and the **profit allocated to the Charity Fund (€ 4 million)** and does not consider social sponsorships, recorded in a different item of the income statement.

<sup>2</sup> The distribution of profits will be submitted to the Shareholders' Meeting planned for 4 April 2020.

# CAPITAL SOLIDITY AND PROFITABILITY

Solidity and profitability are fundamental for any enterprise, particularly for a bank that must be able to protect the savings of its customers also in difficult times<sup>3</sup>. This is why we focus on generating profits that can meet the expectations of our main stakeholders over time, as well as guaranteeing long-lasting financial equilibrium<sup>4</sup>

## MANAGEMENT MODEL

### ECONOMIC AND EQUITY MANAGEMENT

Planning of income and equity targets and measurement and management control and results

### FINANCIAL EQUILIBRIUM

Guarantee of solvency and stability and efficient management of financial assets

During the year the 2016-2019 Business Plan was completed, achieving **important milestones in terms of capital solidity and reducing structural costs<sup>5</sup>**.

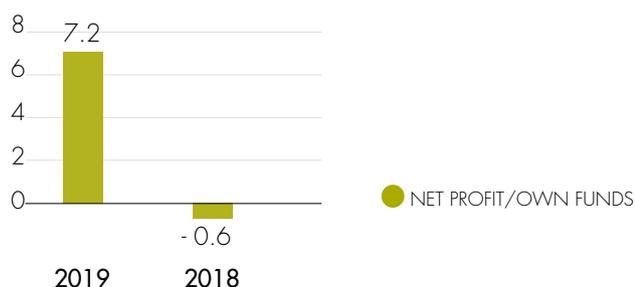
<sup>3</sup> For further details refer to the website of the European Central Bank

<sup>4</sup> Further details on the economic, capital and financial management of the Group, as well as on the identification and management of the relative risks are available in the Annual Financial Report of the Banco BPM Group.

SHARES	STARTING POINT	2019 TARGET	RESULTS ACHIEVED
DERISKING AND IMPROVEMENT OF CAPITAL SOLIDITY	Net NPE ratio: 15.7% Texas Ratio: 162% CET 1 Ratio FL: 12.3%	Net NPE ratio: 11.1% Texas Ratio: 114% CET 1 Ratio FL: 12.9%	Net NPE ratio: 5.2% Texas Ratio: 52% CET 1 Ratio FL: 12.8%
RATIONALISATION AND STREAMLINING	Branches: 2,417 Workforce: 25,073 Operating expenses: € 3,086 million	Branches: 2,082 Workforce: 22,560 Operating expenses: € 2,858 million	Branches: 1,727 Workforce: 21,941 Operating expenses: € 2,604 million

## ECONOMIC MANAGEMENT

ROTE (IN %)



We recorded a **net profit of € 797 million** (€ 1,019.7 million before income tax and system expenses) in 2019, against a loss of € 59 million in 2018, also thanks to **careful cost management**, particularly administrative expenses. Income from operations, down compared to 2018, reflected the low interest rates.

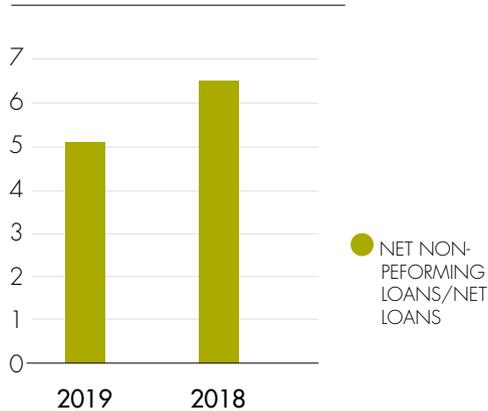
<sup>5</sup> Further details on the targets and results relating to the capital solidity and profitability of the Group are available on our web site.



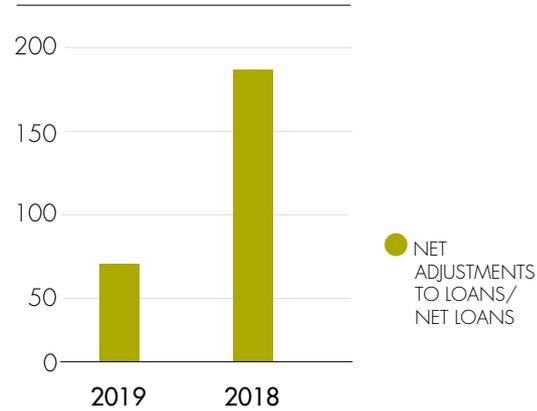
## CAPITAL SOLIDITY AND FINANCIAL STABILITY

During the year, efforts continued to **reduce non-performing loans** leading to **lower borrowing costs** and **capital strength**. These results led to a low credit risk ratio and to comply surpassing the minimum capital requirements of the ECB.

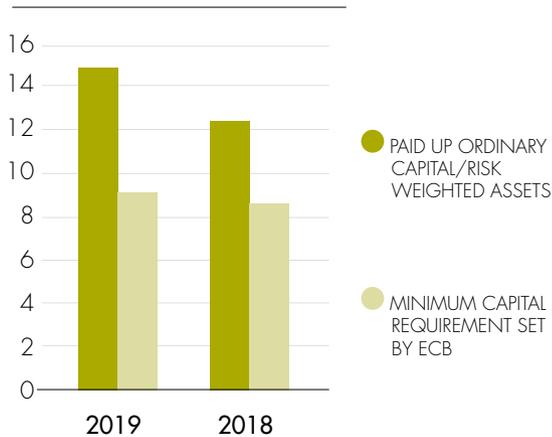
### NET NPE RATIO (IN %)



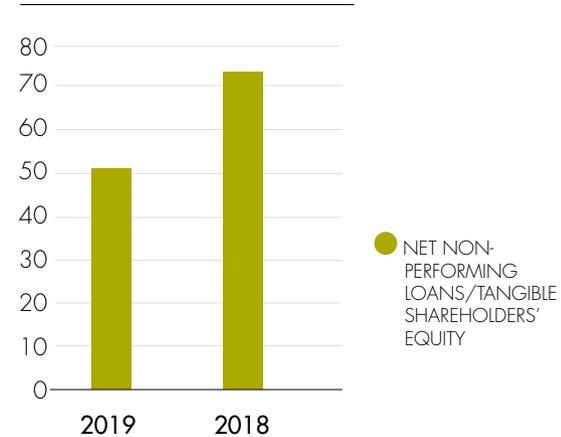
### COST OF CREDIT (IN BASIS POINTS)



### PHASED-IN CET 1 RATIO (IN%)



### TEXAS RATIO (IN %)



### ANALYSTS THAT HEDGE THE SECURITY

Banca IMI, Bank of America Merrill Lynch, Berenberg, Citigroup, Deutsche Bank, Equita, Exane BNP Paribas, Fidentiis, Goldman Sachs, HSBC, Intermonte, JP Morgan, KBW, Kepler Cheuvreux, Mediobanca, Morgan Stanley, UBS.

### BANCO BPM RATING AT 31 DECEMBER 2019

	LT on deposits	ST on deposits	Outlook	Trend	Latest updates
Moody's Investors Service	Baa 3	P-3	Stable		28 May 2019
DBRS	BBB	R-2 (high)		Stable	21 November 2019

# THE 2020-2023 STRATEGIC PLAN

**In the past three years, we have completed a complex reorganisation**, combining operational integration and corporate simplification with de-risking and business focus measures, **we have generated solid capital and distributed over € 8 billion of our economic value to our main stakeholders.**

Today these results represent the foundation to fully achieve our potential, to permit an efficient relaunch of the business and to play a role of key player in Italy's economic and social system. In this regard **the 2020-2023 Strategic Plan<sup>6</sup> represents our commitment to creating solid and sustainable value:**

<sup>6</sup> Further details on the 2020-2023 Strategic Plan are available on our [web site](#).



## SUSTAINABLE BUSINESS DEVELOPMENT

---

### INITIATIVES

**Optimise savings** also with ESG products and **strengthen customer relations**

**Solutions for sustainable** business development and for the purchase/renovation of property to achieve energy efficiency

### PICTURE OF SUCCESS

**€ 30 billion** AUM with ESG criteria and **€ 1 billion** ESG investment certificates

#### Language Project

R-Evolution for simplified and effective communication

#### ESG-driven lending policies

**40** new specialists dedicated to enterprises

**€ 8 billion** in loans for sustainable business development, the development of start-ups, companies in the non-profit sector and green property solutions

**€ 10 billion** in placements of Banca Akros ESG bonds

## PEOPLE STRATEGY AND EFFICIENT OPERATING MODEL

---

### INITIATIVES

**Investments in training**, in wellbeing and for inclusive leadership

**Digital solutions**, technological investments and efficient commercial structure

### PICTURE OF SUCCESS

**700,000** training days and 100+ workshops to share the vision

**3,000** colleagues involved in inclusion and diversity projects

**200,000** smart-working days

**€ 600 million** in IT investment of which € 250 million in the digital sector

**+30%** highly automated branches and paperless transactions

Reduction of 200 branches

## GOVERNANCE, PROFITABILITY AND CAPITAL SOLIDITY

---

### INITIATIVES

**Effective** sustainability governance

Generation of **economic value**,  
improvement of **asset quality** and  
maintenance of high **capital solidity**

### PICTURE OF SUCCESS

**Oversight of sustainability** at board and managerial level

**Integration** of guidelines, values and ESG metrics

**Remuneration** of executives linked to ESG targets

income of **€ 4.4 billion**  
net profit of **€ 783 million**  
Cost/income of **59%**  
RoTE of **7.2%**  
Net NPE ratio of **3%**  
Cost of risk of **51 b.p.**  
CET 1 ratio FL of **12.5%**

## COMMUNITY AND ENVIRONMENT

---

### INITIATIVES

**Citizenship**, financial awareness and support for young people, schools and scientific research

**Rating, certification and environmental mitigation**

### PICTURE OF SUCCESS

**€ 20+ million** for social and environmental initiatives and for 200 local schools

**12,000 hours** of voluntary work

**300 meetings** on financial awareness

Training and job opportunities for **200 NEETs**

**5,000 researchers** sustained  
(60% women, 50%+ under 40)

**Rating A CDP** and ISO certification for H&S, energy and environment

**100%** energy from renewable sources and 27% reduction of CO<sub>2</sub>



# 03

# TOGETHER WITH OUR CUSTOMERS



**3,8** **MILLION**  
customers

**1,800**  
branches  
in Italy

**€60** over  
**BILLION**  
OF LOANS TO OUR  
BUSINESSES

**€2.6**  
**BILLION**  
of customer assets  
managed *sustainably*



# PROTECTING SAVINGS AND SUSTAINABLE CREDIT MANAGEMENT

Collecting savings and granting loans are fundamental activities for a Group like ours and represent the two different sides of a bank's character. Without gaining the trust of savers over time, we could not fund the projects of individuals and businesses, just like without carefully and prudently assessing creditworthiness, we could not guarantee the necessary solidity.



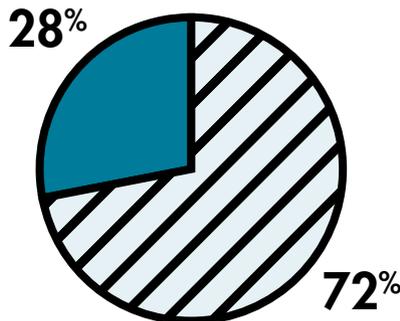
## PROTECTING SAVINGS

Providing the best service to meet our customers' objectives in terms of optimising their assets in accordance with their risk appetite.

## SUSTAINABLE CREDIT MANAGEMENT

Putting credit strategies and policies in place, with a view to granting loans to creditworthy customers, seeking to optimise the risk-return ratio.

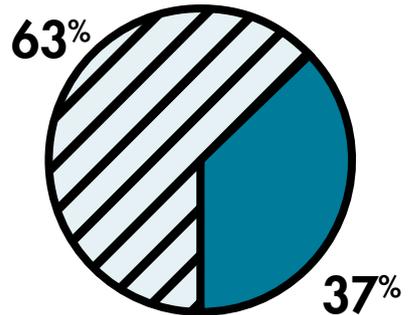
### GROUP LIABILITIES AT END OF 2019



CUSTOMER SAVINGS  
 FINANCIAL LIABILITIES AND OTHER LIABILITIES

Customer deposits represent our main source of funding and are mainly used to sustain people and the real economy.

### GROUP BUSINESS ACTIVITIES AT END OF 2019



LOANS TO CUSTOMERS  
 FINANCIAL ASSETS AND OTHER ASSETS

## PROTECTING SAVINGS

We make specialist facilities, a diversified range of products, personalised consultancy and the opportunity to explore a number of topics in greater depth available to our customers.

Our Code of Ethics envisages a clear commitment in this regard: *"The products and services offered to customers must respond to their actual needs. The use of elusive, vexatious practices or methods aimed at influencing their judgement or behaviour is not permitted. **Customers must be given clear and comprehensive information** on the products and services offered and the relative conditions applied, in order to facilitate understanding and promote **informed decisions**".*

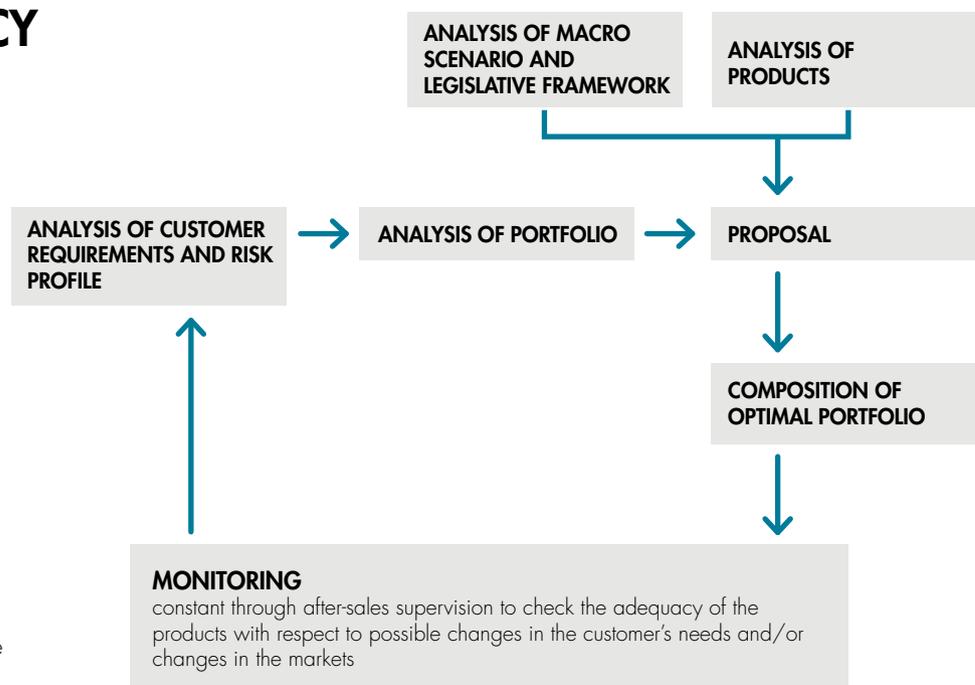
The consultancy model adopted starts from

analysis of the customer's need and becomes a continuously evolving process.

In an environment characterised by continuous change, the objective of our consultancy is to create optimal portfolios which, with solid and quantitative bases, can be diversified, while safeguarding their equity at the same time by monitoring risk and obtaining returns in line with the values of the economy.

In 2019, we **strengthened our consultancy model**, which led to a percentage of customer portfolios with an active consultancy agreement proportionate to their risk profile of just under 90%, reflecting the high quality of this model. The remaining 10% can be considered "physiological" insofar as it depends on various factors such as customers making decisions independently or maintaining securities purchased in the past and no longer in line with an optimal composition.

## CONSULTANCY MODEL



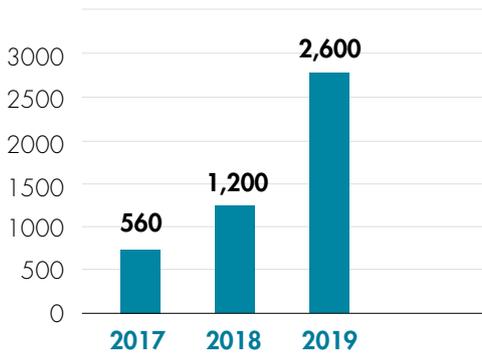
Creating a virtuous cycle between savings and sustainable assets is a crucial issue for financial consultancy with the aim of contributing to a sustainable development model.



Banco BPM has been committed to “sustainable” savings issues for years, and in 2000 was one of the founding members of *Etica Sgr*, the first asset management company in Italy to specialise in responsible investments. Over the years, the partnership has flourished, and has led the Group to extend the offer of products that meet ESG and SRI criteria, also through the proposals of other major Italian and foreign asset managers.

This attention is reflected in the growth trend of the assets held by our customers invested in ESG and SRI products which, at the end of 2019, was approximately € 2.6 billion.

**CUSTOMER ASSETS MANAGED WITH ESG/ SRI CRITERIA (IN € MILLION)**



The SRI funds of *Etica Sgr* and *Eurizon Sgr* are included in the offer. Over the course of the year we have added further UCITS (Undertakings for collective investment in transferable securities) managed by highly experienced asset managers.

**ESG AND SRI CRITERIA**

**SRI CRITERIA (SUSTAINABLE AND RESPONSIBLE INVESTMENT)**

Investment approach that uses negative or positive filters, best in class, thematic investments or impact investing, ESG integration.

**ESG CRITERIA (ENVIRONMENTAL, SOCIAL, GOVERNANCE)**

Approach which, beyond the financial aspect, considers the level of innovation, energy efficiency, relations with social parties, management quality and the level of transparency within a company.

The extension of the offer regarded two new products: **GIS Cedola Risk Control Longevity**, with shares in companies able to seize the opportunities resulting from the increased life expectancy in developed countries and **Anima Investimento ENG 2025**, whose shares relate to companies that operate in sectors linked to the wellbeing of new generations.

The offer also includes the Unit-Linked policies of *Vera Financial*, whose underlying assets are Funds of *Etica Sgr*. With regard to personalised consultancy, direct discussions with customers has led to the inclusion of restrictions to select products managed with ESG/SRI criteria in several mandates of individual portfolios of institutional customers. The monitoring of the portfolio focuses on ensuring compliance with these restrictions.

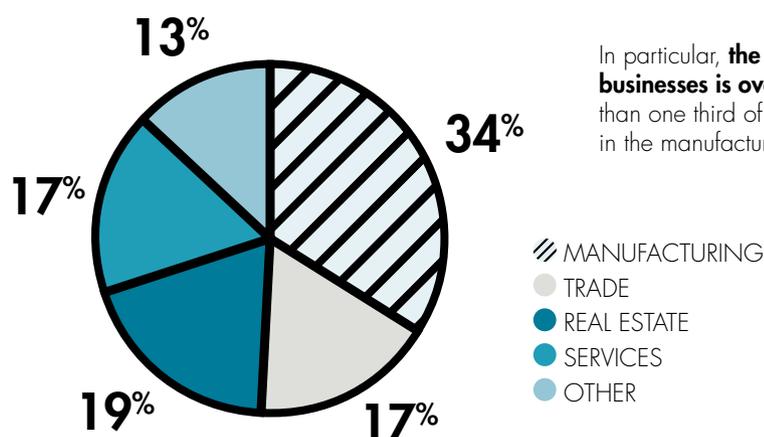
In an environment that is changing continuously and rapidly, it is increasingly important to be informed when making complex economic and financial decisions. This is why we contribute to enabling our customers to make informed investment decisions.

**In 2019, efforts continued to increase awareness of economic and financial issues** and several meetings also covered the specific topic of responsible investments. **Numerous different initiatives** were organised, including **23 branch workshops in 14 cities**, also open to non-customers, **attended by over 1,400 people**.

In addition to these events, we also arranged conferences, in which Group colleagues participated as speakers, attended by market operators, customers, journalists and students.

## SUSTAINABLE CREDIT MANAGEMENT

### LOANS TO BUSINESSES BY MACRO-SECTOR



The analysis of the proposals and the policies set in place for the award of credit seek to optimise the risk-return ratio, also in the future. This is why we have sought to grant loans to deserving businesses that operate in sectors with interesting potential, such as "Made in Italy", businesses with a vocation for exports and which focus on investment and innovation.

More specifically, as well as considering the current and expected future economic performance of the sector they belong to, the assessments also look at pre-financial information, such as the characteristics of the management, transparency, the quality of the offer, reputation, supplier relations and, for larger

We have created specific organisational procedures to implement and pursue credit strategies and policies, to assess the granting of new credit taking the risk profile of the counterparty into account and to monitor and manage credit already granted.

At the end of 2019, total loans to customers amounted to over € 104 billion<sup>1</sup> and represented over 60% of the Group's assets.

In particular, **the stock of loans to businesses is over € 60 billion**, more than one third of which is concentrated in the manufacturing sector.

transactions, any aspect that could have a negative impact on the Group's reputation.

Following the **approval of the new guidelines for 2020** and anticipating that indicated in the EBA consultation paper, we now include ESG criteria for the assessment of businesses in our credit policies, which were already in line with our sustainable development objectives as regards industrial innovation and domestic growth.

Specific policies have been drawn up for **green lending** and in particular for the real estate sector, with a view to seizing all opportunities relating to the construction and redevelopment of real estate based on environmental sustainability criteria.

<sup>1</sup> The figures for loans refer to performing loans.



OVER  
**€27 BILLION**  
 personal loans

approx. 90%  
 for residential  
 mortgages

Loan transactions in the **defence industry**, which in any event represent a residual part of regular credit activities, are carefully evaluated to ensure that they do not conflict with our values and are approved directly by the Board of Directors, even in the cases of amounts ordinarily below this level of approval.

With regard to **personal loans**, in 2019, the stock of loans was over € 27 billion (+2.9% against 2018), almost 90% of which regard residential mortgages. As far as other types of lending are concerned, Banco BPM provides extensive advice in the selection of **personalised loans**, making the customers aware of their ability to honour current and future repayments.

As well as ordinary loans, the Group also operates in the **subsidised loans sector** (through public subsidies or the use of funds obtained at discounted rates), aimed at reducing credit risk and facilitating access to credit.

Type of loan	Number of transactions in place at end of 2019	Number of transactions in place at end of 2018	Stock of loans at end of 2019	Stock of loans at end of 2018
Loans subsidised by <b>PUBLIC GUARANTEES</b>	18,648	15,071	€ 4.1 billion	€ 2.9 billion
Loans subsidised by <b>CONFIDI guarantees</b>	12,224	15,853	€ 0.7 billion	€ 0.8 billion
Loans granted with the use of <b>SPECIAL FUNDS</b>	11,119	11,919	€ 2.2 billion	€ 2.1 billion
Loans subsidised by <b>CONTRIBUTIONS TO INTEREST ACCOUNTS</b>	4,541	4,947	€ 0.5 billion	€ 0.5 billion
<b>TOTAL</b>	<b>46,532</b>	<b>47,790</b>	<b>€ 7.5 billion</b>	<b>€ 6.3 billion</b>

### ANTIUSURY ASSOCIATIONS

- ✦ Fondazione Adventum Onlus
- ✦ Fondazione Beato G. Tovini
- ✦ Associazione Baccarato Antiusura Onlus
- ✦ Ambulatorio Antiusura Onlus
- ✦ Adiconsum
- ✦ Fondazione Salus Populi Romani
- ✦ Fondazione San Giuseppe Moscati
- ✦ Fondazione Wanda Vecchi Onlus

As regards private individuals and businesses, for borrowers who are undergoing periods of difficulty yet present otherwise positive economic prospects, **we assess the implementation of forbearance measures that enable borrowers to benefit from a reduction/deferral of the commitments assumed** (e.g. suspension of payments for a certain period, extension of the amortisation period and refinancing to enable the recovery and growth of the assets).

**At the end of 2019, the value of these measures was almost € 7 billion, with 86% referring to businesses.**

As regards non-performing loans, we are committed to finding win-win solutions with our customers in difficulty, avoiding the instigation of legal proceedings for the enforcement of loan guarantees.

At Group level, **the stock of non-performing loans fell from approximately € 12 billion at the end of 2018 to around € 10 billion at the end of 2019**, thanks to the sale of loans "without recourse" (approximately € 1 billion) and management and recovery conducted also through mediation activities.

In 2019, we maintained our partnerships with **Anti-usury Foundations**, which guarantee up to 100% of the amount of the loan disbursed (generally no higher than € 30,000) usually designed to support the most important needs (e.g. payment of utility bills, rent arrears, tax bills, etc.). At the end of 2019, eight agreements with Anti-usury Foundations were in place, during the year 188 transactions were completed for a total of 580 guaranteed transactions and an amount of approximately € 8 million.

We also launched specific measures for individuals and businesses affected by disastrous events, such as granting mortgages at **discounted rates** to businesses affected by the collapse of the "Ponte Morandi" bridge in Genoa (August 2018) as well as offering preferential rates on loans to the communities affected by the earthquake in central Italy in 2016.

€ **7** BILLION

FORBEARANCE MEASURES

86% to businesses



 MAIN RISKS	 MANAGEMENT METHODS/POLICIES ADOPTED
POOR FINANCIAL KNOWLEDGE IN A COMPLEX AND EVER-CHANGING ENVIRONMENT	Financial education initiatives for customers and in communities also involving employees
FINANCIAL PRODUCT MIS-SELLING	Evaluation of effective needs, objectives and risk appetite of customers before the proposal and sale of financial products
CREDIT AND OVER INDEBTEDNESS	<p>Assessment of creditworthiness and the risks of the loan granting process, and the clear distinction of the roles of loan proposer and decision-maker</p> <p>State-of-the-art credit risk assessment model and measurement metrics</p> <p>Verification of the customer's capacity to repay the debt</p> <p>Monitoring of credit and mediation initiatives to enable customers in temporary financial difficulty to meet their commitments</p>
MISCONDUCT BY COMMERCIAL PERSONNEL AND OPERATING RISKS	<p>Rules of conduct set forth in the <u>Code of Ethics</u> and internal regulations relating to the conduct of personnel towards internal and external counterparties and in commercial operations</p> <p>Definition, within the new network model, of new specific roles of regional departments and branches as an integral part of the control process to monitor operating risks</p>

# CUSTOMER EXPERIENCE AND VALUABLE RELATIONSHIPS

We work for our customers adopting a model that combines efficiency and local supervision, by offering a range of products, services and initiatives able to meet not only the financial needs of individuals, professionals, businesses and other organisations.

With a view to fostering a reciprocal relationship that ensures the long-lasting satisfaction of our customers, as indicated in our Code of Ethics, we pursue **"criteria of proactivity, courtesy, transparency, collaboration and listening, providing adequate, complete and timely information"** and handling any complaints with delicacy as they represent an opportunity for improvement, to overcome conflict and to increase the customer's trust and satisfaction.

## MANAGEMENT MODEL

### EFFECTIVE RELATIONAL MODEL

Omnichannel service model that guarantees continuous supervision and efficiency

### VALUABLE SOLUTIONS AND EXPERIENCES

Commercial offer accompanied by initiatives and services that are not just financial

### ASSESSING AND MANAGING CUSTOMER RELATIONS

Monitoring customer satisfaction to promote actions for improvement

## WHO ARE OUR CUSTOMERS?



**3.3 MILLION INDIVIDUALS<sup>2</sup>**  
of which:

- 11% only have an online account
- 66% are aged between 46 and 65
- 51% have been customers for over 10 years



**372,000 BUSINESSES<sup>3</sup>**  
of which:

- 90% have a turnover of up to € 2.5 million
- 61% regularly use the online channel
- 40% have been customers for over 10 years



**32,000 NON-PROFIT ORGANISATIONS<sup>4</sup>**  
of which:

- 48% are associations
- 32% are entities
- 34% have been customers for over 10 years

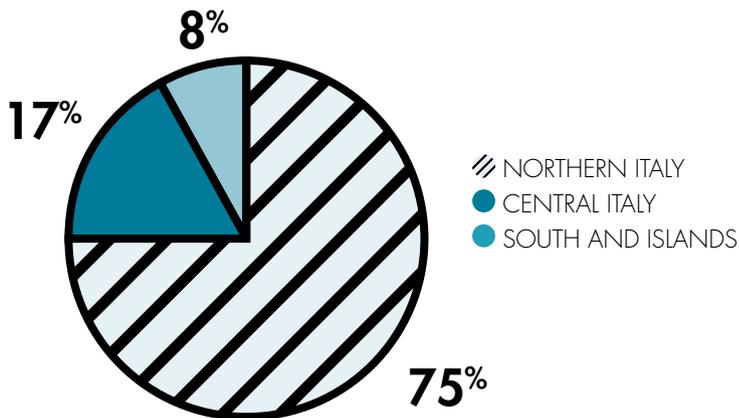
<sup>2</sup> Does not include the over 19,000 "private" customers of Banca Aletti

<sup>3</sup> Does not include the over 77,000 legal entity customers not classified as the businesses and the customers of Banca Akros

<sup>4</sup> Does not include around 2,700 customers that relate to the public sector (municipalities, schools, local public entities, etc.)



CUSTOMERS BY LOCATION



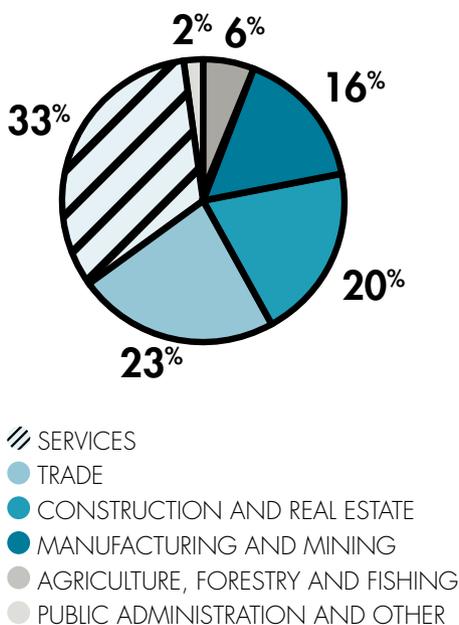
Over 2/3 of our customers live in Lombardy, Veneto, Piedmont and Emilia Romagna. This distribution, in line with 2018, reflects our presence in the regions that make the largest contribution to generating the country's wealth.

Considering our personal customers, who represent 87.6% of total customers and who receive 24.7% of the Group's loans, 49.9% are women, 7.5% are foreign citizens and 5.8% are under 25.

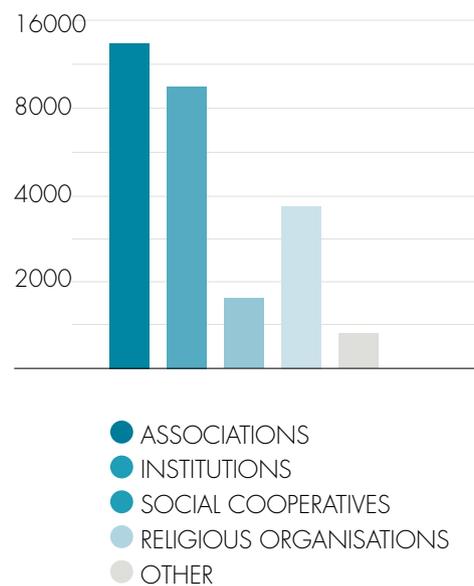
As regards our corporate customers, which received 59.4% of total loans, 1/3 operate in the service industry, particularly in housing, catering and professional, scientific and technical activities.

With regard to non-profit customers, around half are associations and specific attention is paid to religious organisations, which represent 13% of this segment, and who receive 37% of the loans to non-profit organisations.

BUSINESSES BY SECTOR



NON-PROFIT CUSTOMERS BY TYPE



## EFFECTIVE RELATIONAL MODEL

### DIGITAL CHANNEL

Access through internet banking and the APP throughout the country



### SPECIALIST CENTRES AND DEPARTMENTS:

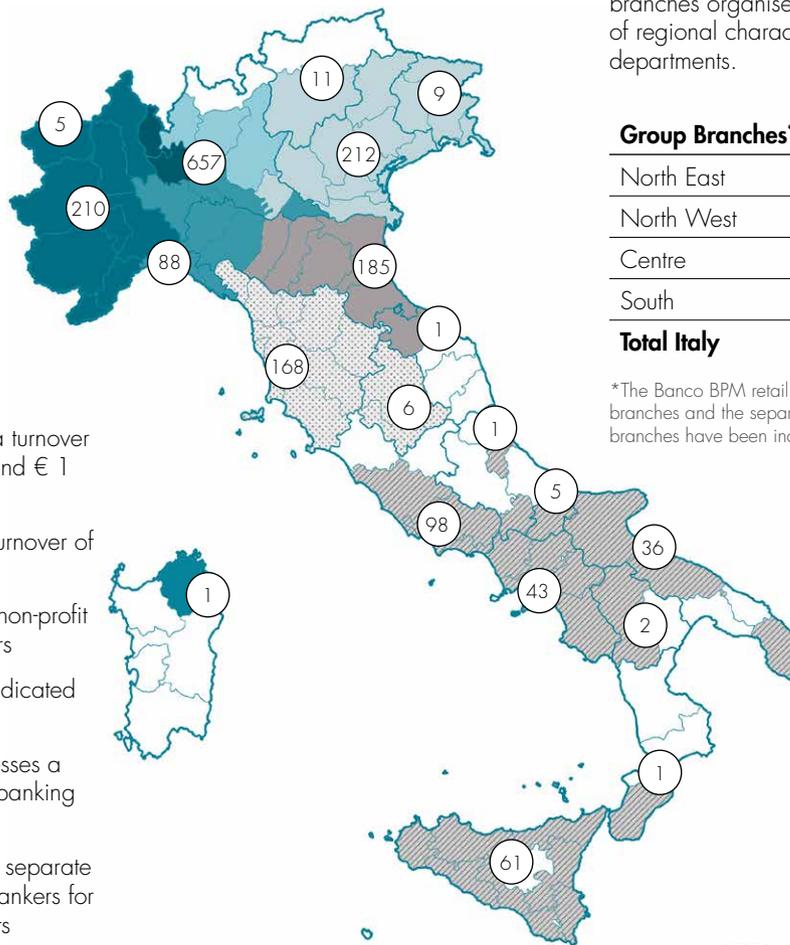
- **18 business** centres with a turnover of between € 75 million and € 1 billion
- **1 business** centre with a turnover of over € 1 billion
- **1 central department** for non-profit and public sector customers
- **3 centres** with advisors dedicated to institutional customers
- **Banca Akros** offers businesses a corporate and investment banking service
- **Banca Aletti** has 55 units, separate branches and over 200 bankers for customers with major assets
- **4 virtual** Webbank **branches** for "pure digital" customers

- NOVARA, ALESSANDRIA AND NORTH WEST
- MILAN AND LOMBARDY
- BERGAMO AND BRESCIA
- VERONA AND NORTH EAST
- LODI, PAVIA AND LIGURIA
- EMILIA ADRIATICA
- TIRRENICA
- CENTRE SOUTH

In the same province, there can be different branches that report to different Regional Departments.

### RETAIL NETWORK

**1,727 Banco BPM branches** divided into **45 areas** in turn divided into **8 Regional Departments**



Our service model combines strong regional roots with commercial effectiveness thanks to specialist centres dedicated to certain types of customer and to a network of branches organised on the basis of regional characteristics into 8 departments.

Group Branches*	no.
North East	417
North West	960
Centre	273
South	150
<b>Total Italy</b>	<b>1,800</b>

\*The Banco BPM retail branches, the Azimut branches and the separate Banca Aletti branches have been included.

## BANCO BPM

Following the completion of the commercial reorganisation, we launched the re-branding project, with the aim of promoting the Banco BPM brand throughout Italy in the coming years. The project envisages the application of decals with the Banco BPM logo on the windows of branches, starting from the areas of Milan, Bergamo, Novara, Verona, Lodi, Modena, Lucca, Florence, Genoa and the replacement of signs with local brands with the Banco BPM brand in the Centre-South area.

Banca Popolare di Crema  
 Banca Popolare di Cremona  
 Banca Popolare di Lodi  
 Banca Popolare di Milano  
 Banca Popolare di Novara  
 Banca Popolare del Trentino  
 Banca Popolare di Verona  
 Banco Popolare Siciliano  
 Banco S. Geminiano e S. Prospero  
 Banco S. Marco  
 Cassa di Risparmio di Imola  
 Cassa di Risparmio di Lucca Pisa Livorno  
 Credito Bergamasco



## VALUABLE SOLUTIONS AND EXPERIENCES

We are committed to finding solutions that can meet the needs of our customers. More specifically, in 2019 the main proposals regarded:

### NOT JUST FINANCIAL SOLUTIONS

In 2019, we continued to contribute to:

- **promoting the work of our customers** by creating and sharing advertising posters featuring our local traders (around 750 in 2019);
- **sharing a culture of financial awareness** (23 events at our branches involving over 1,400 participants), **the economy and society** (14 local events that involved 530 business men and women and 58 "meetings with the author" that involved around 11,000 people), also with the active participation of our Brand Ambassadors at almost 400 local events.

### PEOPLE

- **Mortgage loans for the purchase of a first home for young people aged under 35** facilitating the use of the Fondo Prima Casa managed by Consap
- **Advance payment of TFS (end of service indemnity) for all retired** Public Administration employees
- Measures to **encourage the granting of loans** that can be repaid with personal salary/pension-backed loans, which otherwise could not be funded
- Campaigns on the **awareness and prevention of potential risks** to health (serious illnesses/non self-sufficiency), on conduct (new technologies and safe driving styles) and on the protection of real estate (in the event of a natural disaster).

### BUSINESSES

- Loans for the **energy efficiency of buildings** and initiatives to promote environmental sustainability<sup>5</sup>
- Campaigns on the **awareness and prevention of potential risks** on the protection of equity, company assets, employees and partners
- Loans to fund **investment, R&D and innovation programmes of SMEs** with a focus on young farmers and on action to safeguard the climate.

### VOLUNTARY SECTOR

- **Renewal of partnerships** with the Catholic Ecclesiastical Bodies, the ACLI, the Italian Federation of Pre-Schools and the network of social cooperatives belonging to the Consorzio CGM, CGM Finance and COESI Servizi
- **"Meeting" line dedicated to the Voluntary Sector** (e.g. 5x1000 advances, unsecured and mortgage loans, advances on receivables from and the contributions of the PA).

<sup>5</sup> For further details, please refer to the Chapter entitled "Environmental mitigation".

## ASSESSING AND MANAGING CUSTOMER RELATIONS

We monitor **the quality of customer relations** through customer satisfaction surveys and by carefully examining complaints, both of which help us to plan and implement actions for improvement thanks to the involvement of various company departments.

In 2019, **Customer satisfaction surveys involved over 218,000 customers** individuals, businesses and professionals (+61.5% compared to 2018). The results indicated an **overall rise in satisfaction** in all regions we operate in: Banco BPM's TRI\*M indicator<sup>6</sup> of 67 is indeed 2 points higher than 2018.

We have tested the **customer experience** of 33,000 individuals and 2,700 SMEs, with specific regard to satisfaction and the ease of use of various commercial processes (from mortgage loans to buying securities, from cash transactions to organising bank transfers, etc.) with a view to improve existing processes and products. **Around 3,600 mystery shopping visits to branches** were also conducted, which confirmed a good level of service, with particular regard to the relational aspect.

# +61%

customers involved

in customer satisfaction surveys

As regards **complaints received**<sup>7</sup>, 89% of disputes regarded the banking sphere, specifically loan products and current accounts. In any event, we recorded a decrease in these types of dispute against last year, and in the total number of complaints.

<sup>6</sup> The TRI\*M is a numerical index from 0 to 100, which considers the evaluations of customers as regards overall satisfaction, likelihood to recommend, likelihood to repurchase and convenience. Satisfaction as regards products, reputation, branch service, web channels and any problems encountered are also surveyed.

<sup>7</sup> The figures on complaints do not consider those relating to reporting to Intermarket Diamond Business S.p.A. by customers interested in purchasing diamonds. These include 22,566 complaints in 2019 (of which 545 are being handled and 22,021 have been processed). For these cases, as in 2018, the Bank examines complaints raised by customers on a case-by-case basis, speaking with the same and with the Consumer Associations. For further details, please refer to the Annual Financial Report.

COMPLAINTS AGAINST THE GROUP	2019	2018	Change
<b>Complaints received</b>	<b>7,251</b>	<b>7,861</b>	<b>-7.8%</b>
- of which relating to banking	6,450	7,017	-8.1%
- of which relating to investment	628	732	-14.2%
- of which relating to insurance	173	112	+54.5%
<b>Complaints processed</b>	<b>7,480</b>	<b>7,882</b>	<b>-5.1%</b>
- accepted	2,454	2,418	+1.5%
- partially accepted	1,709	1,870	-8.6%
- rejected	3,317	3,534	-6.1%
<b>Processing time (average no. of days)</b>			
- for banking services	20	19	+5.3%
- for investment products	33	29	+13.8%
- for insurance products	28	25	+12.0%



### MAIN RISKS

POSSIBLE DETERIORATION OF CUSTOMER RELATIONS



### MANAGEMENT METHODS/POLICIES ADOPTED

Offer of not just financial solutions, continuous monitoring of the quality of customer relations and involvement of customers when developing products and services and in actions for improvement.



# INNOVATION AND INFORMATION MANAGEMENT

We tackle the challenge of digital transformation through extensive investment, organisational, legislative and procedural oversight, but above all through the training and involvement of employees and customers who are directly affected by significant change.

Banca BPM's **Progetto.DOT** (Digital Omnichannel Transformation) addresses the development of customer services from an omnichannel perspective, of digital platforms and of the operating model. In parallel, attention is directed towards the **management of data and information**<sup>8</sup>, through adequate security measures, at different levels depending on the type of data/information, and of the protection of privacy in line with the European Privacy Regulation (GDPR).

The pervasive spread of a digital culture and a new way of smart working represent the core aspects of this project. Digital transformation and innovation require the **smart organisation of work and of business activities** that takes into account continuous changes, training, internal and external interaction and constant assessment of the effectiveness of the solutions offered.

## MANAGEMENT MODEL

### LISTENING TO AND INVOLVING CUSTOMERS AND EMPLOYEES

Listening to customers and interpreting their needs through inter-departmental dialogue

### BUSINESS INNOVATION

Developing solutions by testing services, receiving feedback from users and continuous internal and external dialogue

### TRAINING AND CULTURE

Creating a digital culture, smart working and data protection

### DATA GOVERNANCE, GDPR AND IT SECURITY

Managing data and information while protecting privacy, security and business continuity

<sup>8</sup> We have adopted specific internal regulations for privacy, IT security, business continuity, the protection of logical access and of IT resources, management of incidents and of IT fraud, corrective measures for the security and management of storage and data extraction devices.

## SMART ORGANIZATION: LISTENING, INNOVATION AND TRAINING

### ENABLING FACTORS

**LISTENING TO CUSTOMERS AND EMPLOYEES INTELLIGENTLY**

**TRAINING, DEVELOPMENT AND SHARING A DIGITAL CULTURE**

**AVAILABILITY, INTEGRITY AND PROTECTION OF DATA AND INFORMATION**

### ACTIONS

**NEW METHODS FOR LISTENING TO AND INTERPRETING THE "VOICE OF THE CUSTOMER" AND FOR INTERACTION**

**REVIEW OF WEB AND MOBILE CHANNELS AND INTRODUCTION OF NEW FUNCTIONS**

**AS REGARDS DATA GOVERNANCE, GDPR AND IT SECURITY: ORGANIZATIONAL AND TECHNOLOGICAL OVERSIGHT, AD HOC POLICIES AND PROCEDURES, TRAINING**

### RESULTS

**COMMUNITY OF 2,500 CUSTOMERS AND 300 BRAND AMBASSADORS FOCUSED ON DIGITAL TOPICS TO CO-CREATE NEW SOLUTIONS AND 10 CUSTOMER RESEARCH PROJECTS**

**5,000 PEOPLE INVOLVED IN WORKSHOPS AND TRAINING**

**61% OF CUSTOMERS PERFORM TRANSACTIONS ON DIGITAL CHANNELS**

**75% OF TRANSACTIONS PERFORMED ON REMOTE CHANNELS**

**0 EPISODES WITH A RELEVANT LOSS OF DATA AND UNAUTHORISED ACCESS**

**21,000 EMPLOYEES TRAINED IN GDPR PRIVACY**

**7,500 EMPLOYEES TRAINED IN CYBER SECURITY (IVASS SCOPE)**

A **smart working** approach is part of a smart organisation, the aim of which is to encourage the achievement of objectives and solutions, effective inter-departmental solutions, autonomy and flexibility. This approach has been adopted since 2017 by employees directly involved in the Progetto.DOT and in 2019, over 27,000 training hours were carried out for all employees of central departments (around 2,200 professionals).



Again in 2019, we invested in the **digital channel**<sup>9</sup>, which is increasingly popular with our customers:

✦ The number of **individual customers** that use the online channel is around 65% of those enabled, and 77% of transactions are performed through remote channels, a large share of which on mobile phones (41% of online transactions). One of the new digital features for 2019 is an online showcase of credit and insurance products with the opportunity to conduct simulations; the graphics and browsing models of Group websites have been updated with the aim of making browsing more user-friendly and better meeting requirements; biometric authentication (with digital fingerprints or facial recognition); the completion of mobile payment services (Samsung Pay, Google Pay and Apple Pay)

✦ Our **corporate customers** are also becoming increasingly digital: the businesses that actively use the online channel represent 72% of those enabled and the transactions performed on remote channels have reached 69% of the total. Since 2019, businesses can benefit from a new layout of the web portal, as well an update of the major functions, especially smart lending, namely the opportunity to know the amount and conditions of a loan online, to make simulations and to proceed with the application.

<sup>9</sup>Data on the digital channel refers to Banco BPM accountholders only and considers the number of transactions performed in the last quarter of 2019. Customers are considered active if they accessed digital channels at least once, with relation to customers enabled to use online banking (which represent around 2/3 of total customers).

<sup>10</sup> The Data Protection Officer (DPO) is the Head of the Compliance Department, which provides specialist ad hoc support.

<sup>11</sup> Following the introduction of the GDPR, the internal regulations that assign roles and responsibilities were reviewed, as well as the processes designed to protect the rights of the interested parties. For further information: [www.bancobpm.it](http://www.bancobpm.it) Privacy section

<sup>12</sup> Banco BPM participates in CERT Finanziario Italiano, a public-private initiative that seeks to increase the cyber resilience and the ability to manage cyber risks of banking and financial operators and works with State Police for the real-time exchange of information, with a view to preventing and cutting banking fraud.

<sup>13</sup> The response plan envisages a mechanism that involves the technical departments and escalation towards the higher levels of management proportional to the level of severity assigned to the incident. All cyber security reports are handled by a Security Operation Centre, which operates around the clock all year. As regards business continuity, if the information systems become unavailable, the Disaster Recovery Plan is activated, tested annually, with a view to permitting the most important IT procedures to function at alternative sites.

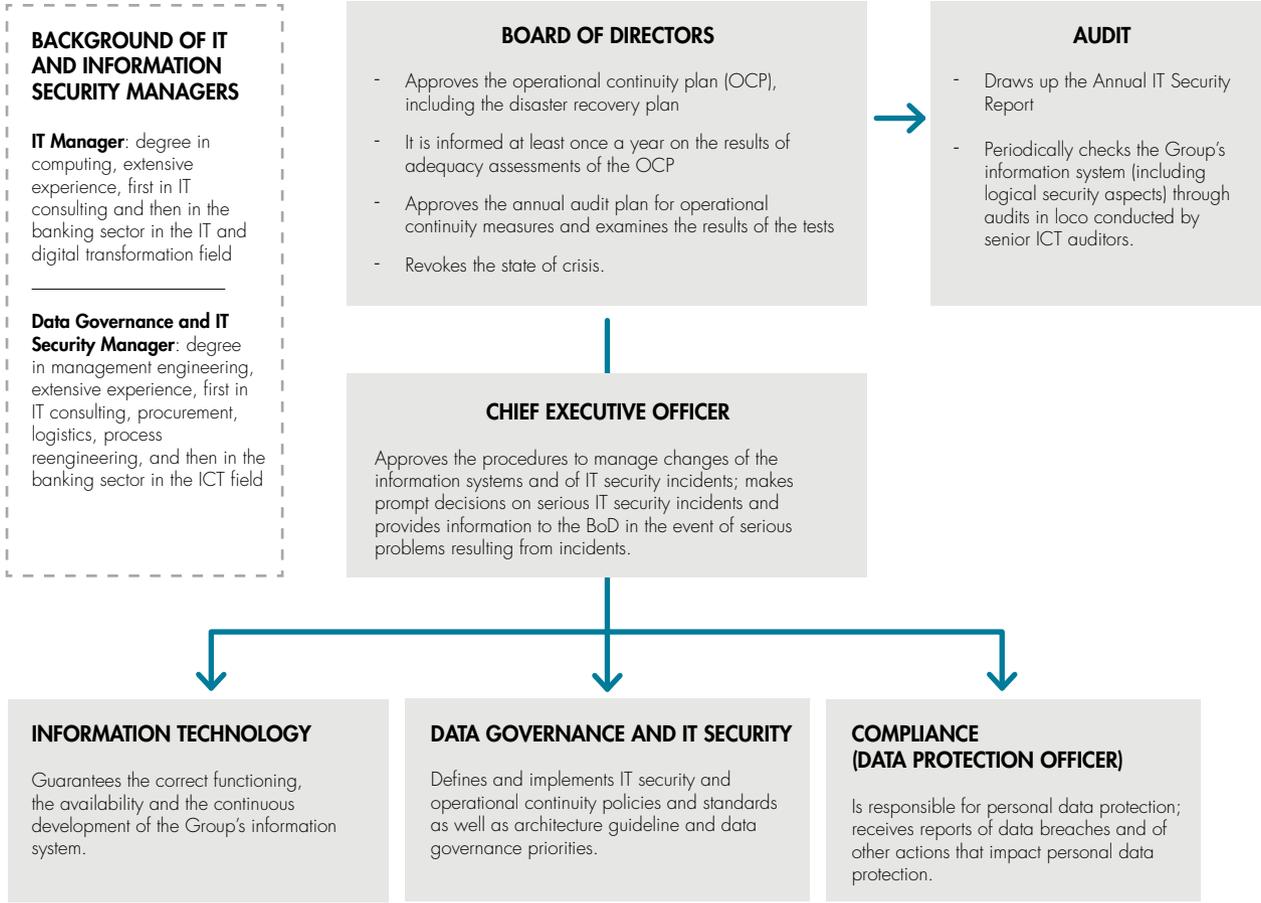
One enabling factor of a smart organisation is the **availability and protection of data and information**, for which we have controls, knowhow, procedures and regulations in place.

As regards **personal data protection**, to guarantee that interested parties can exercise their rights, we have a dedicated mailbox [protezionedati@bancobpm.it](mailto:protezionedati@bancobpm.it) to collect requests, we have appointed specific organisational supervision<sup>10</sup>, specific internal regulations<sup>11</sup> and we have also launched the implementation of adequate IT solutions.

The **management of security incidents and of data breaches**<sup>12</sup> is handled by means of a specific response plan<sup>13</sup> and any damage caused by the infringement of security or of the confidentiality of personal data is covered by a specific insurance policy. In June, we participated in an exercise to check crisis management procedures and the relative communication routines in the event of a cyber attack with an international impact.

# DATA GOVERNANCE, GDPR AND IT SECURITY

In 2019, no significant episodes of data loss or unauthorised access occurred that required notification to the Data Protection Authority or to the interested parties and no sanctions in this regard were made.



 <b>MAIN RISKS</b>	 <b>MANAGEMENT METHODS/POLICIES ADOPTED</b>
<p>FAILURE TO SEIZE THE OPPORTUNITIES OFFERED BY DIGITALISATION</p>	<p>Actions, organisational supervision, investment and training that seek to manage customer relations, work procedures and tools effectively.</p>
<p>CYBERCRIME, SECURITY IT AND PRIVACY</p>	<p>Investment, supervision, regulations and technical and organisational measures to guarantee operational continuity, protect personal data, prevent IT fraud and incidents, mitigate the effects of cyber attacks.</p>



# BUSINESS DEVELOPMENT AND INTERNATIONALISATION

We seek to become the reference partner for companies, working alongside them through each stage of their life cycle, adopting the approach of a local bank, which at the same time boasts solutions, expertise and centres of excellence for any business need.

At the end of 2019, business loans totalled over € 60 billion and represent around 60% of total loans, making this segment fundamental to the Group's activities.

Thanks to the close collaboration between **Banca Akros** and the commercial departments of Banco BPM, we are able to support companies with a comprehensive and integrated service.



GROWTH MAINLY THROUGH **BANK LOANS**

## IDENTIFICATION OF OPPORTUNITIES FOR DEVELOPMENT

**Diversified range** of both traditional commercial banking and non-financial products and services, as well as solutions for international markets.

## FINANCIAL SOLUTIONS FOR DEVELOPMENT AND EXTRAORDINARY ACTIVITIES

**Analysis of trends**, sector dynamics and financial business structures.

**Range of loans** and structured finance solutions with certified operators and institutions (private equity funds, real estate agents, etc.).

## ACTIVITIES WITH OTHER COUNTRIES

**Range of international products and services**, innovative trade finance activities, partnerships with foreign banks.

## CULTURE OF GROWTH

Communities to seize **business opportunities** in Italy and abroad.

**Management and financial** training tools and programmes aimed at stimulating innovation and business development.



GROWTH MAINLY THROUGH THE **CAPITAL MARKET**

**Network of partners** to offer investment banking services to medium and large businesses.

**Extraordinary financial transactions**, particularly for SMEs, such as Stock Market trading, capital increases, public purchase offers, SPAC, bond issues, buybacks, private placements, syndication, M&A, spin-offs and securitisations.

**Structure** and distribution of instruments to hedge and manage financial risk.

**Brokerage activities**, equity research and corporate brokering.

**Structure** and distribution of instruments to hedge and manage currency risk.

In 2019, we strengthened the service model in terms of organisation, commercial, financial and relational support.

**As regards the organisational aspect**, we have paid particular attention to synergies between the commercial network and the group's specialist companies through the **enhancement of specialists for industry, for structured finance segments, such as project financing, corporate lending, real estate, acquisition and leveraged finance, financial sponsor and international activities.**

With regard to the latter, the service model envisages the presence of a regional specialist network in parallel with various centres of operational excellence and a network of **partnerships with correspondent banks in the respective countries**, able to facilitate access to international markets and to continuously oversee risk.

The work carried out by **the representative offices have also provided great support:** the Hong Kong office oversees operations in the People's Republic of China, South Korea, Thailand, Vietnam, Singapore and Malaysia; the Mumbai office has strengthened relations with numerous local banks and was the force behind the **"Doing business in India" event** promoted by the Bank in Verona, which attracted numerous companies with success stories in Central Asia.

# € 1 BILLION

## FOR BUSINESS INTERNATIONALISATION

Of the main **commercial initiatives** that were launched in 2019, one of the most important was the promotion of **medium/long term loans** with the involvement of institutional partners such as the Deposits and Loans Fund, the European Investment Bank and the European Investment Fund. For these types of loan, the Bank committed to applying favourable conditions with respect to those of the market, therefore encouraging access to credit, supporting structural investment and employment and promoting the policies of the European Union in Italy. Of the new products addressed to large businesses, we developed a flexible unsecured loan, **"revolving credit facility"**, for short term financial needs.

In 2019, we **disbursed around € 1 billion to support the internationalisation** of our businesses (+3.1% against 2018) for both short-term transactions (purchase of raw materials/semi-finished goods, covering the costs for the production of goods to be exported), and for medium/long-term ones (purchase of capital goods, acquisition of foreign companies, feasibility studies for the opening of offices abroad, expansion of production facilities). The growth in Italian exports sustained by the Group was particularly successful in South East Asian countries, Egypt, the United Arab Emirates and Brazil.

To support **growth through listing on the equity market**, Banca Akros contributed to the placement and listing of NEXI, in terms of size, one of the largest IPOs in the world in 2019, of Shedir Phara on the AIM Italia market and assisted the shareholders of Industrial Stars of Italy 3 in finalising the business combination with Salcef Group.



# €500 MILLION

FOR RENEWABLE ENERGY  
AND INFRASTRUCTURE

In addition to loans and consultancy, we offer the opportunity to develop relations and contacts through the **YOULOUNGE, YOUWORLD AND YOUTRADE FINANCE** platforms.

We also involved **47 corporate customers** with interesting growth potential in a **two-year (2018-2019) training project called ELITE**, set in place in partnership with Borsa Italiana to encourage access to an international network, to create contacts between companies and the investors and to develop expertise in the use of diversified sources of funding.

By focusing on operations with **“social and environmental”** impacts, numerous project financing transactions were concluded in 2019, which regarded **renewable energy (20 transactions for a total of around € 285 million) and infrastructure (9 transactions for a total of € 258 million)** and placement, through Banca Akros, of **3 issues of green bonds and 2 issues of social bonds**, for a total of over € 3 billion.

In other **initiatives dedicated to customers** we:

- Organised **business missions** to acquire commercial information on opportunities in the countries visited, to promote commercial agreements and to encourage the search for local partners. Specific initiatives were developed in the United Arab Emirates, in India, Egypt, Morocco, Hong Kong, Taiwan, the Philippines and China where, in cooperation with Banca Akros, around ten Italian companies had one-to-one meetings with selected Chinese counterparties.
- Participated in **numerous events promoted by associations/chambers of commerce, trade fairs in Italy** such as “Retail Business in Russia, Ukraine and Kazakhstan” (Confimprese Milan), “The challenge of digital exports” (Chamber of Commerce of Lucca), and “The new export frontiers” (the Mechatronics Trade Fair in Bari).
- Continued to **work with Confimprese**, the association of retail business “networks”, to offer opportunities to develop franchise sales networks in Italy and abroad and knowledge of the relative commercial trends.
- Organised, through Banca Akros, **meetings between listed SMEs and investors**, both through conferences held in foreign financial capitals (London, Paris, Frankfurt), and through over 100 corporate roadshows, around half of which were abroad. These events are important above all for listed SMEs who, unlike Blue Chips, generally do not have as many opportunities to meet potential investors (domestic and foreign) and to speak to them.

## OUR BUSINESS DEVELOPMENT PLATFORMS

DESCRIPTION	OBJECTIVES	KPI	BENEFITS FOR THE BUSINESS
<b>YOULOUNGE</b> Banco BPM's international business community for business customers.	To promote the products and services of corporate customers; to develop business opportunities in the field of imports and exports; to establish commercial partnerships with leading global banks.	1,278 corporate customers	As a member of the "Trade Club Alliance", a network of 14 International Banks, the business is able to identify the purchase and sale requirements of the communities of participating Banks.
<b>YOUWORLD</b> Banco BPM's online portal for international trade	To provide business customers with information on international trade, organised by country and type of product or service.	1,167 corporate customers	To provide constantly updated information on foreign countries in relation to the political situation, customs, tax and contractual regulations, as well as guidelines for trading in the chosen country and local contacts.
<b>YOUTRADE FINANCE</b> Banco BPM's electronic goods trading platform	To simplify and optimise the relationship between the Bank and corporate customers operating in international markets.	467 contracts signed with corporate customers.	To manage the exchange of digital documents between the Bank and the customer, through procedures able to ensure maximum security (e.g. use of digital signatures), no delays and traceability.

 MAIN RISKS	 MANAGEMENT METHODS/POLICIES ADOPTED
FAILURE TO DEVELOP THE ENTREPRENEURIAL SYSTEM IMPACTS NEGATIVELY ON THE NATIONAL ECONOMY AND ALSO THE BANKING SYSTEM	Origination activities directed towards current or prospective customers, basic analysis of unlisted companies to identify any business opportunities  Integrated offer of specific solutions for each business need thanks to major national and international partnerships
POSSIBLE FAILURE OF SUPPORTED OPERATIONS, WITH CONSEQUENT HARM FOR THE GROUP AND ITS CUSTOMERS	Constant and transparent dialogue with business customers, offer of services and financial instruments in line with customer requirements and accurate risk analysis
SECTOR-RELATED RISKS LINKED TO THE TRANSITION TOWARDS A SUSTAINABLE ECONOMY	Strengthen the product range in sustainable investments and engagement activities with customers on the opportunities and risks of the transition
RISKS ASSOCIATED WITH OPERATIONS IN FOREIGN COUNTRIES	Support of transactions with leading banks in the respective countries able to monitor risks and opportunities at local level



### Development of

**omnichannels** to offer a tailor-made service to an increasing number of customers, also not covered by consultancy mandates

Strengthen the role of the **banker** through specific training, so that he/she becomes **a real “behavioural advisor” for the customers**, who will increasingly be exposed to episodes of market volatility and therefore to behavioural and emotional errors



# FUTURE COMMITMENTS



**Implementation** of lending policies for sectors with high sustainability (e.g. organic farming) and for sectors at risk in the process of transition to a green economy

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**Loans** for sustainable business development, the development of start-ups, companies in the non-profit sector and green property solutions

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**Opportunities** for dialogue on environmental, social and governance (ESG) topics

**Project R-Evolution** which entails reviewing customer documentation with a view to transparency and simplification of banking jargon

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Expected launch of a programme of **improvement initiatives for Cyber Security**, identified also following the results of an external assessment of security positioning (conducted with the use of the NIST Cybersecurity Framework reference standard)

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**Further training sessions** dedicated to a more in-depth analysis of privacy and security



# 04

# TOGETHER WITH OUR PEOPLE







# MANAGEMENT AND DEVELOPMENT OF HUMAN CAPITAL

Personnel management is based on "the respect of the identity and the dignity of each employee" and on promoting "a positive working climate, which enhances individuality and interpersonal relations, encouraging a strong sense of belonging and team spirit"<sup>1</sup>.

Under this policy, we have undertaken a **process of integration and reorganisation that involved almost 25,000** people, with a view to simplifying the corporate structure and making it efficient and to creating an operating model able to accompany the growth of the business in a sustainable way.

## CHANGES

**Main organisational changes that have impacted our people**

### 2017

- Joint disposal of branches by Banco BPM and BPM Spa and rationalisation of the number of branches
- Disposal of Aletti Gestielle SGR
- Launch of the new commercial model
- Over 1,500 employees left, 161 hired

### 2018

- Incorporation of BPM Spa and disposal of the business division Banca Depositaria
- Closure of 500 branches and regional reorganisation of the branches of the former BPM Spa
- Concentration of the private banking division into Banca Aletti and of the investment banking division into Banca Akros
- Over 1,000 employees left, 50 hired

### 2019

- Incorporation into Banco BPM of SGS BP and BP Property Management and disposal of Arena Broker and of the business division relating to the management of NPL
- Reorganisation of consumer credit
- Over 500 employees left, 341 hired

## CONTINUOUS INVESTMENT IN TECHNICAL, MANAGERIAL AND SOFT-SKILL TRAINING

This process, accompanied by dialogue with the trade unions, focused on a **personnel management model based on continuous professional development** which is achieved by steady acquisition of new expertise and generational renewal, while fully safeguarding working conditions.

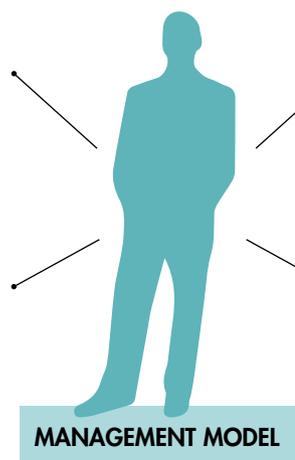
<sup>1</sup> For further details refer to the Code of Ethics of Banco BPM.

### ACQUISITION OF EXPERTISE THROUGH TRAINING

Continuous investment in training to face future challenges and optimising people.

### ASSESSMENT AND GROWTH OF PEOPLE

Measurement of skills, assessment of the results achieved and diversification of professional experience.



### INTRODUCTION OF NEW RESOURCES

Hiring of resources, and processes aimed to efficiently place people in the company.

### SUSTAINABLE MANAGEMENT OF EMPLOYEES LEAVING

Focus on optimising experience, the transfer of knowhow and the exit of people in a responsible way.

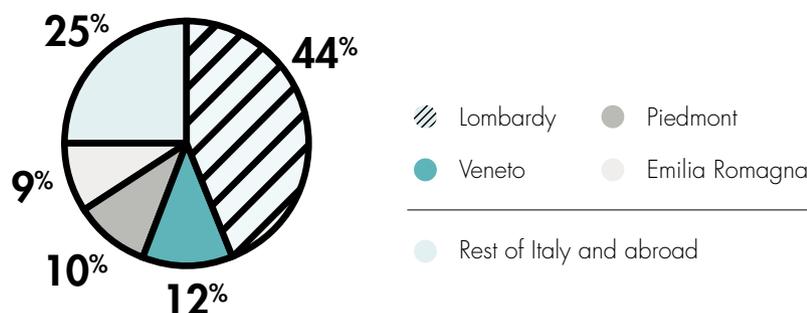
## OUR PEOPLE

Today we are a Group of approximately 22,000 people hired on permanent contracts<sup>2</sup>, with an **average length of service of over 21 years**.

96% of our employees work in Banco BPM, 2/3 of which in the commercial network. Approximately 700 people work in the specialist banks, Aletti and Akros.

GROUP EMPLOYEES	2019	2018
<b>Total employees<sup>3</sup></b>	<b>21,938</b>	<b>22,247</b>
<b>Permanent contracts</b>	<b>21,708</b>	<b>22,126</b>
Women	44.8%	44.7%
Men	55.2%	55.3%
<b>Apprenticeships</b>	<b>230</b>	<b>119</b>
Women	49.1%	50.4%
Men	50.9%	49.6%
<b>Part-time</b>	<b>3,470</b>	<b>3,424</b>
Women	94.5%	94.7%
Men	5.5%	5.3%
<b>Full time</b>	<b>18,468</b>	<b>18,823</b>
Women	35.5%	35.6%
Men	64.5%	64.4%

### EMPLOYEES BY LOCATION

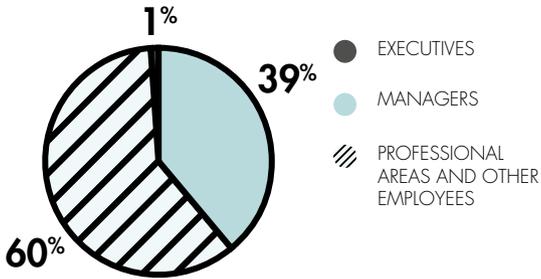


<sup>2</sup> There are no temporary contracts.

<sup>3</sup> The figures for employees are different to those of the workforce due to two people on agency contracts and one seconded person.

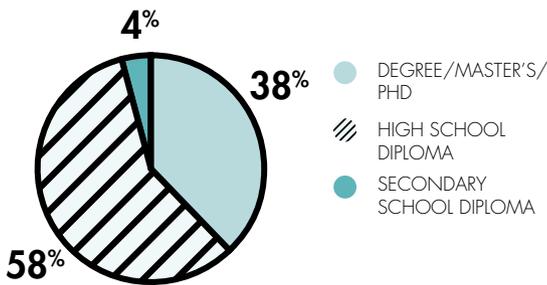


**EMPLOYEES BY PROFESSIONAL CATEGORY**



Compared to 2018, the number of employees that have **chosen a shorter working day** has increased slightly, particularly as regards men. The majority of our people are concentrated in the regions of Northern Italy

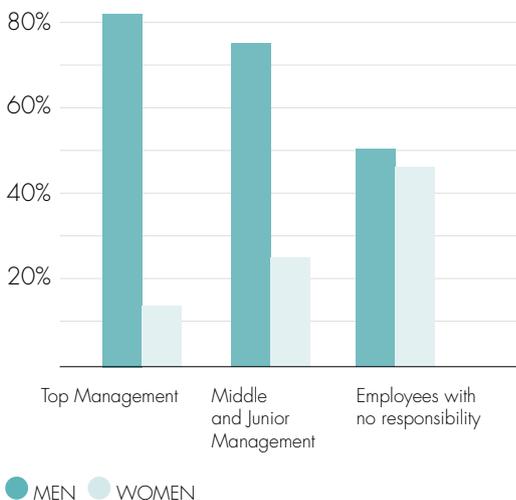
**EMPLOYEES BY QUALIFICATION**



	Professional areas and other employees	Managers	Executives
under 30 years	4.3%	/	/
30-50 years	58.0%	36.0%	18.9%
over 50 years	37.7%	64.0%	81.1%
women	54.7%	30.9%	9.9%
men	45.3%	69.1%	90.1%
belonging to protected categories/ disabled	8.8%	4.1%	0.3%
part time	23.0%	5.3%	/

The footprint of our employees, which is substantially the same as 2018, essentially shows a human capital made up of people with a medium-high age and level of qualification, a lesser female presence as the level of responsibility rises and, consequently, the contractual conditions.

**EMPLOYEES BY GENDER AND RESPONSIBILITY**



**“WOMEN IN THE BANK”:  
OPTIMISE GENDER DIVERSITY**



In June 2019, we joined a scheme promoted by the ABI (Italian Banking Association), which aims to:

- **encourage an inclusive work environment**, open to the values of diversity, including gender;
- **strengthen selection and development procedures** to promote equal gender opportunities;
- **encourage full and effective female participation** at all levels of the company;
- **promote gender equality also outside the bank**, for the benefit of the local community;
- **set schemes in place to guide and optimise the bank's policies** as regards gender equality.

**523 employees left the company**, mostly due to retirement, voluntary resignation and reorganisation, while **we hired 341 people**, 71% of which hold a degree.

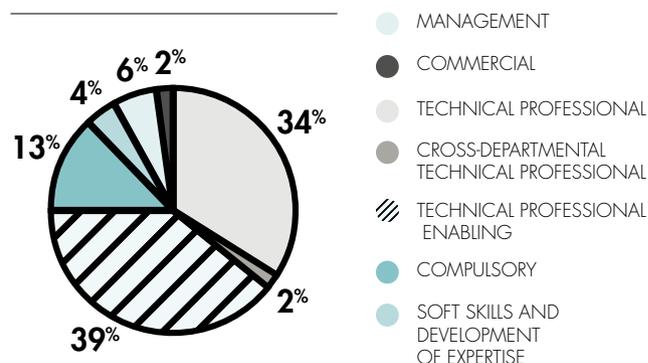
The recruitment rate therefore rose to 1.6% (1.6% for men and 1.4% for women) compared to 0.2% in 2018, while the leaving rate fell to 2.4% (2.7% for men and 2% for women), compared to 4.8% in 2018.

	HIRED 2019	LEFT 2019	HIRED 2018	LEFT 2018
				
<b>Total</b>	<b>341</b>	<b>523</b>	<b>50</b>	<b>1,066</b>
<b>women</b>	<b>41.6%</b>	<b>37.7%</b>	<b>22.0%</b>	<b>37.3%</b>
<b>men</b>	<b>58.4%</b>	<b>62.3%</b>	<b>78.0%</b>	<b>62.7%</b>
under 30 years	45.2%	4.0%	32.0%	1.9%
30-50 years	39.6%	38.2%	50.0%	9.5%
over 50 years	15.2%	57.8%	18.0%	88.6%
Northern Italy	90.0%	79.5%	90.0%	82.5%
Central Italy	5.3%	11.7%	6.0%	13.2%
South and Islands	4.1%	8.6%	2.0%	3.9%
Foreign operations	0.6%	0.2%	2.0%	0.4%

## TRAINING AND DEVELOPMENT

We believe that training is a fundamental driver to accompany the development of our people and of the organisation, especially in complex scenarios. This is why, in 2019 **we invested € 8.4 million in training** and dedicated a **team of over 50 people** to this activity, plus specialist internal and external teachers.

### TRAINING BY TYPE



### SHORT-TERM REQUIREMENTS

#### BUSINESS DEVELOPMENT, LEGAL AND MARKET COMPLIANCE

- Focus on the customer and teamwork;
- risk prevention and management;
- omnichannel model, innovation and digital culture;
- job-specific, commercial and bancassurance skills, professional certifications;
- MiFID II and new regulations;
- credit management and analysis;
- control-related expertise.

### MEDIUM/LONG-TERM REQUIREMENTS

#### CORPORATE CULTURE, APPROACH TO WORK AND DEVELOPMENT OF DISTINCTIVE EXPERTISE FOR THE FUTURE

- "Smart" behaviour and working;
- inclusive leadership, optimisation of people (focus on gender diversity);
- schemes for periods of long absence (focus on parenthood);
- development of soft skills through training, coaching and job rotation;
- culture of wellbeing: food education, physical and mental health.



In 2019, we dedicated **approximately 1.3 million training hours** to our people (+28.8% compared to 2018), 86.7% of which regarded non-compulsory training in the technical-professional and managerial spheres as well as the development of cross-departmental and commercial skills. Over 2/3 of the training courses were taught by internal personnel. Each employee recorded an average of **59 training hours** (compared to 45 hours in 2018). More specifically, at the higher levels, women recorded an average of 63 training hours (compared to 50 hours for men), also due to a training course relating to optimising gender differences.

**AVERAGE HOURS OF TRAINING BY GENDER AND PROFESSIONAL LEVEL**



<sup>4</sup> In particular, 95.1% of women were appraised and 97.3% of men, 95.7% of Executives, 98.4% of Managers and 95% of Professional Areas and remaining employees.

<sup>5</sup> For further details on the Group's remuneration policy, please refer to the specific report which contains, inter alia, the remuneration policy for the CEO, the link between the variable portion and financial and non-financial/sustainability results, the % of remuneration allocated in shares, time vesting, clawback clauses and the main features of the incentive system.

The **recognition of good performance** is a requirement to access the incentive system. In 2019, the variable component increased average remuneration by 5.6%; said percentage rises, the higher the professional category (for Executives the variable component represents on average 14.9% of remuneration).

**Regular performance appraisals** make department heads and workers more accountable, encourage continuous dialogue and behaviour-based quality. Each employee carries out a self-appraisal on behaviour and may give feedback on the appraisal received from his/her manager. In 2019 **21,134 people were appraised** (over 96% of employees<sup>4</sup>).

**RATIO OF REMUNERATION OF MEN/WOMEN BY PROFESSIONAL LEVEL (EXCLUDING PART-TIME)**



As regards remuneration by gender, in 2019, no significant differences were recorded in the Professional Areas and for Managers, unlike the situation for executives and positions of responsibility: the average remuneration of women is lower by approximately 30% at top management level, around 18% at middle and junior management level and around 12% for commercial network managers<sup>5</sup>.

<b>MAIN RISKS</b>	<b>MANAGEMENT METHODS/POLICIES ADOPTED</b>
<p><b>UNSUITABLE PROFILES AND LOSS OF KEY RESOURCES</b></p>	<p>Selection of personnel with high levels of education/expertise; competitive remuneration system and better conditions than the CCNL (national collective labour agreement), high investment in training</p>
<p><b>CONFLICT AND RESISTANCE TO CHANGE</b></p>	<p>Involvement of trade union organisations, schemes to accompany and engage employees involved in the change</p>

# PEOPLE CARE AND INVOLVEMENT

Professional development is accompanied by a focus on **wellbeing** and **involvement**, integral components of the Group's new People Strategy, which places people at the centre of business growth.

The Code of Ethics states that "we seek greater cohesion between the Group's objectives and the needs of employees" and that people "are guaranteed working conditions that respect personal dignity, in suitable working environments".

To this end, we are committed to building quality relationships with our people, providing them with resources and tools that are able to contribute to the different dimensions of wellbeing.

In addition, thanks to the **2019 Welfare Plan** over 21,000 non-Executive employees, who received a positive performance appraisal, were awarded an economic contribution for the purchase of goods and services relating to the family, mobility, free time, assistance or to use for their supplementary pension fund.

## MANAGEMENT MODEL

### ENGAGEMENT AND CORPORATE CULTURE

Strong attention on the different dimensions of wellbeing also through specific organisational oversight.

### WELLBEING OF PEOPLE

Involvement of people, creation and sharing of a strong corporate culture.

## WELFARE

### Main elements of our integrated welfare system

#### HEALTH AND PEACE OF MIND

- ✦ **Coverage of medical expenses** for around 75,000 people for employees, those on redundancy and retired and their dependent family members.
- ✦ **Supplementary pension arrangements** with company contribution (approx. 26,000 positions managed).
- ✦ **Insurance policies** for accidents at work and out of work and in the event of invalidity following an illness.
- ✦ **W@W Project**: education on physical and mental health with a dedicated intranet section, updated offer for company canteens in Milan and several break areas, training (700 people involved).
- ✦ **Psychological support** for people with disabilities (72 sessions), with personal and work-related difficulties (230 sessions) or involved in robberies (44 sessions).
- ✦ **Promotion of sport** through the Milan Fitness Centre (frequented by over 350 employees) and arrangements with specialist centres throughout the country through the Welfare Plan.

#### FAMILY AND FREE TIME

- ✦ **Work Life balance**: smart working (over 700 that can work 2 days a week from home or the branch), part time (3,470 people), flexibility of working hours, voluntary suspension from work paid at 40% and parenthood arrangements.
- ✦ **Parenthood**: company crèche in Milan (hosting 72 children, also offers English language teaching and pedagogical support for parents) and in Lodi, and dedicated recreational schemes (including the Jingle Bank which involved 4,500 children of employees), summer camps for the children of employees aged between 6 and 16 (around 1,250 children involved).
- ✦ **Incentives to study** for employees and their children through contributions that increase as the outcomes improve.
- ✦ **Conventions and favourable conditions** for the purchase of goods and services also through CRAL (company recreation groups) and the Welfare Plan.
- ✦ **Banking and insurance services** at favourable conditions for employees and family members.



## Internal communication and involvement

continue to be important to build and maintain valuable relations with our people.

## TRAINING AND ENHANCEMENT THROUGH THE INTRANET

Over 876,000 views of the carousels (+18.2% yoy) on the results achieved by the Group (financial statements, customer satisfaction etc.), by colleagues (sports, job-related awards etc.) and by partner sports teams; business opportunities; good practices (food education, sustainability etc.); wellbeing (welfare and training); solidarity and culture (exhibitions, shows, conferences and events etc.).

A fundamental component of wellbeing is the protection of **employee health and safety** through the monitoring, management and prevention of work-related risks. In 2019, over 1,500 employees underwent health check-ups and over 12,600 were involved in training courses (64,600 training hours), that focused on work-related stress, which was also the subject of an internal survey and assessment together with management, doctors, employees and their representatives.

<sup>6</sup> The figures relating to accidents do not include the Group's foreign companies (Aletti Suisse) or Tecmarket, Terme Ioniche Srl and Sagim Immobiliare.

<sup>7</sup> Number of injuries/workable hours x 1,000,000

<sup>8</sup> Days lost due to injury/total workable hours x 1,000

## INVOLVEMENT OF PEOPLE AND CORPORATE CULTURE

Conventions, workshops, events and team building activities, initiatives dedicated to families (Jingle Bank at Christmas etc.), company volunteering for non-profit organisations (325 employees involved in 44 days), days dedicated to sport and to social events (Ski-meeting for AIL, Run together for AIRC, etc.), the Lunch with the CEO Giuseppe Castagna (informal lunches in small groups to stimulate dialogue and debate), the creation of **training videos** with the collaboration of colleagues and joint projects and testing initiatives for new services in collaboration with the Brand Ambassadors.

ACCIDENTS 2019 <sup>6</sup>	MEN	WOMEN	TOTAL
in the workplace	19	31	50
in transit	99	101	200
of which in Northern Italy	76.3%	77.3%	76.8%
of which in Central Italy	13.6%	18.2%	16.0%
of which in Southern Italy and Islands	10.2%	4.5%	7.2%
Injury rate (frequency rate) <sup>7</sup>	5.94	9.03	7.25
Severity rate <sup>8</sup>	0.20	0.25	0.22

The banking environment continues to be relatively safe: in 2019, no work-related deaths were reported and of the **250 accidents** recorded (down 5.7% compared to 2018), 80% occurred in transit. Therefore an **improvement of the injury rate** was recorded (7.25 compared to 7.59 in 2018), accompanied by **less days lost due to injury** (7,746, of which 51.3% regarded men, compared to 8,080 in 2018) and **a lower average severity** (the severity rate was 0.22 compared to 0.23 in 2018). There were no significant differences in the geographic distribution of accidents compared to 2018. In addition, **1 professional illness** was recorded, due to physical problems that do not result in a loss of working days. The main cause of personnel absence continues to be illness, which represents 74.2% of total absences, followed by permits under Italian Law 104/92 and trade union permits. **The absenteeism rate** is 4.53% (against 4.43% in 2018), slightly higher for women (5%) compared to men (4.2%).

 MAIN RISKS	 MANAGEMENT METHODS/POLICIES ADOPTED
INADEQUATE LEVELS OF MOTIVATION AND RETENTION	Integrated and competitive welfare system, continuous information and involvement
HEALTH AND SAFETY (PHYSICAL AND PSYCHOLOGICAL)	Organisational oversight, psychological support, health check-ups for employees exposed to specific risks, training and awareness on health and safety issues

Extension of **smart working** and of the number of people that adopt it

Introduction of **ESG values and metrics** to incentive mechanisms

**Promotion** of an inclusive and flexible style of leadership based on trust, respect and collaboration

**Strategic programme** to attract talent and focus on a mechanism for the effective transfer of knowhow

**Strategic planning** of long-term careers, generational turnover and acquisition of specific knowhow

**Strengthening of the Welfare & Wellbeing Plan** in a sustainable working environment



# FUTURE COMMITMENTS





# 05

# TOGETHER WITH OUR COMMUNITY



1,500 APPROX.  
**1,500**  
 initiatives for the community

400 social and  
 environmental  
 projects

1,000  
 exhibitions,  
 conferences  
 and visits to  
 our offices

over 90  
 study  
 grants

**98%**  
 of suppliers  
 resident in Italy

1,857 suppliers for a  
 total turnover of over  
 € 719 million

over  
**300,000**  
 training hours

ON ANTI-CORRUPTION AND  
 ANTI-MONEY LAUNDERING



# CORPORATE IDENTITY AND CITIZENSHIP

Banco BPM has a strong tradition of solidarity<sup>1</sup>, and has chosen to play an active role in the country through a **citizenship model based on sharing objectives and resources.**

<sup>1</sup> The Articles of Association of Banco BPM, in continuity with its previous tradition as a cooperative bank, envisages the possibility to devolve a share, not exceeding 2.5%, of net profit to aid, charitable causes and initiatives in the public interest in the regions where it is most present, allocating a certain share to each of these, directly or through its statutory Foundations.

## MANAGEMENT MODEL

### ECONOMIC SUPPORT

from Group companies and initiatives of social value.

### SHARING

resources, skills and artistic assets.

### ASSOCIATION

with non-profit organisations.

In addition to philanthropic activities, carried out also through our Foundations, we also actively participate in Italy's social and environmental challenges, in line with our Code of Ethics, which states that

*"the Group identifies the needs and requirements (not only material), of the community, and supports them, in accordance with statutory procedures.*

*When choosing its areas of intervention, the Group checks consistency with the reference values, the merit of the proposed initiatives and social needs it intends to satisfy, taking care to avoid any risk of corruption or conflict of interest.*

*Such initiatives must be properly justified, including with regard to the consistency of the economic commitment, the quality of the initiative and participants and the concrete economic and social benefits for the region concerned by the initiative".*

Proximity to our communities is a distinguishing element **of our identity** and we have decided to convey this through the new institutional campaign **"We are a Bank that does normal things. But together we do extraordinary things"**, which features people and initiatives that are part of our vision of an **inclusive, supportive community that cares about the local area.**

# 19,500

## WORKS OF ART

*the artistic assets of Banco BPM available free of charge for exhibitions and visits*

## ECONOMIC SUPPORT

In 2019, we sponsored important social initiatives through an economic contribution of around € 3.7 million, of which € 0.7 was directed to the Foundations.

As regards the direct contribution of the Banco BPM Group, its support regards 400 projects in the spheres of art and culture, education and training, research and health, solidarity, sport and the environment and the local area.<sup>2</sup>



### ART AND CULTURE

We have confirmed our commitment to **art and culture by supporting numerous initiatives**: ranging from partnerships in the theatre industry, such as the 71st Estate Teatrale Veronese, the seasons of the No'hama Teresa Pomodoro in Milan, the Teatro Stabile in Genoa, the Teatro Ponchielli in Cremona, the Teatro Comunale in Modena, the Azienda Teatro del Giglio in Lucca and the Globe Theatre in Rome, to support for leading **philharmonic orchestras** such as La Verdi in Milan and the Fondazione Arena in Verona for its Philharmonic Theatre season.

We also continued to promote events relating to **literature and philosophy** such as "La Milaneseana" of the Elisabetta Sgarbi Foundation, the "Festival della Bellezza" of the IDEM Association in Verona and the "Festival Biblico" on the topic of the "Polis", a reflection of the concept of citizenship that involved Vicenza, Verona, Padua, Rovigo and Vittorio Veneto.

Of the events held to preserve **traditions**, we contributed to the "Verona Minor Hierusalem", also as co-creator of the historic-artistic journeys linked to the pilgrimage routes. With regard to **art exhibitions**, we sponsored, inter alia, "Divisionismo. La rivoluzione della luce" held at the Castello di Novara and "Arte nel denaro" on the occasion of the 50th anniversary of the IULM University in Milan.

<sup>2</sup> This chapter reports on the activities performed by the Banco BPM Group for the community. A page at the end of the chapter has been dedicated to the work of the Foundations, which do not fall within the scope of the Non-financial statement.



## EDUCATION AND TRAINING

We are aware that **education and training** are fundamental to a country's development. We have continued with our **"Schools project"**, in partnership with 19 municipalities to **update school equipment in almost 50 state schools**, as well as our support for training and professional orientation for young people through initiatives such as **"Cartolandia"** in Bergamo and **"Itinera"** in Verona and by working with the Centro di Avviamento al Lavoro (CELAV) in Milan.

**Over 90 study grants** were awarded for **research doctorates, master's and training** in economics, law, financial and managerial areas, for **university and high school students**, in partnership with universities, research centres and schools in Padua, Verona, Modena, Reggio Emilia, Rome, Naples and with the Fondazione Famiglia Legnanese in Milan and the Associazione Centro Studi Aldo Moro in Viterbo.

We also contributed to a **study grant in Denmark**, in partnership with the Fondazione Intercultura Onlus in Siena.



## SOCIAL AND SOLIDARITY

Continuing with our tradition of **solidarity**, specific attention was dedicated to initiatives that regard **social hardship**, supporting the **distribution of meals** with the Banco Alimentare in Milano, with the **"Il diritto al sorriso"** project for the **dental healthcare** of people in conditions of poverty (Medici per la Pace, Verona), with the **reintroduction of the unemployed to the world of work** through apprenticeship programmes (Associazione Stella Matutina Onlus, Verona), and with the **preparation of four classrooms for professional training courses** addressed to the disabled and the unemployed (Nazareno Work Cooperativa Sociale in Modena); the world of **childhood** with proposals such as **Protezione Infanzia Italia** of CESVI and the **preparation of an orthodontic room** for children with cleft lips and palate by the Operation Smile Foundation; **disability** with the support of **"empowerment programmes for people with multiple sclerosis"** of the A.I.S.M. and the **purchase of support vehicles** for ANFASS Onlus in Lucca. We also contributed to the purchase of equipment for the fresh pasta production laboratory of the **Associazione Tortellante** in Modena, which gives the opportunity to 25 young people with varying disabilities to make tortellini and to gain a degree of independence.

Furthermore, we contributed to the photographic exhibition **"Io come voi"** of the Down Syndrome Association in Verona and to the exhibition **"Una notte di cuore"** of the Fondazione Scudieri in Naples with the objective of making the patient and his/her emotions the centre of attention.



## RESEARCH AND HEALTH

Specific commitment was dedicated to **research and health** also thanks to our **partnership with the AIRC Foundation** which seeks to **support cancer research and spread awareness on the importance of prevention**.

Furthermore, numerous entities received our support, such as the University Hospital in Verona, for **research on and the early diagnosis of autism**, the Verona Brain Research Foundation for a study grant in **neuroscience**, the Dravet Italia Onlus in Verona for the **study of targeted rehabilitation courses**, the Gruppo Amici dell'Ematologia Onlus in Modena for innovative instrumentation dedicated to **studying the cellular and morphological components of tumours**, the Italian Foundation Linfomi Onlus in Alessandria for **scientific research** and the White Cross in Verona for the **purchase of an ambulance** equipped to enable the round-the-clock emergency transport of new-borns.

### "È FINITO IL TEMPO DI VIOLARE" (THE TIME FOR VIOLENCE IS OVER)

It is a project of the province of Lucca, launched in 2019 thanks to the support of Banco BPM, which aims to raise the awareness of adolescents on the issue of violence. It envisages initiatives and meetings at schools with the involvement of families, the police and numerous entities that have joined the project, thus creating a network of connections and exchanges.



## SPORT

**Sport** plays an important role in the educational development of young people.

In 2019, we gave our support to entities such as the sports association ASD Phola Varese in Lombardy and the Verona Swimming Team in Veneto, which seek to **promote the values of sports and raise awareness as to the importance of physical activity for differently abled people.**

## COMMUNITY BANK

Sustainable development and responsibility are the traits that have created the **Community Bank**. A series of projects based on the UN goals, which place people, communities and the regions in the centre of attention. 300 of our colleagues, Brand Ambassadors<sup>3</sup>, have been the representatives of the Group's values and a real presence in the local regions in the majority of the initiatives implemented.

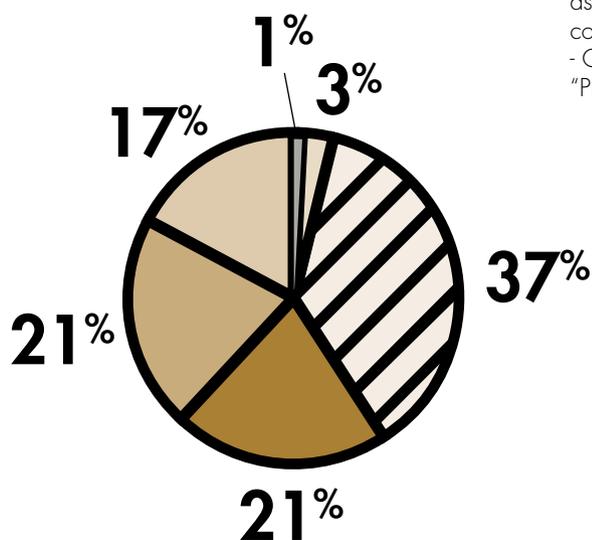


## ENVIRONMENT AND THE REGION

We gave our support to activities and initiatives that promote the protection and identity of the **local area**, focusing on specific needs of small local projects, including the **enhancement of the Castello del Santissimo Salvatore dei Greci and of the Lanterna del Montorsoli** in Messina, the **renovation of the "Sala Coloniale"** in the Museo Storico del Palazzo Ducale in Modena, the **restoration of several important works** located inside the Chiesa Santa Maria della Pietà in Umbertide (PG), the Club I Borghi Più Belli d'Italia in Rome for the **promotion of Italian Villages** through the organisation of events and exhibitions.

As regards **the environment, we promoted choices aimed at cutting consumption** with initiatives such as the donation of 1,300 aluminium flasks to the Istituto Cesare Battisti in Sierate (BG), to make young people aware of the importance of using less plastic, as well as spreading a virtuous environmental culture, through numerous conferences staged including Outlook 2020: "Climate Warming - Cooling Economy", "Percorsi Sostenibili - Direzione 2030" and "Progetto Blu Infinito".

## ECONOMIC SUPPORT BY SPHERE



ART AND CULTURE 37%



SOCIAL AND SOLIDARITY 21%



RESEARCH AND HEALTH 21%



EDUCATION AND TRAINING 17%



SPORT 1%



ENVIRONMENT AND THE REGION 3%

<sup>3</sup> Brand Ambassadors are colleagues with different areas of expertise who voluntarily contribute to the generation of new ideas, to sharing the company's vision and values and to carrying out initiatives in branches and local communities.



## SHARING

Our local regions are an integral part of our company identity and for this reason, we share knowhow and resources, we make our company facilities available for conferences and meetings on topics of general interest and we involve our employees in social initiatives.

Particular attention has been placed on financial education in the branches, in schools and in other dedicated locations, which has involved over 3,700 people in 19 cities.

Thanks to the expertise of our Banca Aletti, Anima SGR and Webank colleagues, **“financial awareness” meetings** were held for customers, but which were also open to the local community, with a view to creating widespread financial knowledge. With the contribution of FEDUF (Fondazione per l'Educazione Finanziaria e al Risparmio - Foundation for Financial Education and Savings), TAXI 1729 (a training and scientific education company) and of Brand Ambassadors, we held lessons in economics in schools to **bring young people closer to financial topics** and to the informed use of money. For the **Galdus School**, in the outskirts of Milan for over 20 years, an ad hoc programme was created, which only involved our employees.

We continued our partnership with the Municipality of Milan, for an introduction to the world of work for **60 young unemployed people, who are not studying or who are seeking asylum**, thanks to the professional training provided also with the contribution of our Training Centre.

Our partnerships with various universities also continued, through **career days, classes and company presentations** by our colleagues. In particular, meetings were held at various universities including the Universities of Pisa, Bocconi and Cattolica on corporate and investment banking topics.

**Internships also continued for 34 university students** and newly graduated young people, as well as the **“Talent Project”** with Cattolica University for personalised in-house training programmes.

We provided our rooms and branches for numerous initiatives including **“Meetings with the author”**, which, in 2019, saw the participation of over 11,000 people at the presentations of 58 books by important Italian authors.

**We also contributed to spreading ideas and knowhow through numerous conferences, making our artistic and real estate assets available, organising exhibitions, events and visits**, which took place in our Historic Buildings. In total over 1,000 initiatives took place with the participation of around 140,000 people.

## INVOLVEMENT

Together with our colleagues, we have succeeded in achieving extraordinary results in activities such as:

### COMPANY VOLUNTEERING

325 colleagues, during working hours, gave their support to 44 different associations in the local area, which operate in the spheres of the environment, poverty, childhood, services for the elderly and disability;



### BLOOD DONATION IN THE COMPANY

171 bags of blood were collected for AVIS at the Milan, Lodi and Rome branches;

### FOOD COLLECTION

Around 7 tonnes of food collected for the Fondazione Banco Alimentare in over 20 branches located throughout Italy.

## ASSOCIATIONS

In 2019, we provided around **€ 7 million to trade associations**, which are involved in financial, training and cultural activities, companies and organisations that promote the spreading of ideas and social responsibility.

### Fondazione Centesimus Annus Pro Pontifice

It awards study grants to students to support research into the new development models based on sustainability.

### ISPI Istituto per gli Studi di Politica Internazionale

It conducts research on risks and opportunities at world level for enterprise and Institutions, as well as training and dissemination.

### CETIF - Università Cattolica del Sacro Cuore

The Research Centre for Technology, Innovation and Financial Services, which since 1990 has conducted studies and research on strategic and organisational change in the financial, banking and insurance sectors.

### VALORE D

A business cooperative that promotes diversity, talent and female leadership through action plans focused on welfare, inclusion policies, fair leadership and governance models, and training programmes to overcome gender stereotypes.

### Fondazione CUOA

Offers training and development programmes focused on the culture of entrepreneurship and management, as well as acting as an incubator for ideas and contacts for people and businesses.

### ASPEN Institute Italia

An independent and international association committed to promoting dialogue and understanding in an international geopolitical context.

### FAI - Fondo Ambiente Italiano

A Foundation, whose purpose is to protect, safeguard and enhance artistic and natural heritage and to promote the respect and the care of landscape art and cultural assets in Italy.

### Social Impact Agenda for Italy

Association founded to spread experience in investments with a social impact and to demonstrate that it is possible to build a new economy that integrates economic sustainability and positive social impact.

### Fondazione Artistica Poldi Pezzoli

Onlus, the non-profit organisation that has managed the museum and masterpieces of the Poldi Pezzoli collection since 1881. One of its formal purposes is the education and teaching of the public.

### Istituto Italiano Della Donazione - IID

An Institute whose purpose is to promote conduct aimed at good governance, transparency and the verifiability of the use of resources in non-profit organisations.



#### MAIN RISKS

REPUTATIONAL  
DAMAGE, UNRELIABLE  
COUNTERPARTY

CONFLICTS OF INTEREST  
AND CORRUPTION



#### MANAGEMENT METHODS/POLICIES ADOPTED

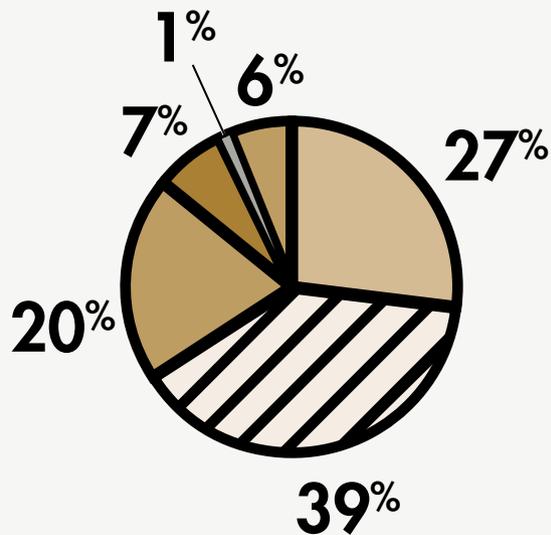
New internal policy on sponsorships: the initiatives sustained must also consider the reliability of the applicants and their link with the Group, the creation of positive and long-lasting value for the Group, the support of progress and the wellbeing of the local area

Anti-money laundering and Anti-corruption regulations



In 2019, the Foundations provided their support to numerous initiatives with specific focus on the spheres of culture, art and solidarity.

#### ACTIONS OF THE FOUNDATIONS BY SPHERE



-  ART AND CULTURE 39%
-  SOCIAL AND SOLIDARITY 27%
-  RESEARCH AND HEALTH 20%
-  EDUCATION AND TRAINING 7%
-  SPORT 1%
-  ENVIRONMENT AND THE REGION 6%

## OUR FOUNDATIONS

Our Foundations contribute to strengthening the bond with the local area and represent a driver for the common good.

#### Banca Popolare di Lodi Foundation<sup>4</sup>

Established in July 2008, it pursues the public interest in the areas of Lodi, Cremona, Pavia, Mantua, Eastern Liguria, Piacenza and Parma.

#### Banca Popolare di Novara Foundation

Since 2002, it has been committed to being a driving force in the Piedmont, Aosta Valley and Western Liguria regions.

#### Credito Bergamasco Foundation

Promotes civil, cultural, scientific and social progress in the areas of Bergamo, Brescia, Como and Lecco.

#### Culto S.Geminiano e S.Prospero Foundation

Its works cover the areas of Modena, Reggio Emilia and Carpi.

#### Banca Popolare di Verona Foundation

Established in 2019, it operates in all of the areas of Triveneto.

<sup>4</sup> According to the by-laws of the BPL Foundation, it devolves 1/8 of its share to the BP Cremona Foundation and the Associazione Popolare di Crema per il territorio.

## SUPPLIER RELATIONS

We mainly work with suppliers which, as well as meeting integrity, professionalism, technical and reputational requirements, reside in our local areas. We are fully aware of how important it is to generate economic and social value in the areas where we have the greatest presence.

We never enter into or maintain agreements with suppliers involved in unlawful activities or that directly or indirectly exploit people, prevent human development or contribute to infringing human rights. Our agreements seek to build a long-lasting partnership, with reciprocal economic satisfaction, and exchange of experience and continuous improvement in compliance with the principles of transparency, integrity and competitiveness.

New suppliers can contact the Banco BPM Group through the website, individual applications or following notification by the departments or individual buyers seeking new suppliers.

## MANAGEMENT MODEL

With a view to harmonising policies, criteria and procurement methods for all Group companies, the **Purchasing Department handles supplier relations for the whole Group**, using specialist buyers for macro categories of goods and services (technology, consumer goods and services, real estate).

A fundamental tool to guarantee the transparency and the traceability of relations is the **Supplier Register**, useful not only as a database, but as a management, assessment and monitoring tool.

The first point of contact of the supplier with the Group takes place through the supplier **qualification portal**.



### APPLICATION

Businesses and professionals are invited to sign up (or to update their details) by connecting to the portal, by e-mail.



### SELECTION

The supplier completes a specific online form and provides a series of mandatory documents suitable to permit a full and accurate assessment.



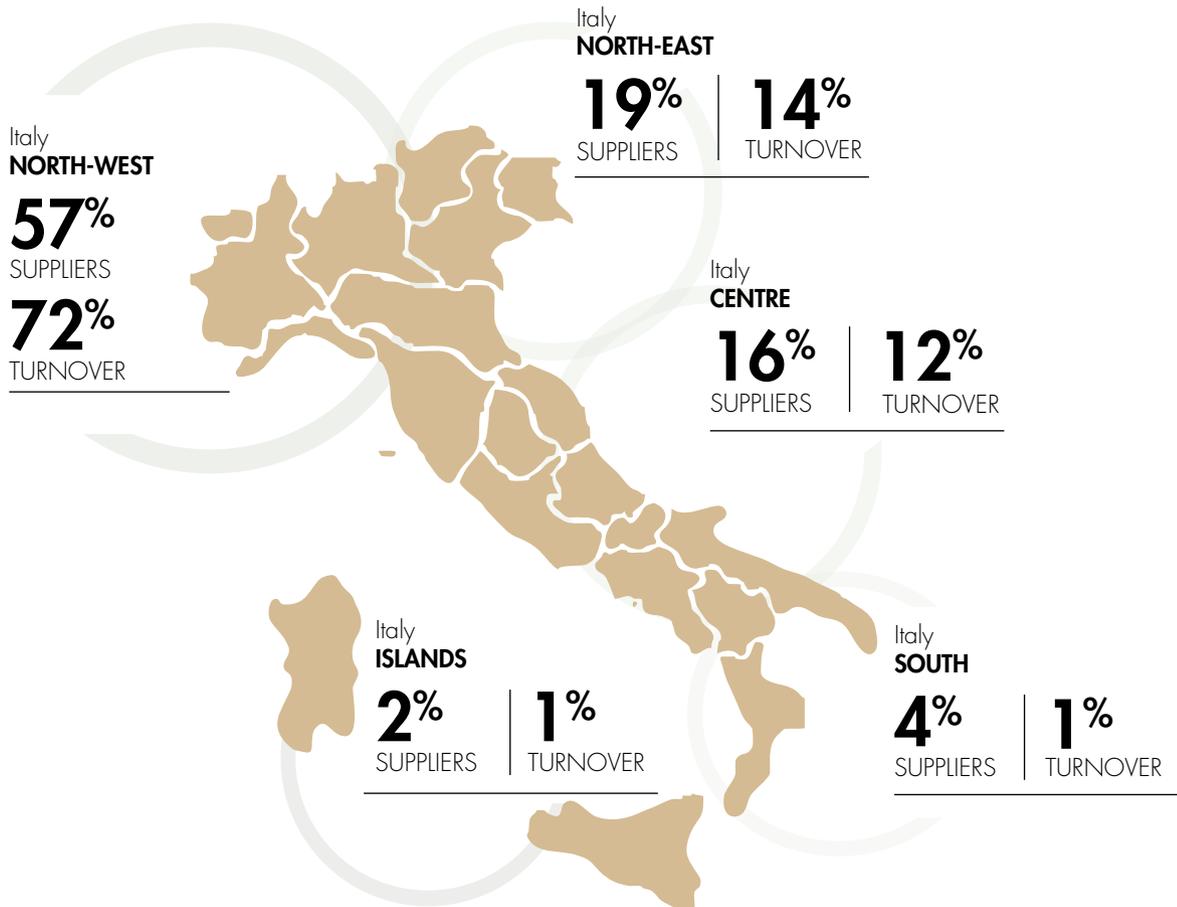
### ENTRY ON SUPPLIER REGISTER

Dependent on fulfilment of the integrity, professionalism, technical and reputational requirements and any other aspect considered useful.



### TENDERS/BIDS

Bids and competitive tenders are the best way to identify the service with the best quality-price ratio.



In addition to the transmission of general, technical, organisational, economic and equity details, all candidates are required to:

- to know the **organisational, management and control model** and the **Code of Ethics** and to adopt conduct that complies with the content of said documents;
- to respect the rules in place to **protect the rights of workers**, in particular those of national labour agreements for specific sectors;
- to operate in full compliance with the **legislation and regulations in force regarding health and safety in the workplace**, environmental protection, anti-money laundering and anti-corruption.

**Abroad** (EU + Extra EU) | SUPPLIERS **2%**  
TURNOVER **1%**

Furthermore, extremely detailed agreements are drawn up, which contain explicit reference to legislation on the protection of health and safety in the workplace (pursuant to Italian Legislative Decree 81/2008) and a clause for the termination of the agreement in the event that the supplier adopts discriminatory policies or infringes workers' rights or does not comply with environmental legislation.

**On the Supplier Register, information regarding quality and environmental certifications** held by suppliers is recorded, enabling us to make decisions on the parties with whom it intends to work on the basis of their social and environmental approach.

In 2019, we worked with 1,857 suppliers, who received over € 719 million (+4.2% compared to 2018).

**1,800** OVER  
**suppliers** WHO RECEIVE  
OVER  
**€ 719** MILLION

+ 4.2%  
compared to  
2018

#### TOTAL TURNOVER BY CATEGORY

	2019	2018
<b>SERVICES</b>	38%	36%
<b>REAL ESTATE</b>	16%	19%
<b>TECHNOLOGIES</b>	46%	45%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

 MAIN RISKS	 MANAGEMENT METHODS/POLICIES ADOPTED
COMPLIANCE	<ul style="list-style-type: none"> <li>Monitoring of contracts</li> <li>Systematic anti-money laundering controls</li> <li>Checks regarding legislative obligations in terms of occupational health and safety</li> </ul>
LABOUR LAW	<ul style="list-style-type: none"> <li>Monitoring of excessive financial dependence</li> </ul>
UNRELIABLE COUNTERPARTY	<ul style="list-style-type: none"> <li>Monitoring of the prerequisites of integrity, professionalism, expertise and reputation</li> <li>Checks of quality and environmental certifications</li> <li>Monitoring of the level of professional development</li> <li>Monitoring of economic and financial stability</li> <li>Acquisition of consolidated document on pension contributions</li> </ul>



## BUSINESS CONDUCT

Aware of the internal and external impact of our activities, we adopt sound and fair principles of conduct that apply to all relations with stakeholders, the community and for the protection of the environment.

Through this commitment, we help the national system to **function correctly and promote the development of a corporate model based on compliance with regulations and respect for human rights and the environment.**

We are also aware that, as part of the **financial system, we play an important role in the prevention of and the fight against corruption and money laundering, phenomena that hinder the development and growth of society.**

The legislation of the banking and financial sector and of companies listed on the Stock Market and the company regulations issued as a consequence, regulate important areas of business activity<sup>5</sup> and already contribute to a good extent to hindering and preventing improper conduct.

With a view to strengthening the supervision of particularly sensitive aspects for the activities carried out, we have voluntarily adopted regulations that are stricter than the dictates of the law, such as those governing **active, passive and international anti-corruption, anti-money laundering, the financing of terrorism and conflicts of interest.**

<sup>5</sup> More specifically, the legislation and the supervision of the sector seek to ensure the efficiency of the markets, to encourage competition, proper conduct, the integrity of company representatives, the transparency of ownership structures and of customer relations, the effectiveness of the organisational structure of the internal control system.

## KEY PRINCIPLES OF THE CODE OF ETHICS

### INTEGRITY AND HONESTY

Compliance with laws and internal regulations, respect of the professional ethics of personnel and of counterparties.

### IMPARTIALITY

Prohibition, in both internal and external relations, to adopt any form of discrimination based on nationality, gender, age, physical or mental disability, sexual orientation, political opinions, membership of trade unions, philosophical opinions or religious beliefs.

### PROFESSIONALISM

Optimisation and protection of resources: demand and promotion of the utmost professionalism among members of corporate bodies, employees and partners; recruitment according to objective criteria and equal opportunities; prevention policies and penalising measures for discriminatory behaviour; physical and mental health and safety of persons operating within the Group.

### TRANSPARENCY AND COMPLETENESS

Timely, truthful and comprehensible financial and non-financial disclosure.

### ENVIRONMENTAL PROTECTION

Attention to the direct and indirect environmental impact generated by the company's activities.

° For more information, the relevant company documents are available for download at this [link](#).

The anti-money laundering regulation is available at this [link](#).

## MANAGEMENT MODEL<sup>6</sup>

**CODE OF ETHICS AND ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/01**

**REGULATION AND PROCEDURES TO GOVERN RELATED PARTY TRANSACTIONS**

**REGULATION, PROCEDURES AND POLICIES TO MANAGE AT-RISK ACTIVITIES AND CONFLICTS OF INTEREST IN RELATION TO RELATED PARTIES**

**ANTI-CORRUPTION REGULATION**

**ANTI-MONEY LAUNDERING REGULATION**

**REGULATION OF INTERNET DEALING**



Legislative Decree 231/01 envisages a regime of administrative responsibility for Italian companies for specifically identified crimes or unlawful acts, committed by its representatives and/or partners in the interests of the companies in question.

The Group set in place a specific **organisational, management and control model some time ago**, which establishes the principles of control and conduct that must be adopted to reduce the risk of committing the crimes or unlawful acts envisaged by the decree. More specifically, it refers to active or passive corruption, to crimes relating to the violation of human and environmental rights, all relative to the company's activities or those of counterparties with whom it has forged a relationship.

As regards **active and passive corruption**, the model envisages the cases that could arise with relation to the company's activities. In addition, **management autonomies and separations of roles, assignments of responsibility and information traceability are established, all measures that seek to prevent/intercept any episodes of corruption.**

**The company's operations are based on an approach that aims to safeguard relations with stakeholders and the community**, this also because many of the regulations set forth in the organisational, management and control model pursuant to Italian Legislative Decree no. 231/01 refer to the contexts provided for by Italian Legislative Decree no. 254/2016 and refer to Sustainability (see table below).

The Code of Ethics, which is also provided to third parties with whom legal agreements are entered into, states that the Group and all of those that operate for the same, are committed to respecting human rights and any other legislative provision, job protection, and the fight against corruption, organised crime and terrorism.

BUSINESS CONDUCT AND SUSTAINABILITY					
SUSTAINABILITY FOCUS AREAS	 ENVIRONMENT	 COMPANY	 PERSONNEL	 HUMAN RIGHTS	 ANTI-CORRUPTION
MODEL 231 PREVENTIVE MEASURES	Environmental crimes	Corporate cybercrimes, against industry, trade, organised crime and all provisions of the <u>Code of Ethics</u>	Crimes relating to safety in the workplace	Crimes against individuals including racism and xenophobia	Crimes committed against the Public Administration and between individuals

Any behaviour by employees in the performance of their professional roles that contrasts with said provisions, shall be considered as a violation of the Code of Ethics and may be punished internally.

All companies of the Banco BPM Group are obliged to adopt the envisaged system of regulations, including the organisational measures adopted at Group level, adapting them to the specific nature of the activity performed.

Every individual person is responsible for adopting correct conduct, while the task of supervising this process is assigned, with increasing levels of responsibility, to the managers of the individual departments, the audit departments and the strategic supervision and control bodies.

## ANTI-CORRUPTION

OVER

# 181,200

TRAINING HOURS

for 18,210  
employees

0 confirmed episodes  
and dismissals  
relating to  
cases of  
corruption

## ANTI-MONEY LAUNDERING

APPROX.

# 145,000

TRAINING HOURS

for  
17,545  
employees

Automatic controls when entering/modifying data in the register prior to commencing continuous relationships, and continuous checks

**The system of integrated controls plays a fundamental role as it promotes a culture characterised by correctness, the awareness and the oversight of risks, lawfulness and company values.**

In view of the increasing need to migrate from a control system implemented merely as a formal obligation to a system where **correct management is an integral part of «good business» practices**, various training programmes have been launched for all staff levels, aimed at raising awareness about the importance of the internal control systems as a key driver in the achievement of performance and corporate compliance objectives necessary to safeguard costs, capital absorption and reputation.

For the Regional Division Audit Managers and Branch Audit Representatives, positions established in 2018, ad hoc training programmes continued in 2019 with the aim of building on the specific skills needed to monitor and guarantee the control system.



## WHISTLEBLOWING SYSTEMS

Supervisory Body 231/01: in 2019 a total of 16 reports were submitted, only 4 of which fell under the jurisdiction of the Supervisory Body and for which further information was requested.

Internal Whistleblowing System: in 2019, 1 report was submitted, which resulted in inspections and investigation by the relevant departments.

The control of the functioning and observance of the organisational, management and control model of each Group Company which has adopted the 231/01 model is the responsibility of the relative Supervisory Body, to which reports can be sent relating to the commission of crimes or of actions/behaviour that is not in line with the Code of Ethics, the organisational model and the underlying rules<sup>7</sup>.

Another channel available to report any non-compliant conduct is the **Internal Whistleblowing System** which enables any employee to report acts or events that may constitute a breach of the regulations governing banking activities, guaranteeing the anonymity and protection of the persons involved.

<sup>7</sup> Also pursuant to Italian Law no. 179 of 30 November 2017 "Provisions for the protection of whistleblowers who report crimes or irregularities they have become aware of as part of a public or private employment relationship".

 MAIN RISKS	 MANAGEMENT METHODS/POLICIES ADOPTED
NON-COMPLIANCE WITH LEGISLATIVE AND REGULATORY PROVISIONS	<ul style="list-style-type: none"> <li>Organisational measures to monitor external legislation and update/adapt internal regulations</li> <li>Organisational measures to monitor the correct application of legislation</li> <li>Personnel training and information</li> <li>Internal disciplinary and sanctioning system</li> </ul>
NON-COMPLIANCE WITH COMPANY VALUES AND RELATIVE SELF-REGULATION RULES	<ul style="list-style-type: none"> <li>Personnel training and information</li> <li>Internal whistleblowing system</li> <li>Organisational measures to update the regulations</li> <li>Monitoring the correct application of the regulations and the disciplinary and sanctioning system</li> </ul>

A **citizenship plan** for 2020 - 2023 with specific targets

Events for **Stakeholder engagement** on social and environmental issues

Strengthening of the supervision of business conduct issues, particularly as regards **the environment, tax, personnel management and human rights**



# FUTURE COMMITMENTS





# 06



# TOGETHER FOR THE ENVIRONMENT



CDP  
Score B  
APPROX.

100%

ELECTRICITY  
FROM RENEWABLE  
SOURCES

APPROX.

100%

OF A4 PAPER used  
is recycled



# ENVIRONMENTAL MITIGATION

For the Banco BPM Group, protecting the environment means reducing the impact of its activities\* through structured action plans, managing environmental risks by implementing the best mitigating measures possible, and by supporting customers in the choice of green solutions.

In 2019, we participated in the **Carbon Disclosure Project**, which through an international measurement and accounting system, enabled us to assess our environmental footprint achieving a very positive result.



\*Italian Legislative Decree no. 254/2016 also envisages the disclosure of water consumption; however, this topic is not relevant to the Group in relation to the sector it operates in and its business strategies, and is therefore not subject to reporting.

## MANAGEMENT MODEL



In particular, the Group focuses on:

**ENERGY MANAGEMENT**  
AND MONITORING ENERGY CONSUMPTION

**CORPORATE MOBILITY**

**CONSUMABLES,**  
WASTE DISPOSAL AND RECYCLING

**COMMERCIAL INITIATIVES TO PROTECT THE ENVIRONMENT**

**PREVENTION OF CRIMES**  
COMMITTED IN VIOLATION OF ENVIRONMENTAL PROTECTION LEGISLATION

### ISO Certification for an integrated Health & Safety, Energy and Environment system.

In 2019, the Group concluded the assessment of its organisational model as regards Health & Safety, Energy and the Environment, analysing its company processes, roles and responsibilities, and started work on the implementation needed for the adoption of compliant Management Systems with **ISO 45001, ISO 50001, ISO 14001** certification.

The rationale behind the decision to combine the three systems, although established separately, in a single framework is to operate in the different spheres, guaranteeing high levels of organisational efficiency and effectiveness.

## ENERGY MANAGEMENT AND MONITORING CONSUMPTION

We have extended Energy Management activities to provide more effective supervision of all types of energy.

Again, in 2019, almost **100% of the electricity consumed was generated from certified renewable sources** (Guarantee of Origin GO), avoiding the emission of around 38,832 tonnes of CO<sub>2</sub> equivalent into the atmosphere.

**Total energy consumption<sup>1</sup> fell by 12%** mainly due to the rationalisation measures and the closure of branches envisaged in the plan, while the increase in consumption for district heating systems is due to the greater number of sites that use this type of system.

**The significant reduction (over 67%) in the fuel oil used for heating** is due to the transformation of fuel oil power plants into more innovative plants fuelled by gas or heat pumps, with a consequent reduction of the environmental impact.

The reduction of the energy generated by solar panels is due to weather conditions that the generation is dependent on.

<sup>1</sup> Compared to 2018, consumption has been broken down on the basis of the "Scope" concept (direct or indirect energy).

<sup>2</sup> These buildings are included in the clustering files of the ABI guidelines on the assimilation of the Decree.

DIRECT ENERGY CONSUMPTION (SCOPE 1) (in GJ)	2019	2018	CHANGE
Natural gas for independent heating	164,374	186,974	-12%
Fuel oil for independent heating	1,081	3,245	-67%
Diesel and petrol for the fleet of cars (personal + business use)	38,581	38,520	0%
<b>Total energy</b>	<b>204,036</b>	<b>228,739</b>	<b>-11%</b>

DIRECT ENERGY CONSUMPTION (SCOPE 2) (in GJ)	2019	2018	CHANGE
Electricity from renewable sources	443,948	490,824	-10%
Electricity from solar panels	453	526	-14%
Electricity from non-renewable sources	1,243	1,375	-10%
Consumption of district heating systems	24,976	19,269	30%
Consumption of natural gas for building heating systems	53,260	90,618	-41%
<b>Total energy</b>	<b>523,880</b>	<b>602,612</b>	<b>-13%</b>

<b>Total direct + indirect energy (Scope 1 + Scope 2)</b>	<b>727,917</b>	<b>831,352</b>	<b>-12%</b>
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Efficiency is not just a synonym of savings, it also means managing to do more with less, eliminating the waste due to malfunctioning and to the non-optimal management of resources.

This is why we focus particularly on monitoring consumption also through the **remote management of an increasing number of branches** (107 in 2019; 90 in 2018).

Lastly, **the energy diagnoses of the Group's real estate required under Italian Legislative Decree 102/2014<sup>2</sup>** were completed. The results are illustrated on the portal set up by ENEA ("Audit 102" portal), which processes all of the data so as to analyse the country's overall consumption figures. The proposals for action that will emerge will be included in the preparation of our next energy plans.



# ALMOST 39,000 TONNES OF CO<sub>2</sub> EQUIVALENT

avoided thanks to the use of electricity from renewable sources

In line with consumption, emissions also fell. How the latter are measured can impact results. With regard to indirect emissions, purchased electricity is calculated using the “**Location-based**” method, which considers the total amount of energy purchased from renewable and non-renewable resources, and the “**Market-based**” method, which considers the total quantity of electricity purchased, only if from non-renewable sources.

DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1) From non-renewable sources (in t CO <sub>2</sub> eq)	2019	2018	CHANGE
Natural gas for independent heating	9,527	10,851	-12%
Fuel oil for independent heating	80	241	-67%
Diesel and petrol for the fleet of cars (personal + business use)	2,866	2,864	0%
<b>Total emissions (Scope 1)</b>	<b>12,473</b>	<b>13,956</b>	<b>-11%</b>

INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 2) From non-renewable sources (in t CO <sub>2</sub> eq)	2019	2018	CHANGE
Electricity purchased - <b>Location-based</b> <sup>3</sup>	39,260	43,978	-11%
<b>Total emissions (Scope 2) Location-based</b>	<b>39,260</b>	<b>43,978</b>	<b>-11%</b>
Electricity purchased - <b>Market-based</b> <sup>4</sup>	166	183	-10%
Emissions from district heating systems <sup>5</sup>	1,489		
Natural gas emissions for building heating systems	3,087	5,259	-41%
<b>Total emissions (Scope 2)</b>	<b>4,742</b>	<b>5,442</b>	<b>-13%</b>

<b>Total emissions (Scope 1) + (Scope 2)</b>	<b>17,215</b>	<b>19,399</b>	<b>-11%</b>
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<sup>3</sup> Location-based calculation method: this considers the total quantity of electricity purchased, whether renewable and non-renewable: the correct figure for last year is 43,978, and not 43,212.

<sup>4</sup> Market-based calculation method: here the quantity of electricity covered by “guarantees of origin” will have an emission factor of zero. In 2019, we decided to use the conversion factor of the “Residual Mix”, which represents the mix of the share of electricity generation remaining, after considering the use of specific systems that trace the energy sources used, such as for example the Certificates of Guarantee of Origin (see ABI Guidelines on the application in Banks of GRI Standards in the environmental sphere, pag. 60). In 2018, it was also recalculated in this way.

<sup>5</sup> From the 2019 Non-Financial Statement, we decided to consider the contribution of emissions from district heating systems. Therefore a year-on-year comparison is not possible.

## CORPORATE MOBILITY

In 2019, an organisational unit within the Human Resources Department was set in place, in which a mobility manager was appointed to create and implement strategies for the whole Group, with a view to:

- ✦ Rationalising travel and reducing the use of individual means of transport.
- ✦ Consequent reduction and monitoring of environmental impact.
- ✦ Increasing the awareness of personnel and spreading common rules on corporate mobility.

In addition to drawing up initiatives on mobility which, from FY 2020 will also involve local entities and specialist companies, **measures to manage personnel and trips with a view to reducing the home-work travel time were already adopted in 2019** with positive results, as well as reducing emissions, on the quality of life of our colleagues.

The mobility manager is assisted by the fleet manager, who in 2019, continued with the process of renewing **the fleet, replacing almost 50%** of it by introducing 400 new vehicles (all euro 6B), of which some hybrid and plug-in cars (column battery charging), so at the end of the year the entire company fleet of cars will all be euro 6.

Nevertheless, the consumption of “diesel and petrol for the company fleet of cars for business and personal use” is substantially in line with last year, as the improvement measures were made during the year, and the effects will be seen in 2020.



The App used by our colleagues, which manages the reservation system for company cars for car-pooling, has encouraged over 10,000 shared trips, in line with last year.

# 400

NEW EURO 6B vehicles

50%  
of the fleet  
replaced

Corporate mobility  
over 10,000  
shared trips

# ALMOST 21,000

VIDEO-CONNECTIONS  
for remote meetings

As regards the **video-conferencing system**, efforts to promote innovative solutions for remote meetings continued (over 20,915 sessions) thanks to the progressive **implementation of video-communication tools** (16,515 workstations) and a company culture that is increasingly oriented towards sustainable solutions, including the management of meetings.



## FOCUS ON CONSUMABLES, WASTE DISPOSAL AND RECYCLING

OVER  
**90%**

of A4 paper is  
recycled and  
certified

The reduction of the direct environmental impact is also dependent on prudent choices in terms of materials used, with specific focus on those that the Group uses most, particularly paper and toner.

To this end, in 2019, we set in motion a series of **mitigation measures** and continued to practice **virtuous conduct**, which we can consider consolidated at this point:

- ✦ Procurement of recycled and Blue Angel certified paper for over 90% of size A4, the most commonly used in the company. Blue Angel certification guarantees that the materials produced are completely free of polluting whitening substances. The production process is PCF (Process Chlorine Free) certified.
- ✦ Predominant use (over 90%) of regenerated toner.

As regards the paper used by outsourcers, the percentage of paper used for mass communication to customers affects the total amount consumed. Due to the technical constraints of the printing machinery used, the paper for this type of communication cannot be recycled paper. In any event, FSC certified ecological paper is used.

CONSUMPTION OF MATERIALS (in t)		2019
<b>Total paper consumed in-house</b>		<b>2,343</b>
-	of which A4 Paper	2,139
-	of which recycled A4 Paper	2,137
<b>Total paper used by outsourcers</b>		<b>630</b>
<b>Total Toner used</b>		<b>114</b>
-	of which regenerated Toner	104

Starting from June 2019, the management of all of the **waste generated** at Group facilities has been assigned to a single company, with a view to harmonising collection and disposal activities.

More specifically, in 2019, not considering urban waste, around 3,735 tonnes of waste from all stages of the process was recovered and disposed of in compliance with the laws of individual Municipalities. With regard to **paper and cardboard**,

**2,635 tonnes were recovered** and delivered to authorised facilities to be reused for the production of new paper-based materials.

As regards plastic, approximately **71 tonnes of plastic was recovered for recycling**, which includes the cups used in company canteen and collected by means of automatic ecological compacters.

**2,635** tonnes  
OF PAPER AND  
CARDBOARD  
recovered

**71** tonnes  
OF PLASTIC  
**RECYCLED**



## ECOBIX

In 2019, the **Ecobox project** dedicated to the separate waste collection of physical tokens and payment cards that had expired or were no longer working, was extended to all of the Group's branches with the installation of a specific container made from recycled FSC® certified cardboard, which enabled around **206,000 tokens returned from customers to be collected**, making an increase of around 50,000 pieces compared to 2018.



## COMMERCIAL INITIATIVES TO PROTECT THE ENVIRONMENT

With a view to contributing to reducing the indirect environmental impact, we actively participate in Italian and European projects on environmental sustainability and our commercial offer includes solutions for energy efficiency.

Dialogue with FIRE - Federazione Italiana per l'uso Razionale dell'Energia (Italian federation for rational energy use) as part of the **European project "GoEsi"**, to combine funding dedicated to energy efficiency with the use of the "ESI model" (standardised turnkey contract with performance guarantees), which could represent a positive spread in the evaluation of loan applications.

Pilot Bank in the **European project "EeMAP"** which aims to offer green mortgage loans to sustain purchases of high energy efficient or redeveloped properties that enable at least a 30% saving on energy consumption.

**"Energy Efficiency Building Loan - Italy"** to fund works to make condominium buildings more energy efficient by means of a loan with a maximum duration of 10 years characterised by advantageous pricing.

## PREVENTION OF CRIMES COMMITTED IN VIOLATION OF ENVIRONMENTAL PROTECTION LEGISLATION

At the end of 2019, the Group owned or held approximately 5,500 investment properties (garages, land, apartments, buildings, warehouses, etc.), principally

acquired through debt recovery and defaulted leasing contracts. The following properties are subject to the following management activities:

- ✦ identification of the responsibilities and activities of each party involved;
- ✦ mitigation of management risks through constant monitoring;
- ✦ administrative management;
- ✦ guarantee, where necessary, of direct sale or sale by specialised agencies.

Responsibilities and activities are assigned and implemented in line with the laws and regulations in force, adopting, for all companies responsible for the management of such properties, the Model 231 which, in the case of the acquisition or recent establishment of said companies, is customised within a few months.

 MAIN RISKS	 MANAGEMENT METHODS/POLICIES ADOPTED
USE OF NON-RENEWABLE NATURAL RESOURCES, ENERGY INEFFICIENCY AND FAILURE TO RECYCLE	Procurement of energy from renewable sources Energy efficiency initiatives and monitoring of energy consumption Use of recycled materials Separate waste collection and recovery of material
ENVIRONMENTAL SECURITY OF INVESTMENT PROPERTIES	Monitoring of conditions of properties and measures for the relative regulation
MISSED COMMERCIAL OPPORTUNITIES PRESENTED BY THE GREEN ECONOMY	Launch and design of products and services for the green economy

||||| **ISO Certification** for  
an integrated Health  
& Safety, Energy and  
Environment system.

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||||| **Plan to reduce CO<sub>2</sub>  
emissions**

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||||| Extension of the **range of  
"green" products**

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||||| **Reduction of paper  
consumed**



# FUTURE COMMITMENTS

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07



# RECOGNITIONS 2019



# RECOGNITIONS IN 2019

## MARCH

### FINANCIAL INNOVATION - ITALIAN AWARD

#### **3 awards for the Digital transformation project (.Dot):**

##### **1st place in the "Credit Services Products" category**

The fully digital "Advance of Smart Invoices" process reduces response times and eliminates paper documents.

##### **1st place in the "Channels & Customer Experience" category**

Thanks to "The future of Customer Experience: when digital and voice meet", the customer can perform transactions from its App using voice commands.

##### **2nd place and honourable mention in the "New business services" category**

For "You Lounge - The trade club": a B2B platform with which customers can promote their products/services through business cards or virtual showcases.

### ABI AWARD FOR INNOVATION IN BANKING SERVICES:

#### **1st prize in the "Innovation in communication" category: a new message from the Bank"**

For the "Community Bank" Project, where differentiated communication was able to focus on people, listening, the involvement and participation of the numerous internal and external stakeholders in the regions where the Bank operates, reinforcing its own company identity.

## MAY

### MILANO FINANZA GLOBAL AWARDS

#### **MF Innovazione Award - "Loan products for individuals and businesses" category:**

for the "Mutuo Ipotecario-Fondario Bioedilizia Imprese" the first in Italy, a mortgage loan to be used to fund non-residential buildings, built according to green standards.

## NOVEMBER

### FINANCECOMMUNITY AWARDS

#### **Banca Akros as TEAM OF THE YEAR EQUITY CAPITAL MARKET – AIM:**

"A team that is growing rapidly, increasingly active in the SME market. Appreciated by peers and voted by the jury, it distinguished itself in several of the main listings."

#### **Banco BPM as TEAM OF THE YEAR CORPORATE LENDING:**

"For the extraordinary transactions, listings and financing acquisitions, but also for always being close to enterprises and their current business activities, and for providing the resources needed for growth and development."

### FUTURE BANCASSURANCE AWARDS

#### **3 awards obtained to demonstrate the important partnership between the Banco BPM Group and Cattolica Assicurazioni:**

- **Banco BPM for the** "best growth performance in life insurance premiums collected by its network", further proof of the Group's high commercial value and of the insurance solutions developed with Vera Vita.
- **Vera Vita** awarded as a pioneer of innovation in the financial drivers underlying segment 1 insurance products, with specific regard to a product called SempreVera.
- **Vera Assicurazioni** for "greater home protection": a modular product with target guarantees and monthly payments, "Netflix style", namely the greatest freedom in terms of the subscription and renewal of the guarantee.



## DECEMBER

**ASSOREL AWARD****2 recognitions for Banco BPM****Communication of the Sustainability Report:**

for "An ongoing commitment - 2018 Consolidated Non-Financial Statement"

**Special mention Communication Award Corporate & Reputation Management:**

for the "Community Bank" project

**ITALIAN CERTIFICATE AWARDS****Best Online Broker Award:**

**1st prize to Webank** as the "Leading online broker, active in the certificates market for years, which provides full access to the Sedex and EuroTLX markets. Organises local and online events dedicated to customers, to provide training and specialist information."

## ETHICS RATINGS

**STANDARD ETHICS**

## NOVEMBER

Standard Ethics confirmed the 'EE-' rating, upgrading the outlook from 'Stable' to 'Positive'.

According to the **rating agency**, the sustainability model - and the excellent ESG reporting - are improving thanks to a more systematic approach and to greater consideration of the voluntary indications of supranational organisations (UN, OECD, EU), which are encompassed alongside the Bank's traditional proximity to its stakeholders and its local areas.

The programme underway is paving the way for improvements whose effects will be enjoyed from today to years to come.

**The short and long-term vision is positive.**

**CDP – CARBON DISCLOSURE PROJECT**

## DECEMBER

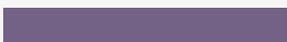
Reflecting its commitment in recent years, Banco BPM has improved its rating, obtaining a score of "B" from the **Carbon Disclosure Project**, in environmental performance and in mitigating the impact of climate change. The score of **B** is higher than the European regional average and the average of financial services (both C).

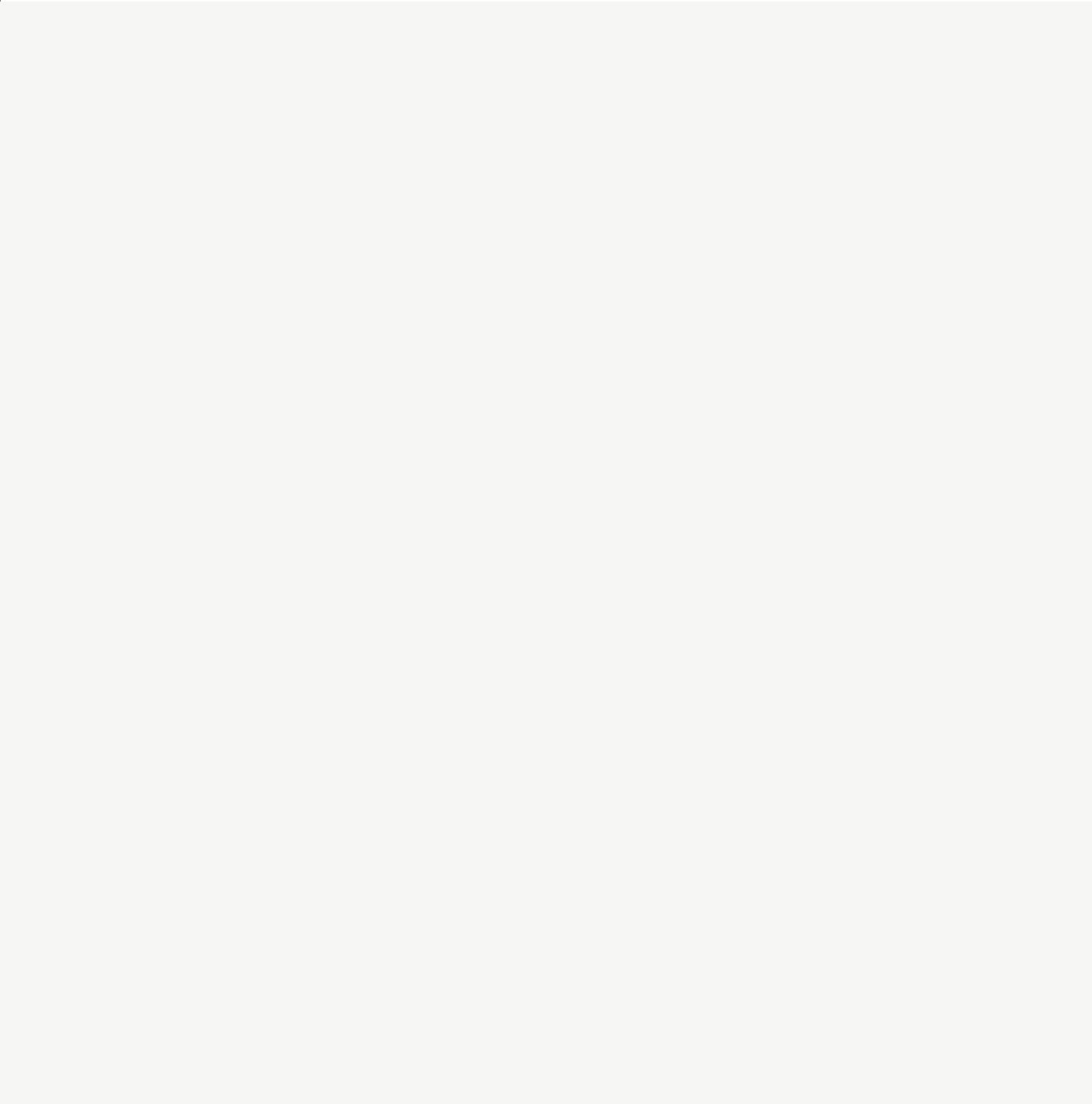




# 08

# METHOD AND FRAMEWORK







# NOTE ON METHODOLOGY

## REPORTING STANDARDS.

The Consolidated Non-Financial Statement of the Banco BPM Group (hereinafter also “the Group”), produced in line with Articles 3 and 4 of Italian Legislative Decree no. 254/2016 (hereinafter also “Decree”), contains information on environmental and social topics, personnel, respect for human rights and the fight against corruption. It provides a better understanding of the activities carried out by the Group, its performance, its results and the impact generated by these factors. This Statement is published on an annual basis (the 2019 Consolidated Non-Financial Statement was published in March 2019) and is produced pursuant to the Decree and the “Sustainability Reporting Standards” defined in 2016 by the Global Reporting Initiative (GRI), hereinafter the

“GRI Standards”, and the “Financial Services Sector Supplements”.

The level of compliance with GRI Standards stated by the Group is the “in accordance - core” option. To enable the reader to better reconcile the information provided in this document, the GRI Content Index is provided on pages 102-106.

This Statement reflects the principle of materiality, as provided by the GRI Standards: the topics covered in the Statement are those that, subsequent to the materiality analysis described on page 21 of this document, were considered relevant and such to reflect the social and environmental impacts of the Group's activities or to influence the decisions of its stakeholders.

## REPORTING SCOPE

The qualitative and quantitative data and information contained in this Statement refer to the Group's performance in the year ending 31 December 2019. This Statement includes the data of Banco BPM S.p.A. and all fully consolidated companies, except for SPVs. Statutory Foundations are also excluded from the reporting scope (whose activities are in any event illustrated in depth in the section on “Corporate Identity and Citizenship”). Any limitations in the scope will be indicated in the document. Exclusions and limitations to the scope do not in any way detract from the understanding the Group's activities, its performance, its results and the impact generated by these aspects.

The economic and financial data described in the Statement derives from the Annual Financial Report of the Banco BPM Group at 31 December 2019. With reference to the preparation of the information used to determine economic value generated and distributed, the Italian Banking Association (ABI) guidelines were considered, proposing the reclassification of the income statement according to Italian banking legislation. This table provides additional information to the data required by the Decree.

With reference to greenhouse gas emissions data, the following emissions factors are considered, as suggested by the ABI Guidelines:

- Italian Greenhouse Gas Inventory 1990 - 2016 - National Inventory Report 2018 Annex 6 National Emission Factors - Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA);
- Common Reporting Format – National Inventory Report 2018 – Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA);
- Italian Greenhouse Gas Inventory 1990 – 2016 – National Inventory Report 2018 Annex 2: Energy Consumption for Power Generation – Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA);
- Italian Greenhouse Gas Inventory 1990 – 2015 – National Inventory Report 2016 Annex 6 National Emission Factors – Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA);
- “Climate Change 2013: The Physical Science Basis”. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

## REPORTING PROCESS

The Banco BPM Group has adopted a structured procedure for the preparation of the Statement which, defined by internal regulations, has identified the departments involved and the principles, roles and responsibilities for the reporting of the non-financial information and data contained in this Document. As such, the preparation of the Statement was based on a structured reporting process that envisaged:

- the definition of the deadlines and the content to be included in the Statement;
- the collection and checking of information and the preparation and approval of the Statement, through the involvement of the company departments responsible for the relevant contexts and the relative non-financial information and data provided. Their input was requested during the collection, analysis and consolidation of data, with the responsibility of checking and approving the data contained in

the Statement in line with their own jurisdiction. In particular, the data and information included in this Statement are collected through data collection forms specifically designed to fulfil the requirements of Italian Legislative Decree no. 254/2016 and the GRI Standards. The data included in this Statement refers to measurable values. The use of estimates, where necessary, is duly indicated in the Document;

- the approval of the Statement by the Board of Directors;
- verification of compliance carried out by the independent auditors of Banco BPM Group, PricewaterhouseCoopers SpA;
- the publication of the Statement on the Group's website with a view to its transparent disclosure to all stakeholders.

## REPORTING PRINCIPLES

The process to define the content of the Statement is based on the principles provided for by the GRI Standards: materiality, stakeholder inclusiveness, sustainability context, completeness, comparability, accuracy, timeliness, clarity, reliability and balance.



# RECONCILIATION TABLE

MATERIAL TOPIC	DEFINITION AND RELEVANCE	GRI Standard Disclosure	INTERNAL IMPACTS	EXTERNAL IMPACTS
<b>Capital solidity and profitability</b>	Reference is made to the Group's capital solidity and profitability indicators. Adequate capitalisation and profitability are fundamental to effectively conduct banking activities and to remunerate the main stakeholders in the medium-long term.	GRI 201: Economic performance 2016	Banco BPM Group	All stakeholders
<b>Business conduct</b>	This refers to the set of rules, tools and initiatives that govern sound business management, as well as to the management model adopted to prevent and counter corruption and unlawful acts also in the areas identified by Italian Legislative Decree 254	GRI 205: Anti-corruption 2016	Banco BPM Group	All stakeholders
<b>Management and development of human capital</b>	Growth and enhancement of employees through training activities and professional opportunities	GRI 401: Employment 2016  GRI 404: Training and Education 2016	Banco BPM Group	Personnel
<b>People care and involvement</b>	Measures and initiatives to involve employees in the company vision and culture and to increase the organisational, individual and family wellbeing of workers.	GRI 403: Occupational Health and Safety 2016	Banco BPM Group	Personnel
<b>Corporate identity and citizenship</b>	The support of the social fabric as an integral and distinctive part of corporate identity, through social sponsorships, charitable donations, the award of company assets, volunteering and other initiatives addressed to supporting the community.	GRI 201: Economic Performance 2016  GRI 203: Indirect Economic Impacts 2016	Banco BPM Group	Community
<b>Environmental mitigation</b>	Relating to direct impacts, all measures taken to reduce the consumption of the resources employed in business activities as well as the main harmful emissions. As regards indirect impacts, funding of energy efficiency initiatives and projects and assessment of environmental risk in the credit process.	GRI 302: Energy 2016  GRI 305: Emissions 2016  GRI 301: Materials 2016	Banco BPM Group	Community

MATERIAL TOPIC	DEFINITION AND RELEVANCE	GRI Standard Disclosure	INTERNAL IMPACTS	EXTERNAL IMPACTS
<b>Supplier relations</b>	Supply chain management and selection of suppliers from a pool of companies and professionals exhibiting the prerequisites of integrity, professionalism, competence and reputation.	GRI 204: Procurement practices 2016	Banco BPM Group	Suppliers
<b>Customer experience and valuable relationships</b>	Adopt an effective relational model, provide valuable solutions and experiences taking account of customer feedback and setting in motion the due improvement actions, are key requirements for a fulfilling and long-lasting relationship.	Product portfolio (GRI G4) GRI 413: Local Communities 2016	Banco BPM Group	Customers
<b>Business development and internationalisation</b>	Business development is a priority for Italy and represents an important business opportunity for the Group, which is aiming to become a reference partner for Italian mid-caps by supporting growth in Italy and abroad.	On this subject (which is not directly associated with an aspect of the GRI Standard guidelines), Banco BPM has described its management approach and the relative indicators adopted.	Banco BPM Group	Customers
<b>Protecting savings and sustainable credit management</b>	This refers, on one side, to the ability to protect and optimise the savings of customers and businesses through an advanced consultancy model and the sharing of financial awareness, and on the other side, to directing these resources towards deserving customers so as to reconcile support to the real economy with the necessary company solidity.	Product portfolio (GRI G4) Marketing and labelling (GRI G4)	Banco BPM Group	Customers
<b>Innovation and information management</b>	Innovation is considered an important driver of sustainability in relation to the ability of businesses to adapt to new requirements and social or cultural changes and to exploit new technologies to improve service efficiency and effectiveness while protecting the customer data used by the Group and investing in IT security, culture and training.	GRI 418: Customer Privacy 2016	Banco BPM Group	Customers



# GRI CONTENT INDEX

Standard Disclosure	Disclosure	Page number (or direct reference)	Omissions
<b>GRI 102: Disclosure</b>			
<b>ORGANISATIONAL PROFILE</b>			
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<b>102-4</b>	Location of operations	41	
<b>102-5</b>	Ownership and legal form	16-17	
<b>102-6</b>	Markets served	41	
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<b>102-8</b>	Information on employees and other workers	57-58	
<b>102-9</b>	Supply chain	73-75	
<b>102-10</b>	Significant changes to the organization and its supply chain	Letter from CEO and Chairman + Note on Methodology	
<b>102-11</b>	Precautionary principle or approach	20, 25, 38, 43, 47, 51, 60, 62, 71, 75, 80, 90	
<b>102-12</b>	External initiatives	21	
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<b>ETHICS AND INTEGRITY</b>			
<b>102-16</b>	Values, principles, standards, and norms of behaviour	10, 76-77	
<b>102-17</b>	Mechanisms for advice and concerns about ethics	80	

Standard Disclosure	Disclosure	Page number (or direct reference)	Omissions
<b>GOVERNANCE</b>			
<b>102-18</b>	Governance structure	16-19	
<b>102-22</b>	Composition of the highest governance body and its committees	18-19	
<b>STAKEHOLDER ENGAGEMENT</b>			
<b>102-40</b>	List of stakeholder groups	10, 43, 45, 62	
<b>102-41</b>	Collective bargaining agreements	All employees of Group Banks are covered by the National Collective Agreement for the Credit Sector signed with the Trade Unions	
<b>102-42</b>	Identifying and selecting stakeholders	10, 14, 43, 45, 62	
<b>102-43</b>	Approach to stakeholder engagement	43, 62	
<b>102-44</b>	Key topics and concerns raised	43, 45	
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<b>102-45</b>	Entities included in the consolidated financial statements	Note on methodology	
<b>102-46</b>	Process for defining report content and topic boundaries	Note on methodology	
<b>102-47</b>	List of material topics	21	
<b>102-48</b>	Restatements of information	Note on methodology	
<b>102-49</b>	Changes in reporting	Note on methodology	
<b>102-50</b>	Reporting period	Note on methodology	
<b>102-51</b>	Date of most recent report	Note on methodology	
<b>102-52</b>	Reporting cycle	Note on methodology	
<b>102-53</b>	Contact point for questions regarding the report	Back cover	
<b>102-54</b>	Claims of reporting in accordance with the GRI Standards	Note on methodology	
<b>102-55</b>	GRI content index	103-106	
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Standard Disclosure	Disclosure	Page number (or direct reference)	Omissions
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<b>GRI 201: Economic Performance 2016</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	25, Reconciliation table	
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<b>GRI 203: Indirect Economic Impacts 2016</b>			
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<b>GRI 204: Procurement practices 2016</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	73-75, Reconciliation table	
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<b>GRI 205: Anti-corruption 2016</b>			
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<b>205-3</b>	Confirmed incidents of corruption and actions taken	79	
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<b>GRI 301: Materials 2016</b>			
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Standard Disclosure	Disclosure	Page number (or direct reference)	Omissions
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<b>GRI 405: Diversity and Equal Opportunity 2016</b>			
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<b>GRI 418: Customer Privacy 2016</b>			
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Standard Disclosure	Disclosure	Page number (or direct reference)	Omissions
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<b>Indicator of specific Sector Supplement - G4 - PRODUCT PORTFOLIO</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	39, 42, Reconciliation table	
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# INDEPENDENT AUDITORS' REPORT



**BANCO BPM SPA**

**INDEPENDENT AUDITOR'S REPORT ON THE  
CONSOLIDATED NON FINANCIAL STATEMENT PURSUANT  
TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE  
NO. 254/2016 AND ARTICLE 5 OF CONSOB REGULATION NO.  
20267 OF JANUARY 2018**

**YEAR ENDED 31 DECEMBER 2019**



### **Independent auditor's report on the consolidated non-financial statement**

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018*

To the Board of Directors of Banco BPM SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Banco BPM SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 10 March 2020 (hereafter the "NFS").

#### **Responsibility of Management and those charged with Governance for the NFS**

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016, hereafter the "GRI Standards", identified as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

#### **PricewaterhouseCoopers SpA**

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### **Auditor's Independence and Quality Control**

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### **Auditor's responsibilities**

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with those reported in the Group's Consolidated Financial Statements;
4. understanding of the following matters:
  - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
  - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;



5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Banco BPM SpA and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at holding level,
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies, Banco BPM SpA, Banca Akros SpA, ProFamily SpA, Tecmarket Servizi SpA, which were selected on the basis of their activities and their contribution to the performance indicators at a consolidated level, we carried out meetings and interviews during which we gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### **Conclusions**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Banco BPM Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Milan, 13 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Pierfrancesco Anglani  
(Partner)

*Signed by*

Paolo Bersani  
(Authorised Signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2019 translation.*

**NOTICE RELATING TO THE ADOPTION OF THE RECOMMENDATION ISSUED BY THE EUROPEAN CENTRAL BANK ON 27 MARCH 2020 REGARDING THE DISTRIBUTION OF PROFIT FOR FY 2019**

With reference to the macro-chapter "Together to create value" of the 2019 Consolidated Non-Financial Statement of Banco BPM, the distribution of a share of the profits made in 2019 should have been submitted to the approval of the Shareholders' Meeting of 4 April 2020, however, following the recommendation issued by the ECB on 27 March 2020, which asked significant banks under its supervision not to pay dividends (not yet resolved) and not to make any irrevocable commitment to their payment for FY 2019 and 2020 at least until 1 October 2020, on 31 March 2020, the Board of Directors of Banco BPM stated that at the Shareholders' Meeting on 4 April 2020, no discussions will be held on the distribution of profit (for further details see the press release available on the website [https://gruppo.bancobpm.it/media/dlm\\_uploads/2020\\_03\\_31-Shareholders-Meeting-Implementation-of-ECB-provisions-of-27-March-2020.pdf](https://gruppo.bancobpm.it/media/dlm_uploads/2020_03_31-Shareholders-Meeting-Implementation-of-ECB-provisions-of-27-March-2020.pdf)).

The Board of Directors of Banco BPM will assess whether it is able to distribute profits after 1 October 2020, or following any new announcement by the ECB and in any event, after confirming that the uncertainties caused by the Covid-19 epidemic no longer exist.

The data and information contained in the macro-chapter "Together to create value" therefore refer to the proposed distribution of profit prior to the recommendation of the ECB on 27 March 2020 and to the resolution of 31 March 2020 of the Board of Directors of Banco BPM.

To better understand the consequences of the above decision, the content of the 2019 Consolidated Non-Financial Statement (document registered and published within the deadline envisaged by the law) relating to the decision of the Board of Directors is shown below, with the changes after the resolution shown in the column on the right with respect to the wording marked in green in the column on the left.



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## CONTENT OF THE 2019 CONSOLIDATED NON-FINANCIAL STATEMENT

### HIGHLIGHTS (page 23)

Economic value generated of over €4 billion, of which 70% distributed to our people, to our suppliers, to the public administration, to our shareholders, to our community and to the environment.

Phased-in CET1 ratio of 14.56% compared to the minimum capital requirement of 9.315% requested by the ECB.

### ECONOMIC VALUE GENERATED AND DISTRIBUTED (page 24)

Over 70% of this value is distributed to our stakeholders, mainly to our employees, partners and suppliers as shown in the chart

PIE CHART: 60% employees and partners, 21% suppliers, 15% public administration, 4% shareholders

Compared to 2018, **the amount distributed to shareholders (€ 121 million)** is worth noting, due to the proposed dividend of € 0.08 per share **as well as that distributed to the public administration of € 434 million** (mainly for contributions paid to deposit guarantee schemes and resolution mechanisms).

**Around 30% of the value generated was retained** to further strengthen the Group's equity.

2 The distribution of profits will be submitted to the Shareholders' Meeting planned for 4 April 2020.

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## CAPITAL SOLIDITY AND FINANCIAL STABILITY (page 26)

PHASED-IN CET 1 RATIO (IN%) GRAPH  
Value of the 2019 bar: 14.56%

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## CHANGES FOLLOWING THE RESOLUTION OF THE BOARD OF DIRECTORS OF 31 MARCH 2020

Economic value generated of over €4 billion, of which 67% distributed to our people, to our suppliers, to the public administration, to our community and to the environment.

Phased-in CET1 ratio of 14.76% compared to the minimum capital requirement of 9.315% requested by the ECB.

Around 67% of this value is distributed to our stakeholders, mainly to our employees, partners and suppliers as shown in the chart

PIE CHART: 62% employees and partners, 22% suppliers, 16% public administration

**Around 33% of the value generated was retained** to further strengthen the Group's equity.

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PHASED-IN CET 1 RATIO (IN%) GRAPH  
Value of the 2019 bar: 14.76%

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PRINT  
Varigrafica Alto Lazio Srl - Nepi (VT)  
Print run: 1,000 copies  
End of printing: April 2020

Cover  
Fedrigoni Arcoset Extra White paper  
Weight: 250 gr / mq  
Number of pages: 4  
Internal pages  
Fedrigoni Arcoset Extra White paper  
Weight: 100 gr / mq  
Number of pages: 112

This publication is printed on pure paper ecological cellulose E.C.F. coming from forests responsibly managed FSC® certified (Forest Stewardship Council®), completely biodegradable and recyclable. Document printed through implants technologically advanced with low emission.

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TOGETHER  
WE DO  
**EXTRA**  
ORDINARY  
THINGS

CONSOLIDATED  
NON-FINANCIAL  
STATEMENT

2019

