



TOGETHER  
WE DO  
EXTRA  
ORDINARY  
THINGS

SUSTAINABILITY REPORT

2020

CONSOLIDATED NON-FINANCIAL  
STATEMENT PURSUANT TO ITALIAN  
LEGISLATIVE DECREE 254/2016



**BANCO BPM**  
GRUPPO

**Banco BPM S.p.A.**  
Piazza F. Meda, 4  
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[GRUPPO.BANCOBPM.IT](http://GRUPPO.BANCOBPM.IT)

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# Letter to our Stakeholders

Dear readers,

Today more than ever, looking at the year we've just experienced is difficult, even painful, but this document can offer us the opportunity **to look back and realise what tools, energy and resources we have been able to deploy during this difficult time.**

Indeed, the pandemic has caused fear and uncertainty, but **we never backed down** - we couldn't - and, in response to the unexpected, **we took swift action, mobilising human and financial resources which turned out to be fundamental for the stability of our economic and social system.**

We were able to react thanks to our structure, which is both solid and flexible, the experience of our management, the development of solutions for working remotely, safely, and the commitment of every one of our colleagues, thanks to which we were able to ensure that our customers were never lacking support, albeit with new methods.

In the year that has just come to a close, **we developed new procedures to accelerate the deployment of the measures adopted by the government and to support the country** by granting payment moratoria, suspending loan instalments, disbursing and renegotiating loans backed by public guarantees and providing advances on wage guarantee fund payments, but also by activating extraordinary voluntary measures, like setting aside € 5 billion in emergency response funds. We prioritised prompt communications, through all of our channels, to provide information on the measures activated over time, immediately reassuring our customers that we would continue to provide them with assistance, and on the measures put into place to deal with this complicated period.

We also provided support, thanks in part to the solidarity of our colleagues and customers, **to those on the front lines of the pandemic emergency**, first and foremost hospitals, health care facilities and research centres, **without overlooking the segments of our society** most struck by the consequences of the pandemic, through concrete aid **to local charitable organisations.**

**We worked alongside young people**, in whom we invested financial resources and skills through the **Schools Project**, study grants, donations of the tools required for remote learning, the sharing of financial knowledge and partnerships with universities.

**We would like to particularly thank all of our colleagues**, who at times may not have received the recognition they deserve during public occasions paying homage to the workers who supported our country throughout the most difficult times. Indeed, despite numerous difficulties, **they always persevered**, even during the most critical period of the emergency, and they provided oxygen to our extraordinary business sectors overwhelmed by the crisis.

During a period of exceptional complexity marked by the consequences of the pandemic, **we strive to look to the future with reasonable optimism**, with an awareness of all that upcoming challenges will continue to demand of us, but **confident**, after this experience, **of what extraordinary energy we are able to harness.**

Precisely for these reasons, in the course of 2020 we invested in the **digital** and **sustainability**, strengthening our ESG governance, with a view to integrating its various complex aspects within company activities and in the business and tackling with determination the great challenges of the economic, environmental and innovation transition, to really **play a leading role in the sustainable and inclusive development of our country.**

**Massimo Tononi**  
Chairman  
Banco BPM Group

**Giuseppe Castagna**  
Chief Executive Officer  
Banco BPM Group

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# 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 they generate by presenting, for each material topic identified, the management and organisation model, policies, the main KPIs and the risks generated and assumed. The risks represented and the relative management methods/policies employed have been identified with the contribution of the corporate functions that directly and indirectly manage such risks.

## NAVIGATING

Name of reference chapter, top left of each page



## TITLES

Shown in the contents

## DIAGRAM

Management model at the beginning of each chapter



## TABLE

Risks and management methods/policies employed at the end of each chapter.

## INDICATOR

Material topics relating to organisational resilience in 2020 in response to the COVID-19 emergency



## HIGHLIGHTED TEXT

Analyst and investor requests

The Group continues with its ongoing commitment to improving sustainability reporting, with the belief that the obligation to draft this document provides **an opportunity for sharing its policies, strategies and impacts in the various reporting areas**.

In this sense, the document has been enhanced with new KPIs, at times linked to the GRI reporting standards and at times in response to the requests of certain analysts and investors active in the realm of sustainable investing, identified with a circular icon.

The Statement is organised into nine macro-chapters and opens with a section dedicated to new challenges and opportunities. The first macro-chapter **"Banco BPM Group: identity and commitment"** describes the Group and its mission, the way it operates, the remuneration policies, the risk management, the sustainability strategy and important topics based on a **materiality analysis**.

The document's subsequent macro-chapters, the first pages of which identify the main highlights, then focus on these topics, and the claim of their titles **"Together ..."** emphasises, like in 2019, how important it is for the Group to share its objectives and actions with its stakeholders.

The second macro-chapter **"Together to create value"** regards the distribution of economic wealth, the Group's capital solidity and profitability, fundamental information which represents the springboard for all of the activities that are illustrated in the following chapters and which is in turn influenced by the non-financial issues reported on.

Macro-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 management and organisation approaches, KPIs and the main risks as well as the relative management procedures/policies employed relating to each material topic identified.

Macro-chapter 7 illustrates the **"Recognitions"** that the Banco BPM Group received in 2020, and is followed by macro-chapter 8, which contains the annexes on the environmental data provided in the macro-chapter "Together for the environment" and lastly macro-chapter 9 **"Method and framework"** contains aspects related to the methodology adopted, the correlation table indicating how we comply with the requirements of the standard adopted (Global Reporting Initiative) as well as the independent auditors' report.

The document was generated by the Sustainability Function which guided, coordinated and monitored all phases of its creation, from the materiality analysis to the identification of KPIs, from the processing of information and data received from all Group structures to the drafting of the content and discussions with the independent auditors and the graphic design firm.

# New challenges and opportunities

## SUSTAINABILITY: AN EPOCHAL TURNING POINT

We are witnessing an evolution of the economic and social model, further strengthened in recent years by regulatory measures, the interventions of governments and supra-national bodies as well as the investment decisions of investors and financial market operators.

## 2018

### EU 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.
- Launch in Europe of works for

<sup>1</sup> Bank of Italy - L. Signorini's speech at the conference on *Sustainable development, finance and climatic risk* - July 2019

<sup>2</sup> European Commission and 2020 Budget Policy document – December 2019

<sup>3</sup> Morningstar 2020 – Report *How does European sustainable funds' performance measure up?*

<sup>4</sup> PwC 2020 – Report *Asset and wealth management revolution: The power to shape the future*

## 2019

### INTEGRATION OF ESG ELEMENTS INTO THE SYSTEM OF RISKS OF FINANCIAL INTERMEDIARIES<sup>1</sup>

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.**

The European Commission defines

### THE GREEN DEAL<sup>2</sup>

the new strategy for **growth through inclusive economic transition, which considers the impact on the climate and the environment.**

Italy expects to establish two investment funds for urban renewal and energy conversion projects, to incentivise the use of renewable sources, for more than **€ 55 billion over the next 15 years.**

<sup>5</sup> For more details [www.consilium.europa.eu/it/infographics/ngeu-covid-19-recovery-package/](http://www.consilium.europa.eu/it/infographics/ngeu-covid-19-recovery-package/)

## 2020

### GUIDE ON CLIMATE-RELATED AND ENVIRONMENTAL RISKS PUBLISHED BY THE ECB

The ECB publishes expectations concerning how banks should take environmental and climate-related risks into account in the formulation and implementation of corporate strategies, governance and risk management systems as well as disclosures to stakeholders.

### GROWTH IN ASSETS MANAGED WITH ESG MANDATES

Over the last three years, assets managed with ESG mandates at global level have more than tripled. In Europe, during the January-October 2020 period, net flows were a positive € 1.51 billion (+78%). Furthermore, ESG funds have outperformed traditional funds across all time horizons.<sup>3</sup> In Europe, ESG assets will represent between 41% and 57% of total mutual funds by 2025.<sup>4</sup>

### RECOVERY PLAN FOR EUROPE IN THE WAKE OF COVID-19

To face the economic and social crisis deriving from the Covid-19 pandemic, € 1,074 bn has been set aside at European level, including € 750 bn (52% in subsidies and 48% in loans) as part of the NextGenerationEU (NGEU) plan, € 374 bn of which has been earmarked for the transition towards a sustainable economy. Italy will have a total of € 209 bn in NGEU funds available, of which around € 70 bn for the green transition.<sup>5</sup>

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. For citizens, governments, institutions and enterprise, these objectives represent a reference framework.



## THE ECONOMIC-SOCIAL SYSTEM IN ITALY

The year 2020 will be remembered as an *annus horribilis* due to the negative impacts of the Covid-19 pandemic on the economic-social system. **The crisis has brought to light some of Italy's fragilities**, which also contributed to the low resilience of the Italian economy to previous shocks (2008-2009 and 2011-2012):

- economic growth rates and levels of productivity for years lower than those of other major European countries;
- one of the highest public debt/GDP ratios in the OECD area;
- the low efficiency and effectiveness of the public administration machine;
- a significant underground economy (12% of GDP) with considerable tax evasion (more than € 110 billion per year);
- a high level of gender, social and geographical inequality, a low rate of female participation in the job market and a very high number of young people who are neither studying nor working<sup>6</sup>.

**The Italian government immediately took a series of steps to reduce the negative impacts of the pandemic**, accompanying restrictive measures intended to limit contagion with the activation of extraordinary measures for businesses and workers, including the "Liquidity Decree"<sup>7</sup> which made it possible to increase coverage of the guarantee on bank loans and the group of beneficiaries, as well as simplify access to the Guarantee Fund; the expansion of the wage guarantee fund; the suspension of tax payments and the notification of new payment requests to the Collection Agent; partial relief for the economic activities concerned, directly or indirectly, in the restrictions put into place to protect health and support the workers employed in those sectors<sup>8</sup>.

Within such a complex context, after initial internal conflict and hesitation, **in Europe a spirit of solidarity prevailed**, which took form in an extremely accommodating monetary policy and a massive government bond buying plan by the ECB<sup>9</sup>, as well as the European Recovery and Resilience Plan, NextGenerationEU<sup>10</sup>, with a view to overcoming the crisis and laying the foundations for a modern and sustainable Europe.

During this extraordinary historical moment, **Italy has the possibility to make use of an unprecedented volume of**

**financial resources**, thanks to a decidedly conciliatory policy enacted by the European institutions, **in order to make the country more resilient** to future shocks in the system, **more reactive and competitive** with respect to industrial and technological transformations under way and **more sustainable and fair** to limit the effects of shocks on the most vulnerable segments of the population and discourage a structural weakening of the "primary" development factors (economic capital, human capital, social capital and natural capital)<sup>11</sup>.

<sup>6</sup> Committee of economic and tax experts - *Initiatives for the relaunch Italy 2020-2022* - Report for the Prime Minister

<sup>7</sup> [www.fondidigaranzia.it/d/liquidita-le-misure-per-il-fondo-di-garanzia/](http://www.fondidigaranzia.it/d/liquidita-le-misure-per-il-fondo-di-garanzia/)

<sup>8</sup> [www.governo.it/it/coronavirus-misure-del-governo](http://www.governo.it/it/coronavirus-misure-del-governo)

<sup>9</sup> The Public Accounts Observatory shows that, in light of the ECB's recent announcement on its extension of the bond buying program, European institutions and specifically the ECB will finance all of Italy's likely deficit for 2021. In 2020, Italian public debt amounted to 158% of GDP, of which 36.6% held by the ECB, the Bank of Italy and other EU institutions, with the remainder held by the market. For 2021, it is estimated that the debt/GDP ratio will fall to 156.6%, of which a good 44.6% will be held by the ECB, the Bank of Italy and other EU institutions.

<sup>10</sup> [ec.europa.eu/info/strategy/recovery-plan-europe\\_it#nextgenerationeu](http://ec.europa.eu/info/strategy/recovery-plan-europe_it#nextgenerationeu)

<sup>11</sup> Committee of economic and tax experts - *Initiatives for the relaunch "Italy 2020-2022"* - Report for the Prime Minister



# BANCO BPM GROUP: IDENTITY AND GOVERNANCE

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# MISSION, IDENTITY AND GROUP PROFILE

Banco BPM's mission is to create value for stakeholders and represents the Group's calling card. The importance of the community, dialogue with key players and the sharing of value locally are the essential elements of a corporate identity originating from a tradition that has consolidated over time.

For the Banco BPM Group, the relationship with the community is a distinctive feature. The claim "We are a bank that does normal things. But together we do extraordinary things", used in several advertising campaigns, clearly and briefly summarises our positioning of support and participation which, during the year of the global pandemic, has translated into an acceleration of initiatives to **sustain communities**.

The numerous actions taken in the course of 2020 were built upon a vision of the community which emphasises the common interest and collaboration between all social players.

The communications adopted to share this vision also dealt with the topic of the 2020 social emergency, transmitting the importance and urgency of concrete efforts.

## MISSION

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

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

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**.

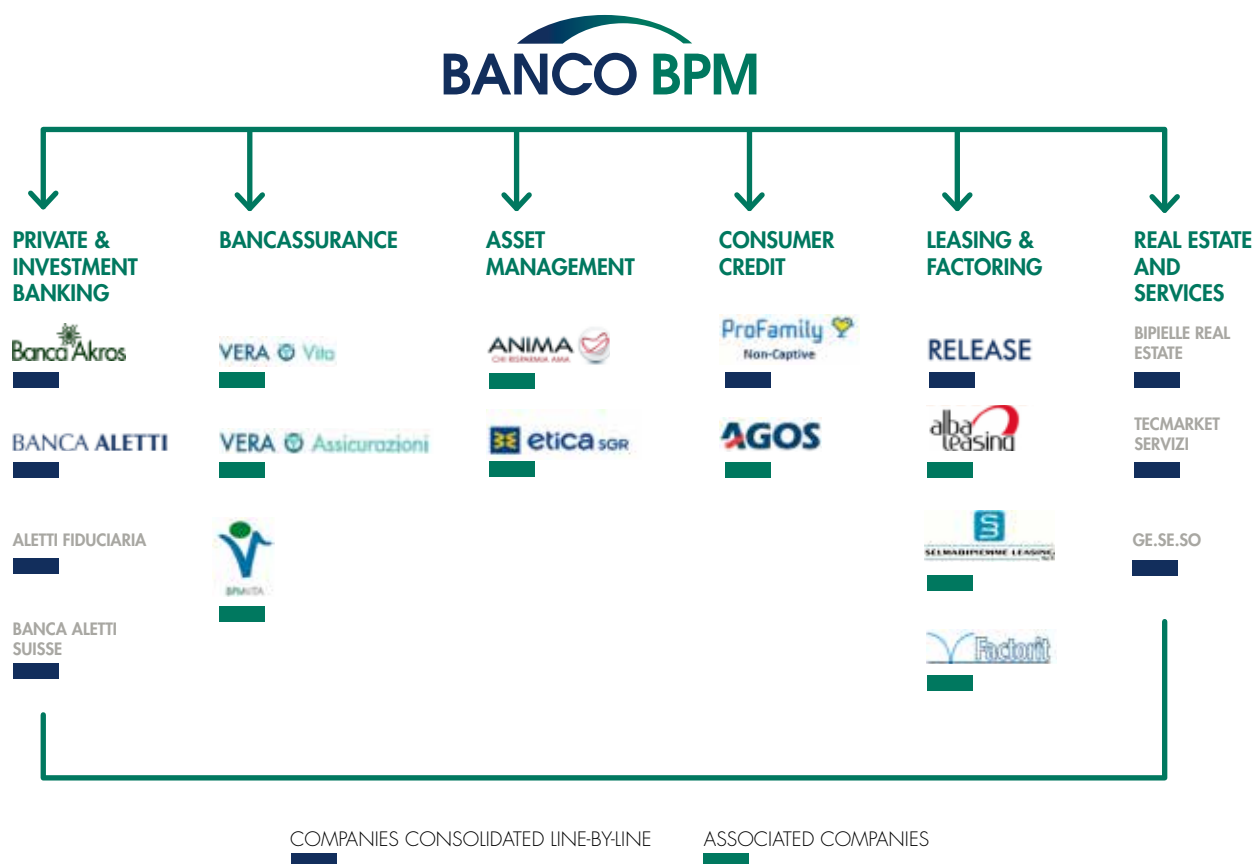


Aside from the institutional campaign of Banco BPM, those of Banca Akros and Banca Aletti, "Borsa" and "Valori", also bear witness to this, communicating the expertise of the two companies and at the same time highlighting the active collaboration between the Bank and its community.

## GROUP PROFILE

Banco BPM operates directly in the **commercial banking** area, including through its 8 Regional Departments, and through specialised companies, subsidiaries and associates, 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 and associates, organised by business area.



The scope of this Statement, in line with the Consolidated Financial Statements, includes all companies consolidated line-by-line, except for the exclusions described in the paragraph entitled "Note on methodology".

# BUSINESS AND OPERATING MODEL



## BUSINESS 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 us to transform resources and relationships into results through elements of value.

## COLLECTION OF FINANCIAL RESOURCES

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

## CUSTOMERS

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

## OFFER

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

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 for private customers, which can count on advice from our bankers. All customers can also use the **online channel**.

DEPOSITS, CURRENT  
ACCOUNTS AND DEBT  
SECURITIES ISSUED

FINANCIAL  
MARKET, ECB AND  
INTERBANK  
MARKET

INDIVIDUALS AND  
PROFESSIONALS

BUSINESSES AND  
PUBLIC ENTITIES

NON-PROFIT  
ORGANISATIONS  
AND INSTITUTIONS

SOLUTIONS FOR  
TRADITIONAL  
REQUIREMENTS

SOLUTIONS  
FOR COMPLEX  
REQUIREMENTS

BRANCHES AND UNIT

BANKERS

SPECIALIST  
CENTRES

ONLINE

€ **7.1** BILLION  
SHARE  
CAPITAL

**335,000** APPROX.  
shareholders<sup>1</sup>

#### MAIN SHAREHOLDERS

Capital Research and  
Management Company<sup>2</sup>  
4.99%

G.g.g. S.p.A.<sup>3</sup>  
4.98%

OVER 100  
PUBLICLY KNOWN  
INSTITUTIONAL  
SHAREHOLDERS  
representing approx. 1/3 of  
share capital<sup>4</sup>

#### RELATIONSHIPS WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY

For Banco BPM, its relationship with shareholders and the national and international financial community (analysts, institutional investors, rating agencies) is fundamental to ensure greater transparency and prompt disclosure of the Group's annual and interim financial reporting and strategies. To this end, in the course of 2020 83 events were organised, during which the Investor Relations team, along with the top management, came into contact with 320 investment firms, financial analysis firms, credit rating agencies and other institutional financial entities. In addition to these events, 5 conference calls were held with audio webcasts to present the Group's financial performance and the 2020-2023 Strategic Plan to the market.

## ORGANISATIONAL AND GOVERNANCE MODEL

We adopt a traditional governance model<sup>5</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 Statements 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>1</sup> Approximately 210,000 depositors with the Banco BPM Group as at 31/12/2020 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.ar.l., as no accounting transactions regarding the entire share capital were recorded after said date

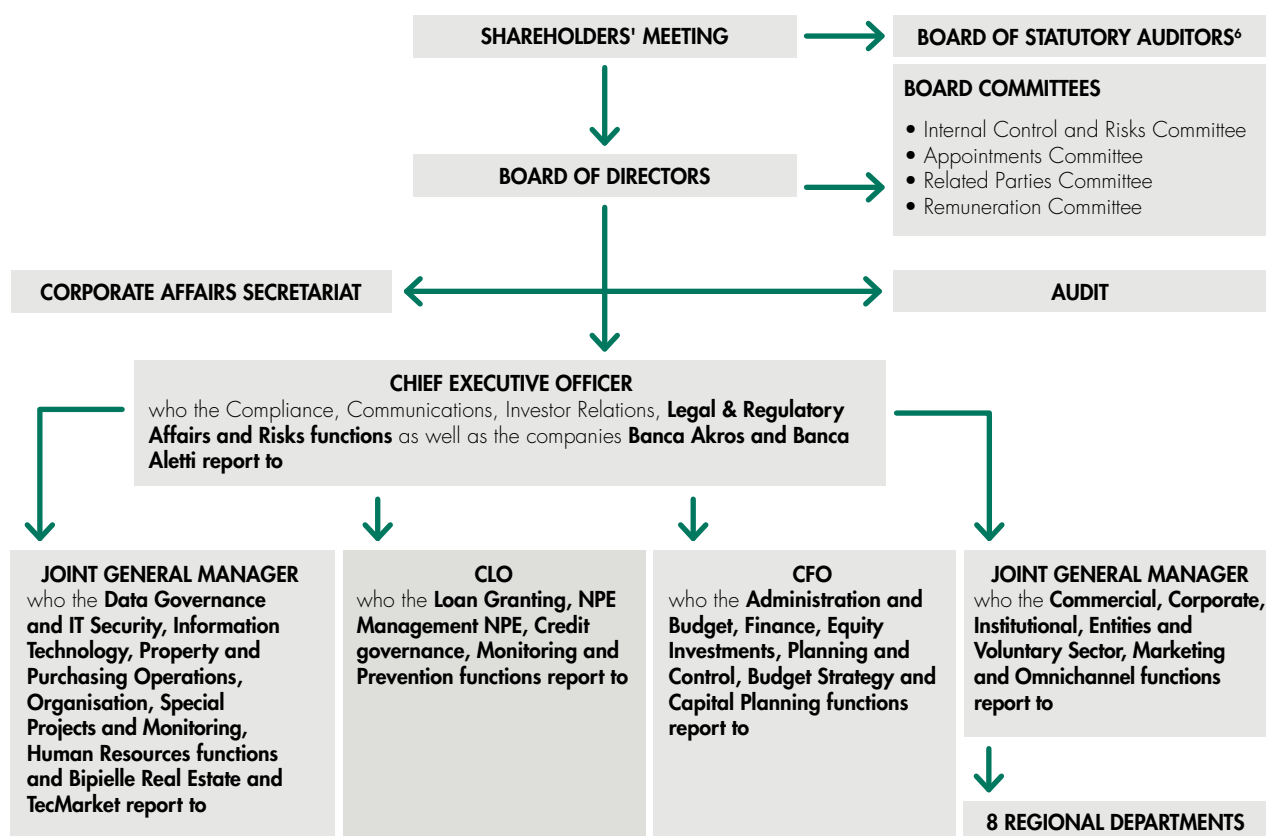
<sup>2</sup> Major shareholding pursuant to Art. 120 of Italian Legislative Decree 58/98

<sup>3</sup> Major shareholding pursuant to Art. 120 of Italian Legislative Decree 58/98; party at the top of the investment chain: Girondi Giorgio

<sup>4</sup> Data at 31/12/2020.

Source: Consob "major shareholdings" website, Bloomberg. This information is provided and updated on a discretionary basis by the individual investors and publicly available information. For further details, please refer to the Banco BPM website in the Investor Relations section "Stock, shareholder base and dividends" sub-section, under "Consultation agreements" where information is provided concerning the "consultation agreements" in place between shareholders: the first signed on 21 December 2020 by the various Italian Foundations, for a total of 5.498% of the Banco BPM share capital; the second signed on 18 January 2021 by other various shareholders, for a total of 6.683% of the Banco BPM share capital

<sup>5</sup> Please refer to the Report on corporate governance and ownership structure ([gruppo.bancobpm.it/corporate-governance/](http://gruppo.bancobpm.it/corporate-governance/) relazioni-sul-governo societario/) for information on the process of appointing members of the BoD particularly with regard to gender diversity, 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



<sup>6</sup> The Board of Statutory Auditors consists of 5 Standing Auditors, one of whom is between 30 and 50 years of age, and the remainder of whom are over 50 years old, and of whom 1 woman and 4 men

## SUSTAINABILITY GOVERNANCE

In the course of 2020, the **Environmental, Social and Governance Management Committee** was formed, chaired by the Chief Executive Officer and with the two Joint General Managers as well as nearly all top managers of the Bank and the Chief Executive Officers of Banca Aletti and Banca Akros as its permanent members. Its main tasks include evaluating the Group's positioning and coordinating all the activities required to achieve the strategic sustainability objectives.

The goal of providing a greater impetus to all Group activities in order to orient governance and the corporate culture and ensure increasing oversight over environmental and social issues, also resulted in the formation of the new **Sustainability function**.

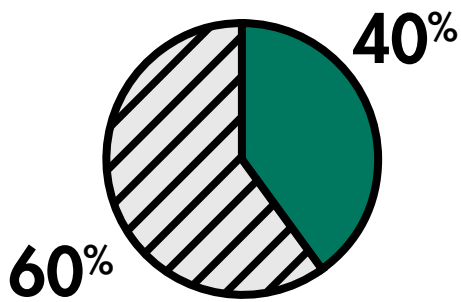
These two structures support:

- the **Board of Directors** which defines the management and coordination policies regarding non-financial disclosure, the socio-environmental policies and annually approves the Consolidated non-financial statement and the associated materiality analysis
- the **Internal Control and Risks Committee**, which supervises, in the first instance, sustainability issues as well as the activities connected with the drafting of the Consolidated non-financial statement.

The Banco BPM Board of Directors was re-elected in the course of the Shareholders' Meeting of 4 April 2020 and consists of 15 individuals with varying backgrounds in order to ensure a balanced combination of skills, experience and suitability to perform the required duties<sup>7</sup>.

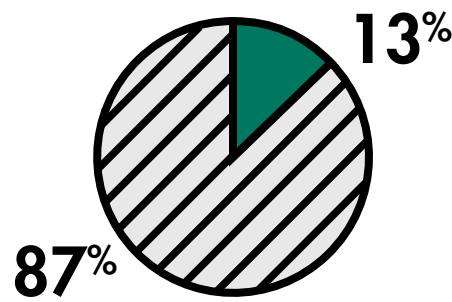
The Board of Directors also needs to meet gender balance requirements<sup>8</sup>.

**BREAKDOWN BY GENDER**



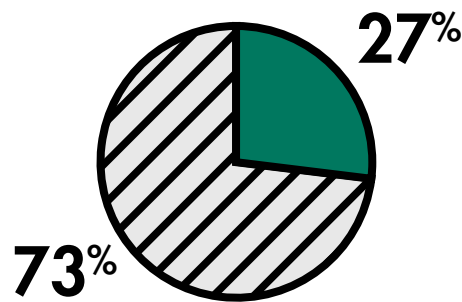
● WOMEN    ▨ MEN

**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

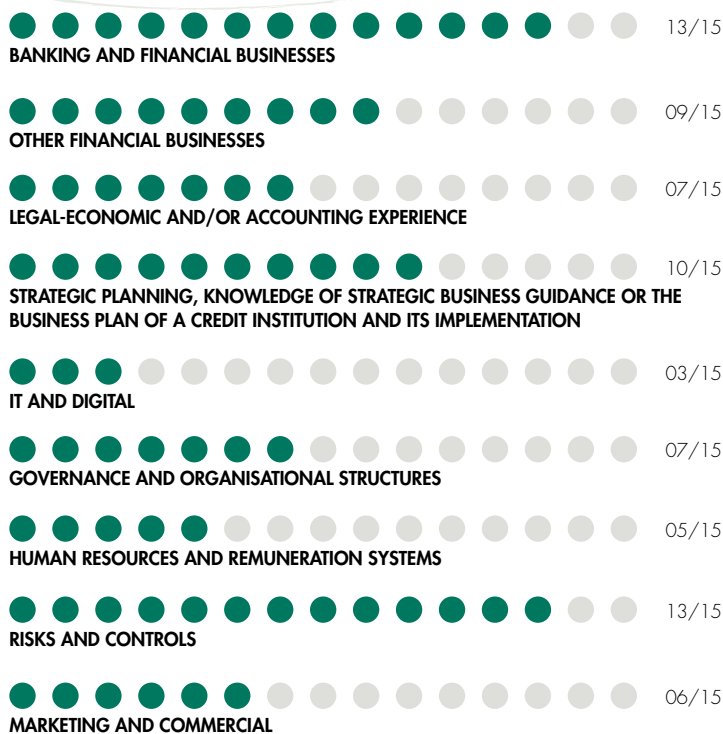
<sup>7</sup> According to the provisions of the law in force at the time and of the Articles of Association. In particular, the members of the BoD must meet requirements of professionalism, integrity and independence, and respect the criteria of competence, fairness and time commitment as well as the specific limits regarding multiple roles

<sup>8</sup> Source: Banco BPM Articles of Association

COMPOSITION OF THE BOD AND BOARD COMMITTEES	BOARD OF DIRECTORS BANCO BPM	INTERNAL CONTROL AND RISKS COMMITTEE	REMUNERATION COMMITTEE	APPOINTMENTS COMMITTEE	RELATED PARTIES COMMITTEE
<b>NO. OF DIRECTORS</b>	<b>15</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>3</b>
OF WHICH EXECUTIVE	1	0	0	0	0
OF WHICH NON-EXECUTIVE	14	5	3	3	3
OF WHICH INDEPENDENT PURSUANT TO ART. 20.1.6 OF THE ARTICLES OF ASSOCIATION <sup>9</sup>	11	4	3	2	3
OF WHICH WOMEN	6	2	1	1	2
OF WHICH MEN	9	3	2	2	1
OF WHICH < 30 YEARS	0	0	0	0	0
OF WHICH 30-50 YEARS	2	0	1	0	2
OF WHICH > 50 YEARS	13	5	2	3	1

<sup>9</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.

### DIRECTORS DIVIDED BY AREA OF EXPERTISE<sup>10</sup>



<sup>10</sup> For further details on the names and specific areas of expertise of the members of the BoD, please refer to the webpage [gruppo.bancobpm.it/corporate-governance/organizational-social/](http://gruppo.bancobpm.it/corporate-governance/organizational-social/)

# REMUNERATION POLICIES

The enhancement of personnel and, in particular, the recognition of the contribution of employees to the achievement of objectives, also take shape through an incentive system, which is an integral part of remuneration<sup>11</sup>.

The Group's **remuneration policies** need to guarantee adequate remuneration for enduring performance, which also makes it possible to enhance personnel, recognise individual contributions to the achievement of results and disincentivise incorrect and harmful conduct for the Group and its stakeholders.

In this regard, the 2020 policy has an important new element: the introduction of the system for **incentivising mechanisms aimed at promoting a corporate culture oriented towards ESG criteria**, confirming our commitment to these matters and the integration of sustainability within the Group's strategy.

<sup>11</sup> For more information, please refer to the website [gruppo.bancobpm.it/corporate-governance/politiche-di-remunerazione/](http://gruppo.bancobpm.it/corporate-governance/politiche-di-remunerazione/)

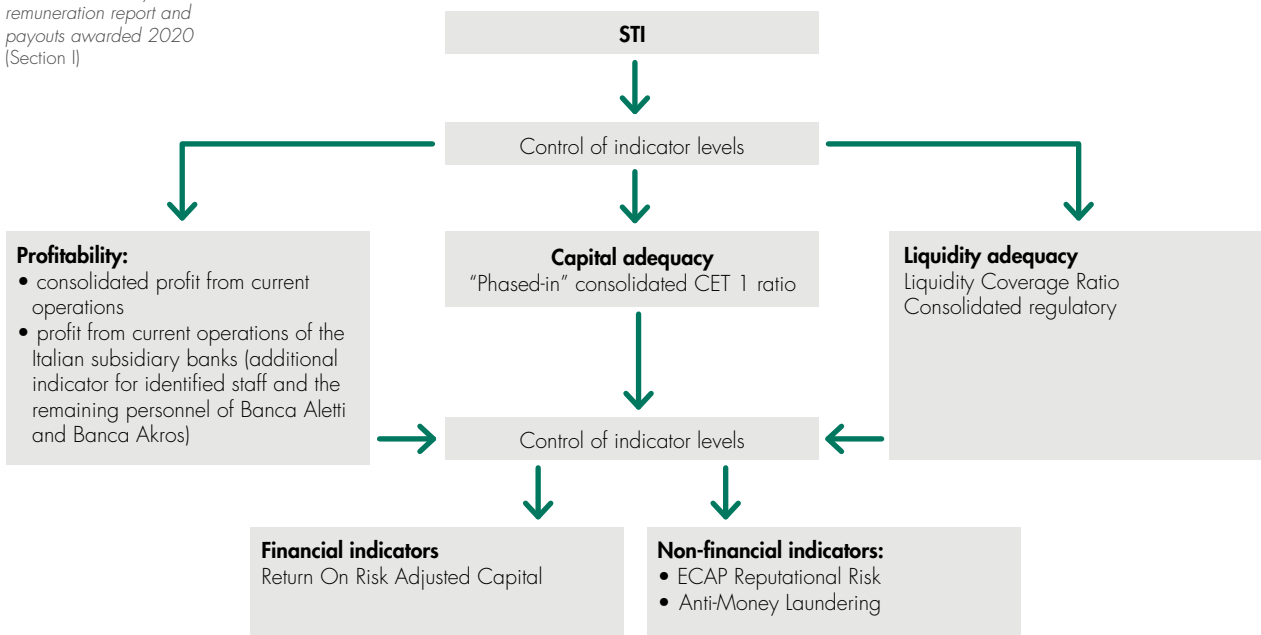
<sup>12</sup> For more details, see paragraph 6.5 of the *Policy on remuneration report and payouts awarded 2020* (Section I)

<sup>13</sup> For more details, see paragraphs 6.4.1 and 6.4.2 of the *Policy on remuneration report and payouts awarded 2020* (Section I)

## VARIABLE REMUNERATION

The 2020 policy establishes that the recognition of the incentive correlated with the achievement of the annual targets of the **Short Term Incentive (STI) plan**<sup>12</sup> takes into account profitability, the necessary levels of financial

resources and liquidity and is linked to financial and non-financial indicators, with the latter referring to indicators associated with reputational risk (ECAP Reputational Risk) and Anti-Money Laundering (AML)<sup>13</sup>.



The objectives set forth in the Short Term Incentive plan also include those linked to ESG factors. Indeed, the Short Term Incentive plan establishes that the targets of the **Chief Executive Officer** and the **top management** should include qualitative aspects relating to management activities, also with reference to the areas correlated with the **implementation of ESG initiatives**<sup>14</sup>.

There are no variable remuneration components for members of the **Board of Directors** without individual contract.

For **identified staff**<sup>15</sup>, the incentive is assigned through the performance assessment method which calls for the assignment of a list of targets to be compared with the results achieved at year end<sup>16</sup>. The variable part of remuneration is paid in an **up-front portion and a deferred portion**<sup>17</sup>.

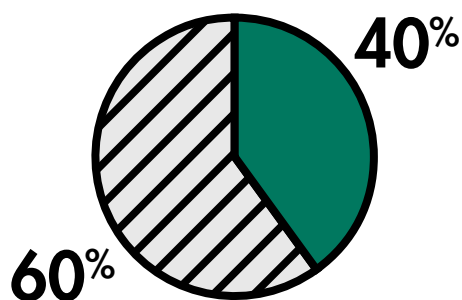
<sup>14</sup> For more details, see paragraph 6.5.1 of the *Policy-on-remuneration report and payouts awarded 2020* (Section I)

<sup>16</sup> For more details, see paragraph 6.5 of the *Policy-on-remuneration report and payouts awarded 2020* (Section I)

<sup>15</sup> Parties whose professional activity has or may have a significant impact on the Group's risk profile. These include, inter alia, the CEO, General Manager (where appointed), Co-General Managers and Managers in the first line of management of the Parent Company, the CEO, General Manager, Joint General Manager and Deputy General Manager (where present) of Aletti & C. Banca d'Investimento Mobiliare, Banca Akros and Profamily

<sup>17</sup> For more details, see paragraph 6.6.2 of the *Policy-on-remuneration report and payouts awarded 2020* (Section I)

## CEO STI INCENTIVE



● UP-FRONT PORTION

50% Shares | 50% Monetary portion

▨ PORTION DEFERRED IN 5 ANNUAL INSTALMENTS

55% Shares | 45% Monetary portion

For vested shares, a one-year **retention period** (selling restriction) is envisaged for both up-front and deferred portions<sup>17</sup>.

For **registered office and network employees** to whom no targets are assigned, the Short Term Incentive plan is based on the assessment of the applicable structure manager with respect to the achievement of its qualitative/quantitative objectives.

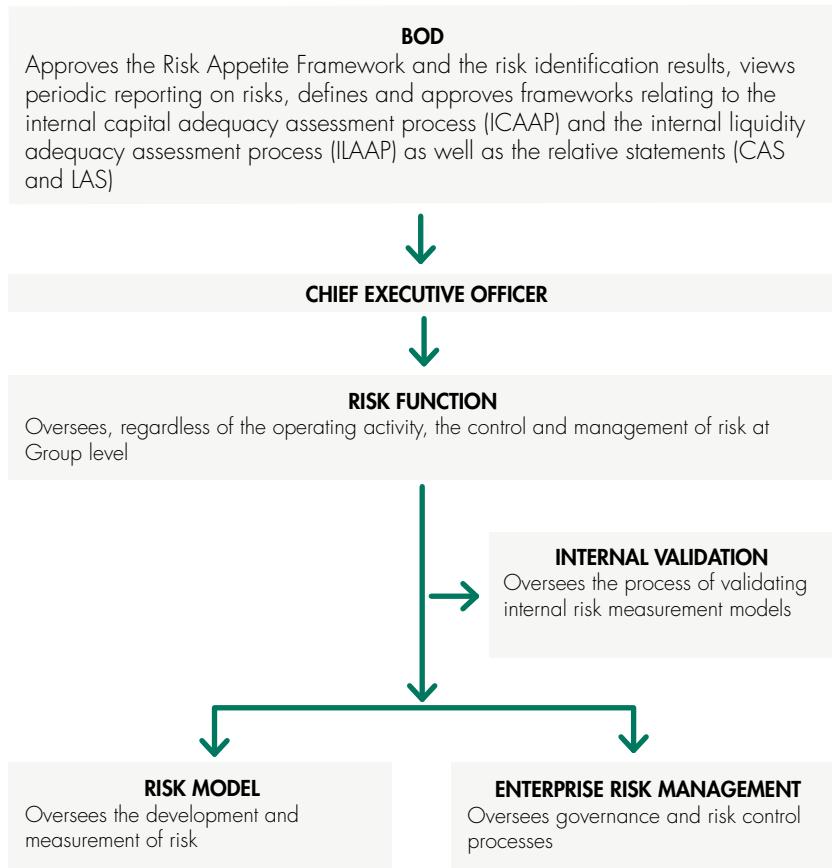
When **misconduct** is identified, such as suspension measures or breaches of obligations imposed by provisions of law, regulations or the articles of association or non-compliant or fraudulent conduct resulting in significant harm to customers or a Group bank, the Board of Directors may activate mechanisms for returning incentives already accrued, from the time of their accrual and for the next five years<sup>18</sup>.

<sup>18</sup> For more details, see paragraph 6.7 of the *Policy-on-remuneration report and payouts awarded 2020* (Section I)

# FINANCIAL AND NON-FINANCIAL RISK MANAGEMENT<sup>19</sup>

## ORGANISATIONAL MODEL

**BACKGROUND OF THE RISK MANAGER**  
 Degree in Economics with long-term experience in management control and risk control gained both in the industrial sector and in the banking sector, where he was also CRO and CFO



<sup>19</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

**The capacity to manage the set of financial and non-financial risks is an essential element for the sustainability of a company, in particular for a banking group.**

Therefore, we have set up specific organisational controls represented in the first place by the Risk function, but also by all company structures that manage or contribute to managing specific risks (e.g., credit risk, operational risk, etc.).

**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.

With a view to **spreading and promoting a sound and robust risk culture**, members of the BoD and Group employees also receive training regarding, for example, operational risk, compliance, safety, administrative responsibility, MiFID legislation, anti-money laundering and occupational health and safety.

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). The recent pandemic crisis made evident the need to update the process, also in order to reflect on the risk factors / risks to which the Group is exposed, identifying the potential areas of greatest vulnerability deriving from the current context, taking into account that the current basic scenario has in and of itself a strong stress component as a result of the pandemic's effects on the economy.

**Within the current context, sustainability-related topics are taking on increasing importance also in terms of risk management<sup>20</sup>.**

<sup>20</sup> The non-financial risks associated with material topics, as well as the management methods and policies employed, are highlighted in the relative chapters

In the 2020 risk identification process, topics relating to "climate change & ESG", understood as risk drivers underlying prudential risks linked, for example, to lending and financial activities and internal intangibles, show greater relevance in terms of the likelihood of occurrence and impact with respect to 2019.

In particular, **we launched an internal assessment on regulatory requirements, both those in force and those in the consultation stage, concerning ESG**, in the first place relating to the ECB's "Guide on climate-related and environmental risks" which will have a significant impact especially concerning lending. In this regard, we planned the development of a potential integration of ESG elements in the attribution of **credit ratings** through expert-based or historical data-based approaches. We also drafted preliminary analyses of the credit portfolio in order to **sort exposures on the basis of the European Commission's green taxonomy**, so as to highlight the Group's presence in sectors most impacted by the

regulatory developments on environmental sustainability and evaluate their risks linked to the failure of companies to meet the new requirements.

With reference to **investment services**, also following the introduction of the new SFDR<sup>21</sup>, we are working to integrate sustainability risks within decision-making processes relating to investments and consulting on investments and insurance.

As concerns the development and approval of products and services, the Risk Function is a permanent member of the New Products and Markets Committee and expresses **prior technical opinions on the new products** presented to the Committee, also evaluating the reputational risk profile<sup>22</sup>. In 2020, in particular, stress testing methodologies were developed on products placed with retail customers.

<sup>21</sup> Regulation (EU) 2019/2088 relating to the disclosure on sustainability in the financial services sector

<sup>22</sup> Monitoring is performed on specific areas of the company's reputation (Regulatory Affairs, perception of the financial markets, respect for the mission and ethics principles, disputes/sanctions and IT/services) based on qualitative/quantitative parameters, supplemented by the "sentiment" component obtained from the web thanks to the use of artificial intelligence and machine learning tools

# SUSTAINABILITY STRATEGY

In the first part of 2020, we presented the **2020-2023 Business Plan** which, in the areas of governance, people strategy, sustainable business development, community and environment, included important sustainability objectives, some of which were already reached at the end of 2020, despite the pandemic situation.

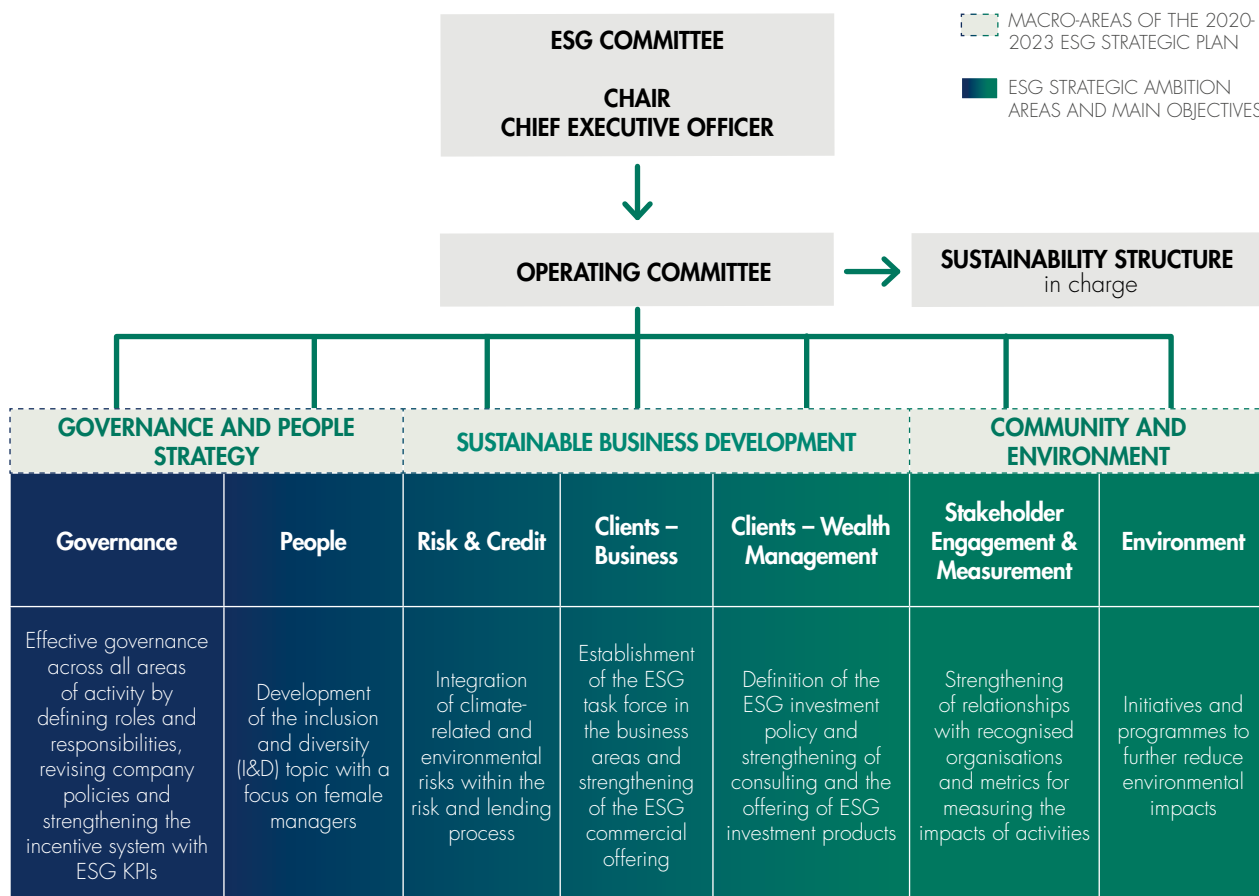
In particular, in 2020 we:

- **established the Environmental, Social and Governance Management Committee** (ESG Committee) chaired by the Chief Executive Officer and with the two Joint General Managers as well as nearly all top managers of Banco BPM and the Chief Executive Officers of Banca Aletti and Banca Akros as its permanent members, and the **new Sustainability Function**;
- **reached 100% of electricity consumed from certified renewable sources**;
- created executive **remuneration policies** which also incorporate ESG targets in the short and long-term incentive plans.

## BANCO BPM'S ESG STRATEGIC AMBITION

In the course of 2020, under the leadership of the new ESG Committee and in light of an analysis of Regulatory requirements, but also expectations of the financial market and the best practices of national and international competitors, we reviewed our strategic ambition and launched an **internal assessment intended to involve all of the Group's units** in an important process of sustainability.

In February 2021 **7 areas of activities** were therefore initiated which, in continuity with the macro-areas of the 2020-2023 Plan, will aim to **strengthen and achieve the integration of sustainability within company activities and the business.**



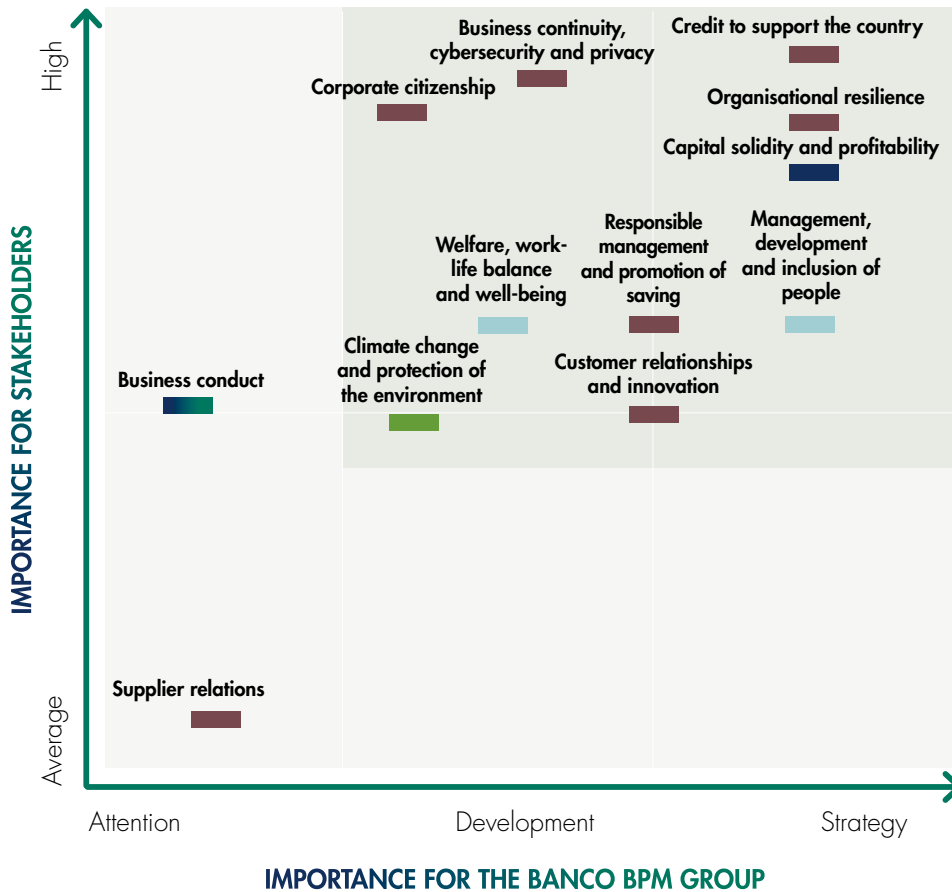
**32** PROJECTS

**15** UNITS INVOLVED

**+50** OUR Dedicated people

# MATERIALITY ANALYSIS AND SCOPE OF THE DECREE

- ECONOMIC TOPICS
- SOCIAL TOPICS
- ENVIRONMENTAL TOPICS
- PERSONNEL TOPICS



## HOW WERE THEY IDENTIFIED?

- Interviews with the top management of Banco BPM, Banca Aletti and Banca Akros
- Consideration on sustainability topics included in the Strategic Plan
- Integration of the requests of several shareholders and financial analysts on sustainable investing
- Analysis of UN sustainable development goals (SDGs)
- Evaluation of consistency with the material topics of the banking sector according to the Sustainability Accounting Standards Board (SASB)

## HOW WERE THEY POSITIONED WITHIN THE MATRIX?

The topics identified were subject to analysis by the 7 Territorial Committees, whose members represent the various economic, social and institutional realities of the areas in which the Group does business, which have advisory and recommendation functions relating to their applicable geographical area.

The materiality analysis was presented to the ESG Committee on 16 December 2020 and was approved by the Board of Directors on 12 January 2021.

## WHAT HAS CHANGED WITH RESPECT TO 2019?


- We have included the **topic of organisational resilience** which, in a 2020 characterised by an unprecedented crisis, has definitely taken on a material role in handling all aspects of emergency and ordinary activity management. Since this topic is transversal, it is addressed within multiple material topics.
  - **In terms of topics linked to customers**, the following were fundamental in 2020:
    - the work of the banking sector to support the real economy and people in a period of strong crisis triggered by the Covid-19 health emergency. In this sense, the topic of **“credit to support the country”** regards the Group’s commitment to support its customers and generally the productive and social fabric of the areas in which it operates, through lending;
    - the protection and promotion of saving which, even in times of crisis, represents a critical resource for the country. This area is addressed in a focus in the material topic **“responsible management and promotion of saving”**.
  - Furthermore, the pandemic crisis has driven the Group:
    - on one hand, to update how it interacts with customers and, in this sense, innovation has played a decisive role in order to add value to customer relationships and the products and services offered to customers.
- These areas are dealt within the material topic **“customer relationships and innovation”**;
- on the other hand, to invest in economic, human and technological resources to guarantee service continuity and reliability even during emergency periods and following problems and cyber-attacks, protecting the enormous wealth of information under its management. These areas are dealt within the material topic **“business continuity, cybersecurity and privacy”**.
- **Attention to human capital is consolidated**, in particular as regards:
    - personnel management, development and the capacity to include and promote diversity and merit (**“management, development and inclusion of people”** topic);
    - people’s well-being and engagement, especially in a period like that which we are experiencing, in which it is even more necessary to protect personnel health and safety while also using new engagement methods (**“welfare, work-life balance and well-being”** topic)
  - **The Group’s commitment to environmental matters has been strengthened**, in relation to direct impacts but especially in terms of indirect impacts linked to customers, which represent one of the main challenges of the banking sector in order to contribute to the green transition of customers (**“climate change and protection of the environment”** topic).
  - **We confirm our focus on topics relating to suppliers, company conduct and corporate citizenship.**

## ORGANISATIONAL RESILIENCE\*

IN RESPONSE TO THE

# COVID-19 EMERGENCY

the Group promptly:

\*Within the document, we have graphically identified the contribution of actions linked to the various material topics that contributed to organisational resilience in 2020 with the following symbol: 

**Established an organisational control unit** bringing together the main Group functions with the task of continuously monitoring the news and instructions coming from the Authorities and Healthcare Institutions **in order to define several precautionary measures to protect employees, customers and in general the entire community.**

**The Re-Action project was launched** to define and implement the actions required on one hand to protect the health and safety of all stakeholders, and on the other hand to guarantee the sustainability of the Group’s economic and financial management and, lastly, to proactively support customers in dealing with the pandemic shock as well as guarantee service continuity and relationships, even remotely.

# TOGETHER TO CREATE VALUE

## SUSTAINABLE DEVELOPMENT GOALS



OVER  
**80%**  
OF ECONOMIC VALUE  
GENERATED distributed to our people, to our  
suppliers, to the public administration,  
to our shareholders, to our community  
and to the environment

**€1,722 MLN**  
profit (loss) from  
operations

**39%** TEXAS Ratio

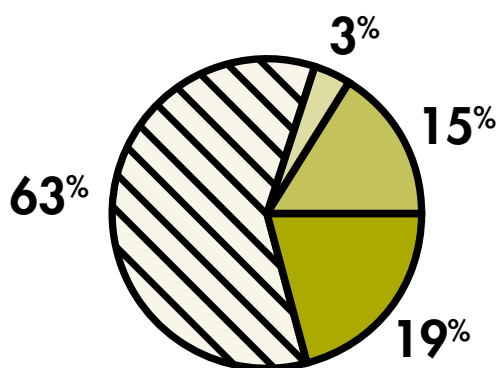
**3.9%** Net NPE  
ratio

# ECONOMIC VALUE GENERATED AND DISTRIBUTED

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

**In 2020, the economic value generated declined by 28% compared to 2019** primarily due to the higher write-downs on loans, aside from a generalised, though not significant, decline in revenue items.

**Over 80% of this value is distributed to stakeholders**, primarily our employees (the value of which includes the provision for redundancy incentives, including through voluntary recourse to the Solidarity Fund), associates and suppliers, as shown in the chart<sup>1</sup>.



	2020 (€ mln)	2019 (€ mln)
Interest and similar income	2,417	2,514
Interest and similar expense (-)	(460)	(516)
Fee and commission income	1,766	1,871
Fee and commission expense (net of the costs of external networks) (-)	(133)	(148)
Dividends and similar income	42	70
Net profits (losses) on trading	17	(178)
Net profits (losses) on hedging	(8)	7
Profits (losses) on disposals or repurchases	(150)	338
Profits (losses) on other financial assets and liabilities measured at fair value through profit and loss	134	110
Net losses / recoveries on credit risk	(1,049)	(722)
Profits/losses from contractual amendments without derecognitions	(1)	(2)
Other operating expenses/income	329	338
Profits (Losses) on equity investments (the share of "profits/losses on disposals")	-	(1)
Profits (Losses) on disposal of investments	1	334
<b>TOTAL ECONOMIC VALUE GENERATED</b>	<b>2,905</b>	<b>4,015</b>
<b>TOTAL ECONOMIC VALUE DISTRIBUTED</b>	<b>2,917</b>	<b>2,698</b>
<b>TOTAL ECONOMIC VALUE RETAINED</b>	<b>12</b>	<b>1,317</b>

**The distribution to shareholders of a dividend of € 0.06 per share<sup>2</sup> (€ 90.9 mln total) has been proposed.**

The value distributed to **the public administration is relevant, at € 446 mln** (mainly due to contributions paid to the resolution and deposit guarantee funds), while the contribution to the **general public**, in terms of donations and charitable contributions, amounted to roughly € 6 mln, inclusive of the waiver of part of the remuneration of the corporate bodies and several of the Group's top managers.

**In 2020, the value generated was nearly entirely distributed.**

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

<sup>1</sup> The graph does not consider the amount of € 4 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 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 15 April 2021

# CAPITAL SOLIDITY AND PROFITABILITY

Capital solidity, profitability and financial equilibrium are fundamental for any enterprise, particularly for a bank that must be able to protect customers also in difficult times. This is why we focus on **ensuring capital solidity, generating profits that can meet the expectations of our stakeholders and guaranteeing long-lasting financial equilibrium**<sup>3</sup>.



## MANAGEMENT MODEL

### PROFITABILITY AND SOLIDITY

Planning of income and equity objectives and measurement as well as control on management and results

### FINANCIAL EQUILIBRIUM

Guarantee of solvency and stability and efficient management of financial assets

## PROFITABILITY AND CAPITAL SOLIDITY

During the year, despite the difficult macroeconomic scenario, which continues to be impacted by the Covid-19 health crisis, the Group's commercial and organisational efforts made it possible to achieve a **profit from operations of € 1,722 mln** at the end of 2020, down by 1.4% compared to 2019 (€ 1,746 mln). This result was also possible thanks to the limitation of operating expenses, which declined by 6.7% compared to the previous year and contributed to the improvement of the cost/income ratio.

Operating profitability has enabled us to support a series of activities such as:

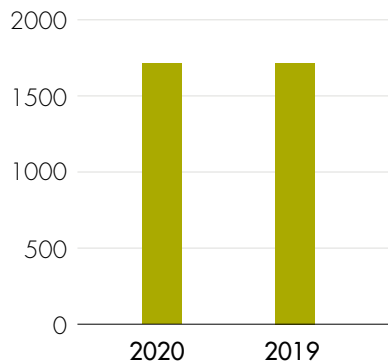
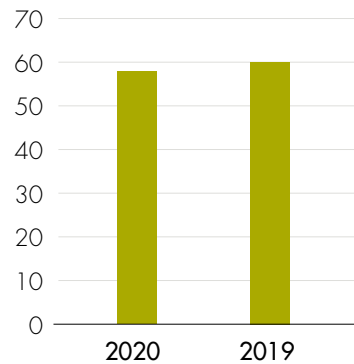
- a significant acceleration in the derisking process (assignment of € 1.3 bn in non-performing loans);
- further strengthening of the level of coverage of non-performing positions (higher write-downs on loans);

- the absorption of costs relating to the redundancy incentive plan for 1,500 employees and the closure of 300 branches.

All of these **non-recurring elements** led us to close 2020 with a **net profit of € 21 mln**, down compared to € 797 mln in 2019. However, net of non-recurring components we closed the year with a profit of € 330.5 mln.

The Board of Directors will propose to the shareholders' meeting, in line with the ECB's instructions, the distribution of a **dividend of € 0.06** per share, equal to a total of € 90.9 mln.

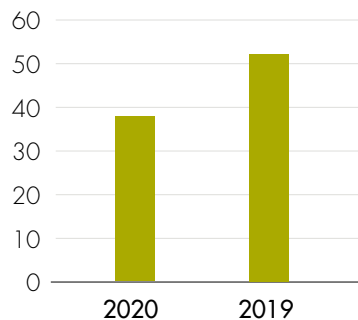
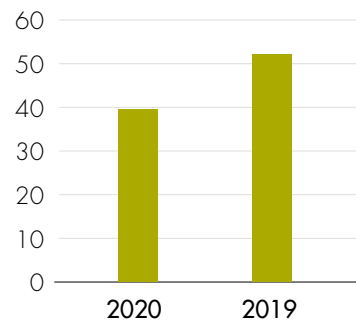
<sup>3</sup> The data provided in this chapter refer to the reclassified consolidated income statement. Further details on the economic, capital and financial management of the Group, as well as on the identification and management of the relative risks are available in the Annual Financial Report of the Banco BPM Group

**PROFIT (LOSS) FROM OPERATIONS (IN € MLN)****COST/INCOME (IN %)**

With respect to capital solidity, in the course of 2020 we enacted a series of credit management measures intended to oversee and reinforce credit quality, taking into account a scenario that continues to be influenced by the pandemic crisis.

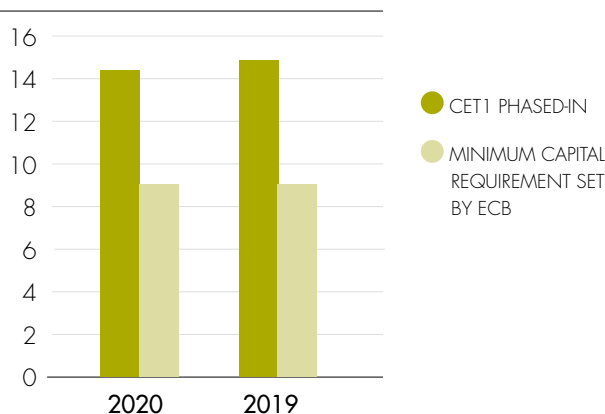
**The cost of credit** (ratio between net write-downs on loans and net loans) rose to 122 bps compared to 73 bps in 2019. The increase is due to “non-core” elements, including mainly:

- the generalised increase in coverage of non-performing loans, on the basis of prudential provisioning policies, in light of the still uncertain economic context;
- the assignment of non-performing loans, which improved credit quality as highlighted by the **Texas Ratio** (ratio between net non-performing loans and tangible shareholders' equity, excluding net profit), equal to **39%** compared to 52.3% in 2019 and the **net NPE Ratio** (ratio between net non-performing loans and net loans), which fell to **3.9%** from 5.2% at the end of 2019.

**TEXAS RATIO (IN %)****NPE RATIO (IN %)**

Capital strengthening continued, making it possible to easily surpass the minimum capital requirements established by the ECB. Indeed, the **phased-in CET1 Ratio** (ratio between paid-up Tier 1 ordinary capital and risk weighted assets) amounts to **14.6%** compared to 9.385%, the minimum level required by the ECB for 2020.

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



#### FINANCIAL EQUILIBRIUM

At the end of 2020, the Group confirms a solid liquidity position. Indeed, both the **Liquidity Coverage Ratio**, which came to **191%**, and the **Net Stable Funding Ratio**, which is **higher than 100%**, are above the minimum requirements established by the regulation (100%).

**LCR:** indicator identifying the resilience of the bank's liquidity risk in the short term and ensuring that it has sufficient, high-quality liquid resources to overcome an acute stress situation lasting one month

**NSFR:** indicator intending to favour longer-term resilience and incentivising the bank to finance its activities by drawing on more stable funding sources

#### ANALYSTS COVERING THE SECURITY

At the end of 2020, the Banco BPM security was "covered" by 16 stock research firms: Bank of America Merrill Lynch, Bestinver, Citigroup, Deutsche Bank, Equita, Exane BNP Paribas, Goldman Sachs, HSBC, Intermonete, Intesa Sanpaolo, JP Morgan, KBW,

Kepler Cheuvreux, Mediobanca, Morgan Stanley and UBS (of which 5 with positive recommendations, 8 neutral and 3 negative), with an average target price of € 1.91 and with which continuous dialogue was maintained throughout the year.

#### CREDIT RATINGS ASSIGNED TO BANCO BPM AT 31 DECEMBER 2020

	Type of Rating	31/12/2020	31/12/2019
<b>Moody's Investors Service</b>	Long Term on Senior Unsecured Debt	Ba2/Negative Outlook	Ba2/Negative Outlook
	Long Term on Deposits	Baa3/Negative Outlook	Baa3/Stable Outlook
	Short Term on Deposits	P-3	P-3
<b>DBRS Morningstar</b>	Long Term on Senior Unsecured Debt	BBB (low)/Negative Trend	BBB (low)/Stable Trend
	Short Term on Debt	R-2 (middle)/Negative Trend	R-2 (middle)/Stable Trend
	Long Term on Deposits	BBB/Negative Trend	BBB/Stable Trend
	Short Term on Deposits	R-2 (high)/Negative Trend	R-2 (high)/Stable Trend

# TOGETHER WITH OUR CUSTOMERS



## SUSTAINABLE DEVELOPMENT GOALS

<b>1</b> NO POVERTY 	<b>2</b> ZERO HUNGER 	<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>10</b> REDUCED INEQUALITIES 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 
<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	<b>17</b> PARTNERSHIPS FOR THE GOALS 	<b>SUSTAINABLE DEVELOPMENT GOALS</b> 

**3,8** MILLION  
customers

FUNDS

OF **€ 5** BILLION

**€ 109** over  
BILLION

to deal with the emergency  
and more than 100,000  
subsidy requests processed

IN LENDING TO THE  
REAL ECONOMY AND  
INDIVIDUALS

Approx.  
**€ 18** BILLION

in assets managed according  
to ESG/SRI criteria

**€ 5** BILLION

FOR SUSTAINABLE CORPORATE  
INVESTMENTS IN THE 2020-2023 PERIOD

# CUSTOMER RELATIONSHIPS AND INNOVATION

Covid-19 has driven us to adopt new customer relationship methods and accelerated the digital use of products and services.

As the Group is part of an essential sector, it **guaranteed service continuity** even during the most critical phases of the pandemic, both with branch operations, which enabled customers to be able to take advantage of the assistance of personnel, as well as by using methods and solutions to effectively operate remotely and securely.

## MANAGEMENT MODEL

### RESPONSE TO THE PANDEMIC EMERGENCY

Proactive approach to handle the pandemic shock, while protecting health and safety and guaranteeing relationship and operational continuity

### EFFECTIVE RELATIONSHIP

Omnichannel service model that guarantees continuous supervision and efficiency

### INNOVATION FOR VALUABLE SOLUTIONS AND EXPERIENCES

Innovation as a lever to offer valuable products, services and experiences

### ASSESSING AND MANAGING CUSTOMER RELATIONS

Monitoring customer relations in order to implement improvement actions

In order to establish a relationship of reciprocal and lasting satisfaction with our customers, we follow, in accordance with the Code of Ethics, "**criteria of proactivity, courtesy, transparency, collaboration and listening, providing adequate, complete and prompt information**" and managing any complaints with sensitivity, as they constitute an opportunity for improvement, to overcome conflict and boost trust and customer satisfaction.

## WHO ARE OUR CUSTOMERS?



### 3.2 MILLION PRIVATE CUSTOMERS<sup>1</sup>

of which:

- 50% women
- 12% only have an online account
- 32% under 46 years of age
- 53% have been customers for over 10 years



### 365,000 BUSINESSES<sup>2</sup>

of which:

- 90% have a turnover of up to € 2.5 million
- 15% operate in the manufacturing sector
- 81% of businesses with online channel access are actual users
- 42% have been customers for over 10 years



### 32,000 NON-PROFIT ORGANISATIONS<sup>3</sup>

of which:

- 47% are associations
- 32% are entities
- 13% are religious organisations
- 36% have been customers for over 10 years

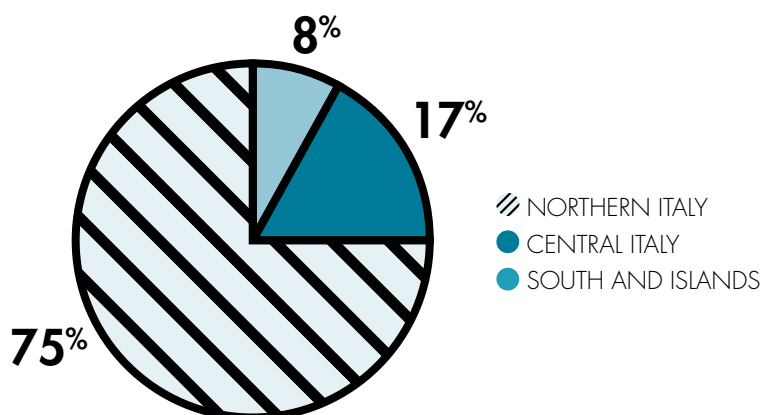
<sup>1</sup> Takes into account retail private customers. Natural person customers total more than 3.3 million

<sup>2</sup> Does not include the over 103,000 legal entity customers not classified as businesses and the customers of Banca Akros

<sup>3</sup> Does not include customers belonging to the public sector (municipalities, schools, local public entities, etc.)

### CUSTOMERS BY LOCATION

The geographical distribution of our customers reflects that of 2019, with more than 2/3 of customers residing in Lombardy, Veneto, Piedmont and Emilia Romagna, some of the regions that contribute most to the production of wealth for the country and which showed the greatest resilience during the most critical phase of the pandemic crisis<sup>4</sup>.

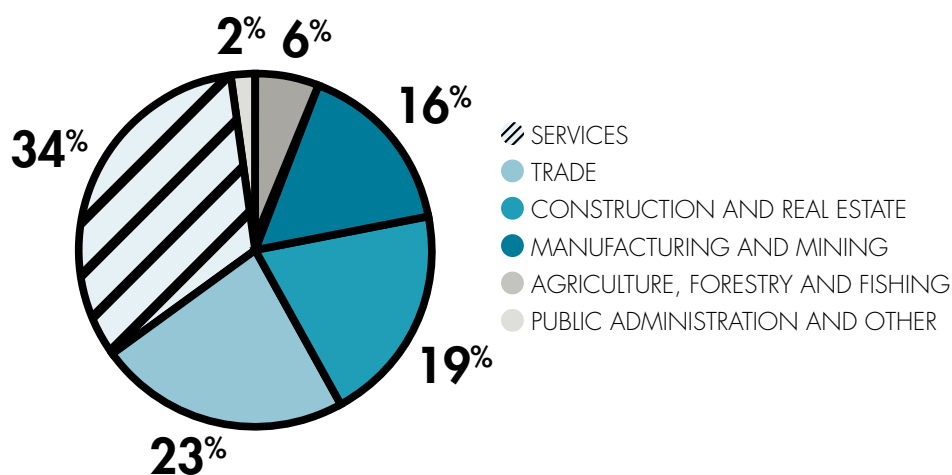


<sup>4</sup> Di Caro, P (2020) - The resilience index considers the regional annual change in employment recorded between the first half of 2020 and the first half of 2019 compared to the national change in employment recorded during the same period. In particular, Lombardy, Veneto, Piedmont and Emilia Romagna, regions where the majority of our customers are concentrated, show an index of lower than or around 1, or a position which is either better than or equal to the country as a whole.

Out of 3.8 million total customers, **nearly 9 customers out of 10 are individuals, receiving roughly 25% of the total loans to customers**. Over 2 customers out of 3 are over 45 years of age, while only 5.3% are under 26. Furthermore, 7.7% of customers are from foreign countries.

Although **our business customers represent just over 1 customer out of 10, they receive roughly 60% of loans to customers**. In particular, 1 company out of 3 operates the service sector and 1 out of 4 works in the trade sector. Furthermore, our companies have a high propensity towards using the online channel: over 8 customers out of 10 with access to this channel are digital users.

### BUSINESSES BY SECTOR

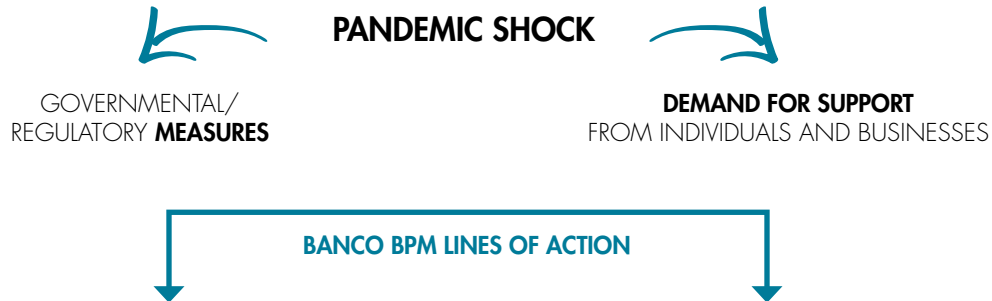


<sup>5</sup> We have organisational controls and a commercial offering specifically dedicated to institutional customers, entities and the voluntary sector. For more information, please refer to the website [www.bancobpm.it/terzo-settore/](http://www.bancobpm.it/terzo-settore/)

Another important category of customers is represented by **non-profit organisations**<sup>5</sup>: roughly half are associations while, out of the other categories, religious entities represent only 13% but they are amongst the most dynamic customers from the perspective of the credit used (roughly 1/3 of the loans used by non-profits).

## RESPONSE TO THE PANDEMIC EMERGENCY

Following the Covid-19 emergency, we promptly enacted a series of initiatives to protect customer and employee health and safety while also continuing to guarantee support to customers and effective service and relationship models.



- Systematic analysis of governmental and ABI measures as well as regulations issued by Regulators (ECB, Bank of Italy, CONSOB, IVASS)
- Assessment of the impact of the measures on the commercial and operating area
- Constant and proactive dialogue with institutional partners (CDP, SACE, Mediocredito Centrale) in order to identify the most effective solutions for the application of the governmental measures and full support to individuals and businesses

- Analysis of commercial developments in loan and deposit aggregates for the subsequent assessment of impacts on the income statement and balance sheet
- Proactive and efficient management of requests for suspension, moratoria, extension of credit lines defined by institutional measures or management actions
- Definition of products and services to respond to the emergency and support revenues in the short term
- Definition of a targeted action with the Guarantee Fund, SACE and CDP
- Restructuring of the offer of investment products

## Response to the pandemic emergency - focus on customers

Macro-area	Initiatives/content	Target	Channels
<b>Branch structure and rules of conduct</b>	<ul style="list-style-type: none"> <li>Closure of smallest and most remote branches and rules of conduct</li> <li>New customer assistance hours</li> <li>Periodic updates relating to the Covid-19 emergency</li> </ul>	<ul style="list-style-type: none"> <li>Customers from closed branches</li> <li>Webbank customers for customer assistance hours</li> </ul>	
<b>Digital services</b>	<ul style="list-style-type: none"> <li>Digital channel access</li> <li>Transactions that can be performed online</li> <li>Contingency operating processes for private customers</li> </ul>	<ul style="list-style-type: none"> <li>Banco BPM private customers broken down into clusters based on current use of digital channels</li> </ul>	
<b>Anti-crisis measures</b>	<ul style="list-style-type: none"> <li>Moratoria established by the government/ABI</li> <li>New lending cap</li> <li>Contingency operating processes for business customers</li> </ul>	<ul style="list-style-type: none"> <li>Business customers (SBO, SB and Businesses)</li> </ul>	
<b>Customer caring</b>	<ul style="list-style-type: none"> <li>Analysis of financial market performance</li> </ul>	<ul style="list-style-type: none"> <li>"Personal" customers</li> </ul>	
<b>Useful products and services</b>	<ul style="list-style-type: none"> <li>Insurance policies with a focus on health</li> <li>E-money</li> <li>Digital accounts and services</li> </ul>	<ul style="list-style-type: none"> <li>Banco BPM and Webbank private customers (specific targets)</li> <li>Digital prospects</li> </ul>	

	MAILINGS
	WEB LOGIN
	APP LOG-IN
	CONTACT CENTRE
	WEBSITE
	SMS
	ADVISOR
	ATM

Throughout every phase of the emergency, the **prompt communication of information on the measures enacted over time**, circulated on the company intranet where we created a dedicated section for all employees, was fundamental; this was also true of the company website<sup>6</sup>, where continuously updated information was provided on loans, branch access procedures, requests for moratoria, FAQs and other useful information for customers. Furthermore, information was also provided through around 2 million DEM messages<sup>7</sup> sent to customers, numerous social network posts and informational notices on the YouWeb and Webbank online banking services. In particular, through the various communication channels, **we immediately reassured our**

**customers with respect to the continuity of the assistance and measures deployed to support households and the real economy and invited customers to use the digital channels made available** (telephone assistance also activated for customers not enabled to use internet and phone banking and for customers who could not go to their reference branch as it was temporarily closed) **and to go to the branch only when absolutely necessary** for the management of tangible items (cash/cheques/cards). Operations in the branch were restructured (new service hours, temporary closure of several branches and weekly shifts) and access was controlled through an appointment system.

<sup>6</sup> www.bancobpm.it

<sup>7</sup> Direct Email Marketing

## EFFECTIVE RELATIONSHIP

### DIGITAL CHANNEL

Access through internet banking and the APP throughout the country



### SPECIALIST CENTRES:

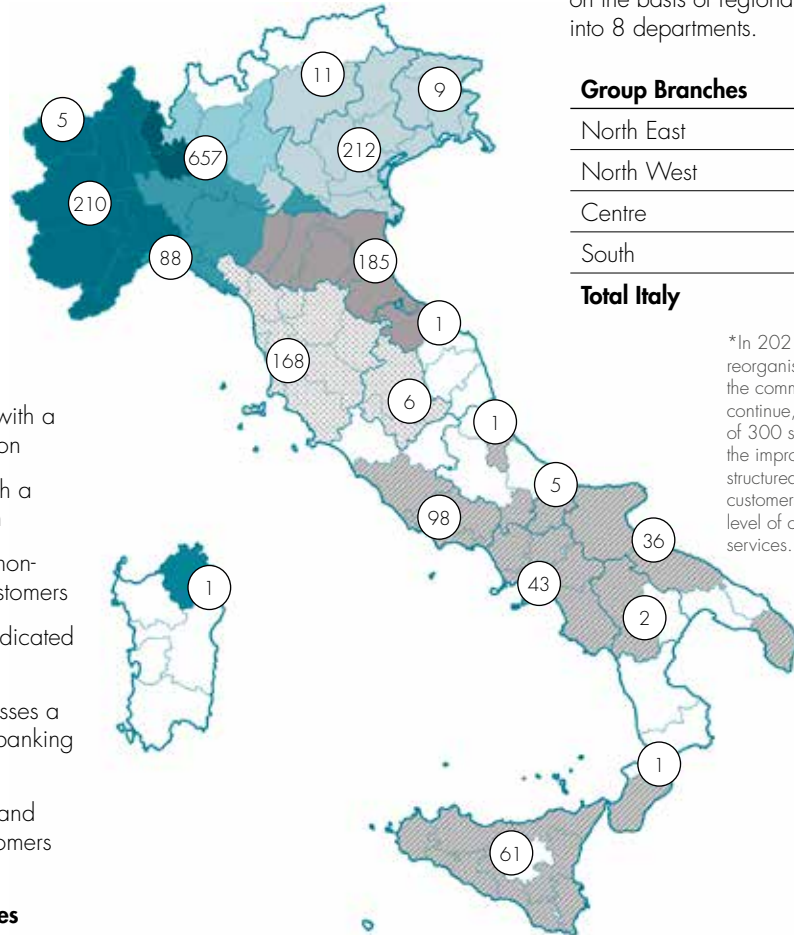
- **18 centres** for businesses with a turnover of over € 75 million
- **1 centre** for businesses with a turnover of over € 1 billion
- **1 central department** for non-profit and public sector customers
- **3 centres** with advisors dedicated to institutional customers
- **Banca Akros** offers businesses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

\*In 2021, the process of reorganising and streamlining the commercial network will continue, with the closure of 300 small branches and the improvement of more structured branches to offer customers an enhanced level of consulting and more services.

The re-branding project continued during the year with a view to promoting the Banco BPM brand throughout the country. The project, launched in 2019, saw the installation of window decals with the Banco BPM logo in 1,541 branches at the end of 2020, while also maintaining signs with the traditional brands:

## BANCO BPM

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

## INNOVATION FOR VALUABLE SOLUTIONS AND EXPERIENCES

€ **84 mln**  
investments in IT in 2020  
of which € 33 million in digital

### INNOVATION AND DIGITALISATION

In 2017, we launched the **.DOT Project** (Digital Omnichannel Transformation) with a view to guiding the evolution of customer services from an omnichannel perspective, digital platforms and the operating model. To deal with the challenge of the digital transformation, in recent years we developed specific organisational controls and invested in technology, training and employee and customer engagement.

### TECHNOLOGY AS A COMPETITIVE FACTOR

#### The 4 pillars of information technology initiatives

### IT4PEOPLE

€ **1 mln** Investments for a digital design focusing on people in order to facilitate collaboration and creativity

Personnel training

Offer of collaboration tools

Process simplification

### IT4REGULATORY

€ **39 mln** Sustainably guaranteeing regulatory compliance

Application updates

Adoption of the Data Governance model

### IT4IT

€ **18 mln** Technology as an enabling factor of the Strategic Plan

Evolution of architecture

Strengthening of Cyber Security

Development of the operating model

### IT4BUSINESS

€ **26 mln** Completing the evolution towards a digital omnichannel model and establishing a "paperless" relationship with customers

Multi-channel services

End-to-end review of the Customer Journey

Open banking & partnership

Analytics

In 2020, the digital channels enabled customers to operate effectively and safely and saw a peak of operations during the most acute phase of the pandemic and a high level of use even following the critical phase. In particular, **constant growth was recorded in mobile transactions in the online channel**, also thanks to the progressive spread of the new Banco BPM app<sup>8</sup> designed with a new interface, simplified navigation and the introduction of new useful sections.

<sup>8</sup> [www.bancobpm.it/privati/conti/servizi-digitali/youapp/](http://www.bancobpm.it/privati/conti/servizi-digitali/youapp/)

With respect to **private customers**, transactions carried out remotely<sup>9</sup> come to 83% (+5.8% since 2019) and, in particular, mobile transactions now cover 47.7% (+10.5% since 2019) of online transactions (web + app). Online transactions represent 69% of all transactions (+14.6% since 2019).

**Business customers** have also been very prone towards using alternative channels: for them, remote transactions reached 76.2% (+7.6% since 2019) and, in particular, online transactions represent 71.6% of total transactions (+7.6% since 2019).

As concerns the omnichannel and digital evolution and the .DOT Programme, we have launched the **digital identity** service, which will be made

available to customers by the end of the first quarter of 2021, in order to digitalise transactions and make them more efficient and controlled, reduce unnecessary customer traffic in the branch and slash paper consumption.

Aside from taking actions capable of facilitating remote operations, with a view to transparency as well as strengthening and boosting the simplicity of relationships between the Group and customers, we have unveiled the **Language R- Evolution project** to overhaul all commercial communications, making them simpler and easier to understand for our stakeholders. In 2020, we fully mapped all communications concerned: commercial documents,

email messages, information sheets, reporting and accounting (roughly 266 million communications which the Bank generates and sends every year to customers via various channels) and we revised around 100 communication templates. The initial releases relating to the new statement of account and card statements will be available in the first quarter of 2021.

<sup>9</sup> Operazioni effettuate o tramite web o tramite il canale atm

## VALUABLE SOLUTIONS FOR BUSINESSES

We seek to become the reference partner for businesses, 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.



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 financial risk.

# € funds 5 BILLION

## 2020-2023 SUSTAINABLE INVESTMENTS

Sustainable  
finance

Women's  
entrepreneurship

Green  
transition  
programmes

Specifically, with a view to favouring the transition of our businesses towards a sustainable business model, in 2020 we announced that we would be setting aside **"2020-2023 Sustainable Investments" funds of € 5 billion**, planning the promotion of company best practices and a culture of sustainable finance through our communications channels, particularly online, with a focus on women's entrepreneurship and financial support throughout the green transition. The fund was also launched with the collaboration of the Department of Energy at the Polytechnic University of Milan and establishes the possibility, for companies requesting loans from the Bank, to receive a technical project assessment (e.g., in terms of environmental impact).

In 2020, support continued to be provided for the development of business abroad, although with new methods and taking into account the difficulties encountered in international trade. For companies that work or intend to work abroad, **BANCO BPM TRADE WORLD** was created, a new hub that brings together the You World platforms - Doing Business in the World (used by more than 1,000 business customers) and You Lounge - The Trade Club (used by nearly 1,500 business customers) which, along with the You Trade Finance portal, enable our businesses to make use of a **broad range of information, services and networks that are fundamental for business abroad.**

Amongst the solutions for sustainable growth, **Banca Akros** supports companies during bond issues, including those based on sustainability aspects (roughly € 500 million raised with green bonds in 2020), as well as issues of investment certificates with underlying ESG securities or indexes (€ 16.3 million in 2020). Furthermore, Banca Akros made a significant contribution as subscriber and co-dealer of Italian government bond issues: in 2020, more than € 34 billion was allocated to deal with the Covid-19 emergency. Lastly, in the course of the year more than 50 virtual conferences and seminars were held with Italian and foreign listed companies to share ESG activities, objectives and achievements with national and international investors.

We consider it fundamental **to accompany business growth with training as well**, so as to favour the development of the technical/management skills required to boost competitiveness and the capacity to manage risks, taking advantage of market opportunities and overcoming periods of crisis. Some of the most significant training programmes include the **Elite Lounge Class** which, in its newest edition, will have a specific focus on sustainability and see the participation of business customers included in sectors deemed sustainable according to the European Commission's taxonomy and which aim to promote and embark upon a path of sustainability.

Lastly, we also take the development of **new business initiatives** to heart (we have more than 2,000 customers including start-ups, scale-ups, incubators and innovative SMEs) and we offer them dedicated products and especially the possibility to access loans counter-guaranteed by the MCC, agreements in place with the main crowdfunding portals, collaborations with innovative start-up incubators intended to promote the assessment of business plans and a network that can support start-ups.

## ASSESSING AND MANAGING CUSTOMER RELATIONS

Monitoring the **quality of customer relationships** by means of customer satisfaction surveys and careful complaint analysis is a fundamental activity underlying the development of continuous improvement actions.

In 2020, **customer satisfaction surveys involved more than 165,000 private (including professionals) and business customers through telephone and web interviews.** The results confirmed a good level of satisfaction: the Banco BPM TRI\*M<sup>10</sup> indicator, which had a value of 67 (like in 2019), indicates that despite the difficult context and the health and economic emergency experienced in the course of 2020, **the overall level of satisfaction, recommendability, propensity to repurchase and convenience linked to the products and services of Banco BPM remains high.**

The customer feedback process was strengthened in 2020 thanks to the acquisition of a **customer feedback management** platform that provides feedback (roughly 10,000 entries in 2020) in real time in order to improve the YouWeb user experience.

The instrument will also be extended to our other web and mobile digital platforms in 2021. This new element is part of the evaluation of the customer experience, which in 2020 through email interviews involved roughly 23,000 people and 6,800 small and medium-sized companies to identify any critical points in existing processes and deploy resolution initiatives, including in the immediate term.

**The main outcomes relating to the customer experience are continuously shared internally to provide support to all applicable company structures in the development of products and/or the improvement of processes.**

In addition to customer satisfaction and experience surveys, in 2020 we performed around **10 research projects**, involving more than 2,500 people and 500 businesses, aimed at verifying customers' approaches, also following the changes in customer habits when using banking services linked to the Covid-19 emergency, and collecting feedback on existing products and services. These projects also involved the **research Community Panel called "Insquadra"**, launched in 2019 for private customers and extended in 2020 to business customers. We also conducted **around 1,500 mystery shopping visits to branches**, which confirmed a good level of service, with particular regard to the relational aspect.

Banco BPM  
TRI\*M  
**CUSTOMER SATISFACTION**  
index **STABLE**  
in 2020

<sup>10</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

In 2020, the **complaints received**<sup>11</sup> recorded significant growth since the prior year. However, this growth can be almost exclusively attributed to disputes linked to the **ongoing health emergency, equal to roughly 1,900 during the period under review**, of which:

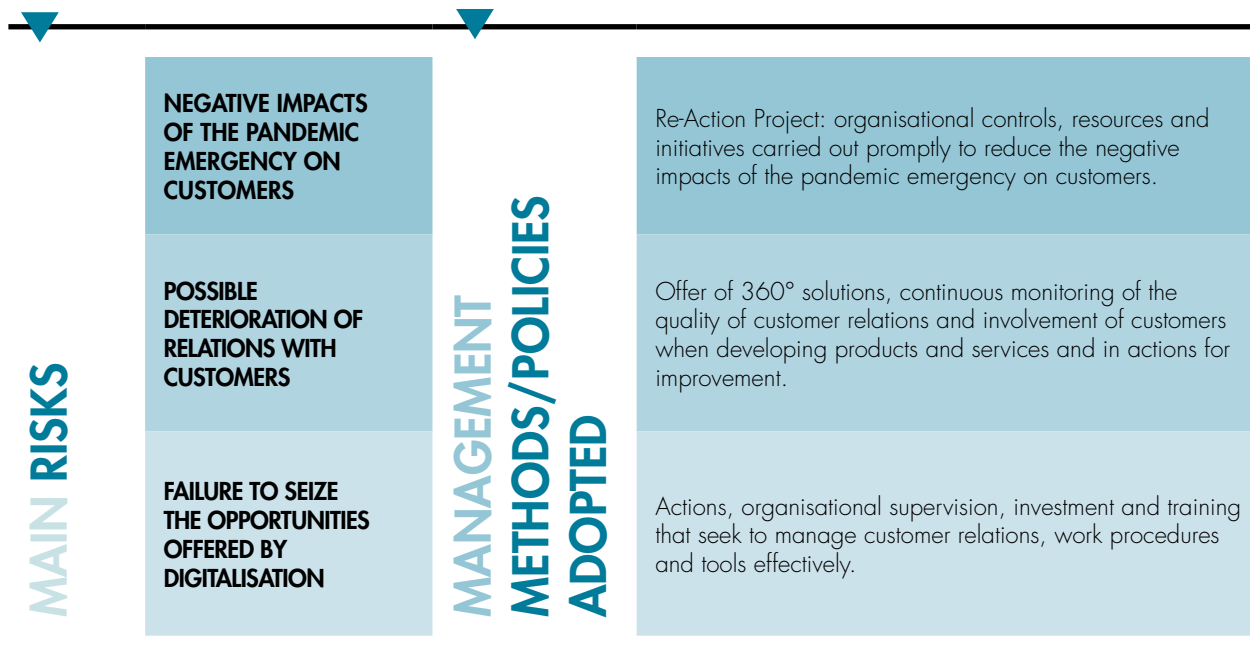
- the majority (around 1,000 cases) are linked to customers complaining of an “inadequate service level offered” in relation to the temporary closure of branches and more generally modifications in operations (e.g., branch access by appointment);

- more than 30% (roughly 700 cases) relate to customers reporting delays or the absence of adequate “support” in relation to the various credit facilitations. This figure must however be considered taking into account the more than 100,000 applications for facilitations processed in 2020.

Although complaints received relating to financial/insurance products did increase, the absolute numbers remain limited.

COMPLAINTS AGAINST THE GROUP	2020	2019	Change
<b>Complaints received</b>	<b>9,470</b>	<b>7,251</b>	<b>+30.6%</b>
- of which relating to banking	8,296	6,450	+28.6%
- of which relating to investment	811	628	+29.1%
- of which relating to insurance	363	173	n.s.
<b>Complaints processed</b>	<b>8,640</b>	<b>7,480</b>	<b>+15.5%</b>
- accepted	2,769	2,454	+12.8%
- partially accepted	2,193	1,709	+28.3%
- rejected	3,678	3,317	+10.9%
<b>Processing times (average no. of days)</b>			
- for banking services	24	20	+20.0%
- for investment products	36	33	+9.1%
- for insurance products	25	28	-10.7%

<sup>11</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. At 31/12/2020, a total of 23,646 submissions were received, 1,074 of which relating to 2020, of which 18,283 subject to settlement agreements formalised with customers (equal to 77.3% of complaints received). For further details, please refer to the Annual Financial Report.



# CREDIT TO SUPPORT THE COUNTRY

**Lending to the real economy and individuals is one of the core components of our business model and, with more than € 109 billion at the end of 2020, it represents 60% of the Group's total assets.**

Increasing attention is being paid to support for sustainable initiatives, and in 2020 we contributed to governmental actions to support both businesses and individuals.

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

The goal of our **credit policies** is to guide lending growth with a view to optimising the risk/return ratio while supporting the development of sectors and businesses with positive economic and financial outlooks.

**In 2020, due to the pandemic shock, the objective shifted towards support for the sectors and businesses most struck by the crisis** (such as tourism and dining, textiles and clothing, means of transport and construction) which, partly thanks to the actions taken by the government, were able to benefit from priority financing.

The analysis of the proposals and the policies enacted for granting loans to companies seek to optimise the risk-return ratio, also in the future. More specifically, the assessments also look at non-financial information, such as the characteristics of the management, transparency, the quality of the offer, reputation, supplier relations and, for larger transactions, any aspect that could have a negative impact on the Group's reputation.



## MANAGEMENT MODEL

### LENDING POLICIES

Lending policies oriented towards business sustainability, with a view to optimising the risk/return ratio while also taking into account assessments on environmental sustainability and more generally ESG aspects

### GRANTING LOANS

Granting loans to individuals and the real economy in both ordinary and subsidised form

### MONITORING OF CREDIT AND IMPROVEMENT ACTIONS

Continuous monitoring of credit quality and adequate corrective actions

In order to **integrate ESG criteria within lending policies**, particularly with reference to the green sector:

- the Group's entire loan portfolio was assessed to identify **our presence in the sectors particularly impacted in terms of environmental sustainability** based on the new European Commission taxonomy, in order to define strategies to support investments linked to the green transition;
- **specific policies were implemented for the real estate sector** in order to support sector development while directing attention towards companies which, aside from having a limited risk profile and appealing prospects, construct and renovate real estate taking an environmentally sustainable approach;
- the granting of **green loans** was privileged, for the acquisition and renovation of energy efficient properties. From the perspective of actual loans, these policies will come to fruition in the course of 2021.

Specifically, in 2021 we will aim to promote those companies and sectors that will be able to exploit the massive potential of e-commerce and which will invest in sustainable initiatives. In this sense, agrifood is one of the most important sectors due to the significant presence of farms in our geographical areas as well as the impact of that sector in terms of environmental sustainability.

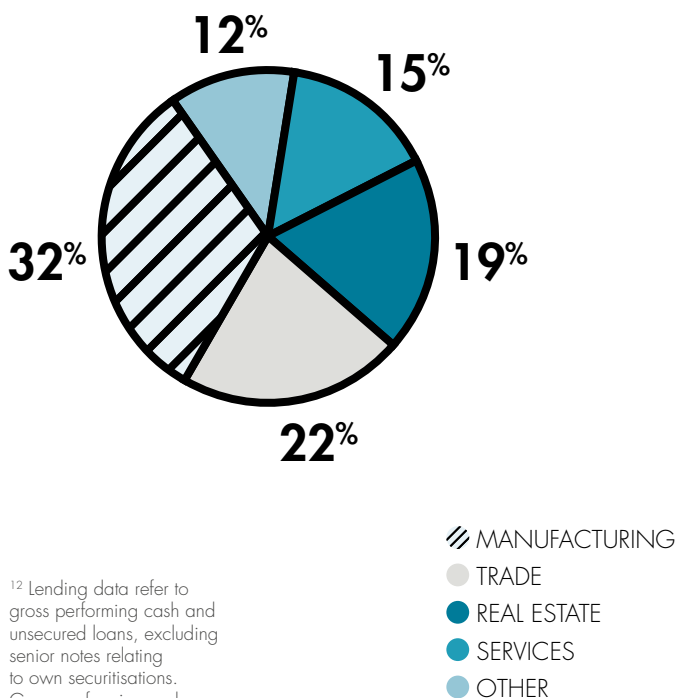
During 2020, **new loans disbursed to households and businesses amounted to € 27.6 billion**, up by 29.2% compared to the prior year, also due to the efforts made to handle the Covid-19 emergency.

The Group's total loans (€ 109.6 billion<sup>12</sup>, +5% compared to 2019) refer for roughly 25% to individuals and around 60% to businesses.

In particular, at the end of 2020 the loans to **individuals** came to over € 27 billion (basically in line with 2019), nearly 90% for residential mortgages. Furthermore, during the year we activated a series of temporary measures to support people during the emergency phase, including around 24,000 moratoria relating to the suspension of loan instalments and around 3,500 wage guarantee fund advances (with no costs for customers).

With respect to **businesses**, loans at the end of 2020 amounted to roughly € 66 billion, 1/3 of which concentrated in the manufacturing sector.

### LOANS TO BUSINESSES BY MACRO-SECTOR



<sup>12</sup> Lending data refer to gross performing cash and unsecured loans, excluding senior notes relating to own securitisations. Gross performing cash and unsecured loans are considered as regards lending to businesses

For the companies most struck by the pandemic emergency, we immediately took a **series of steps to support our customers' financial commitments** through:

- an extension of invoice advances due to expire (101,500 extensions for a total of € 6.1 billion advanced) and the suspension of March instalments (125,000 instalments suspended for around € 2.9 billion);
- the allocation of € 5 billion to face the emergency, of which € 3 billion for businesses present throughout the country and belonging to every economic sector; € 1 billion for independent professionals and € 1 billion for merchants.

As concerns the social and environmental initiatives financed in 2020, **various project financing transactions** were carried out regarding the **renewable energy sector** (10 transactions for a total of € 250 billion) and **infrastructure** (5 transactions for a total of € 165 million).

Furthermore, in continuity with previous years, we activated specific measures for individuals and businesses that suffered damages due to disasters, such as a suspension of loan and mortgage instalments in favour of residents of the affected areas, or the disbursement of loans with subsidised rates in favour of the populations struck by the earthquake in Central Italy in 2016.

Type of loan	Number of transactions in place at end of 2020	Stock of loans at end of 2020 (€ bn)	Number of transactions in place at end of 2019	Stock of loans at end of 2019 (€ bn)
Loans subsidised by <b>PUBLIC GUARANTEES</b>	109,364	14.9	18,648	4.1
Loans subsidised by <b>CONFIDI</b> guarantees	7,624	0.5	12,224	0.7
Loans granted with the use of <b>SPECIAL FUNDS</b>	9,657	2.2	11,119	2.2
Loans subsidised by <b>CONTRIBUTIONS TO INTEREST ACCOUNTS</b>	4,412	0.5	4,541	0.5
<b>TOTAL</b>	<b>131,057</b>	<b>18.1</b>	<b>46,532</b>	<b>7.5</b>

Aside from ordinary loans, we are also active 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. In 2020, due to the pandemic emergency, these operations were further developed with a view to also supporting those businesses which, in normal circumstances, would not have been able to benefit from priority credit due to their high level of risk. In particular, thanks to guarantees, **we were able to deploy additional business support measures** through:

- 70,000 loans up to € 25,000, a limit subsequently raised to € 30,000, with a 100% guarantee for a total of € 1.5 billion;
- 18,000 loans with an 80% and 90% guarantee for a total of more than € 7 bn;
- 250 loans with a SACE guarantee for larger companies, for a total of € 2.5 billion;
- 59,000 moratoria for a total of € 12.5 billion.

In 2020, 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.). During the year, we carried out **124 transactions** in that sense. At the end of 2020, there are **8 active agreements** with such Foundations and a total of **605 guaranteed transactions for an amount of roughly € 8 million**.

#### 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

# € 28 BILLION

## RELAXATION MEASURES

91%

to businesses

**At the end of 2020, the total value of measures for customers to benefit from a relaxation/deferment of the commitments made** (e.g., through payment suspension for a specific period of time, extension of the amortisation period and refinancing for business recovery and development) is **€ 28 billion, 91% of which for businesses.**

The implementation of these measures is assessed with respect to the borrowing individuals and businesses which are experiencing difficulty but in any event have positive economic outlooks.

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.

Also thanks to customer mediation activities, the **stock of non-performing loans declined from around € 10 billion at the end of 2019 to roughly € 8.6 billion at the end of 2020.**

Credit monitoring **is a significant phase**, with a view to promptly identifying signs of anomalies in relationships with customers, in order to activate prevention strategies to avoid further deterioration and return to normal conditions.

This process includes three main steps:

- identification of anomalous positions;
- their clustering based on customer and anomaly type and value, with differentiated management strategies and priority processing criteria;
- the application of anomaly resolution strategies.

### MAIN RISKS

CREDIT AND OVER INDEBTEDNESS

ERRORS MADE BY COMMERCIAL PERSONNEL AND OPERATING RISKS

INSOLVENCY OF THE REAL ECONOMY AND HOUSEHOLDS

### MANAGEMENT METHODS/ POLICIES ADOPTED

- Assessment of creditworthiness and the risks of the loan granting process, and the clear distinction of the roles of loan proposer and decision-maker.
- State-of-the-art credit risk assessment model and measurement metrics.
- Verification of the customer's capacity to repay the debt.
- Monitoring of credit and mediation initiatives to enable customers in temporary financial difficulty to meet their commitments.

- Rules of conduct set forth in the Code of Ethics and internal regulations relating to the conduct of personnel towards internal and external counterparties and in commercial operations.
- 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.

Ordinary and extraordinary measures to support the financial commitments of customers, including through guarantees.

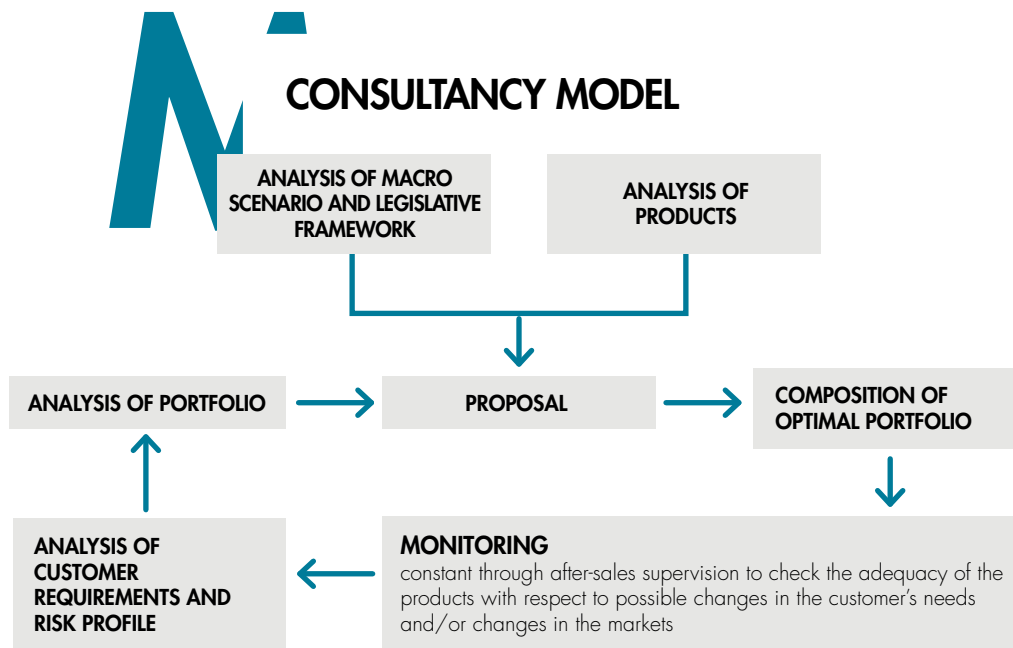
# RESPONSIBLE MANAGEMENT AND PROMOTION OF SAVING

In order to be able to make knowledgeable investment decisions, 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 **sound decisions**".*

The consultancy model adopted by **Banca Alelli, Banco BPM's investment centre for asset management**, begins from an analysis of customer needs and consists of a continuously evolving process in which the Group works alongside its customers to promptly and effectively respond to all changes regarding needs, economic conditions and the market environment.

The goal of our consulting is to build portfolios which, on the basis of solid quantitative data, allow for diversification and the achievement of positive returns, also by selecting sustainable investments.



In the course of 2020, the health crisis triggered by the pandemic profoundly changed how we interact and work with customers. The Banco BPM Group acted swiftly to guarantee continuity in customer relations. Specifically, contact was facilitated through online channels

and simplifications were adopted, limited to this exceptional period, to facilitate transactions from home, such as the submission of financial instrument trading orders.

Despite this particularly challenging period, in 2020 the existing consultancy model was joined by a **new service and consultancy model**, “BA<sup>3</sup>”, at the moment only for private customers, based on **behavioural finance** for the development of personalised investment proposals based on the various customer profiles. This new model augments the traditional investment process with the variables of **needs, knowledgeable investment and the investor’s financial personality** to obtain new value creation and customer satisfaction standards.

The pandemic also influenced the markets, increasing their volatility, and this impacted the percentage of customer portfolios with an active consultancy agreement based on risk profile, which in 2020 amounted to 87%, down slightly compared to 2019 (roughly 90%).

Banco BPM’s commitment to **“sustainable” savings** also continued in 2020 with increasing conviction and translated into the launch of a project for the introduction of **qualitative/quantitative financial instrument assessment models from an ESG perspective and the further expansion of the range of products managed with Environmental, Social and Governance (ESG) and Socially Responsible Investing (SRI) criteria.**

The close collaboration with Anima Sgr and Etica Sgr, the two asset management companies with which we have a well-established corporate partnership, and the involvement of new asset managers, were also fundamental.

Indeed, the **Etica Sgr** SRI funds already available to customers were joined by additional UCIs (undertakings for collective investment) managed by asset managers with long-term sustainable investment experience, including **Raiffeisen, Pictet and Allianz**. The products are diversified based on asset class (shares, bonds, etc.) and are managed based on exclusion, best in class, impact investing, ESG, thematic funds and engagement criteria.

Furthermore, the offering has expanded thanks to the **Anima Sgr** funds which since April 2020, for the majority of the funds managed, began to **incorporate environmental, social and corporate governance aspects into their investment process**, supplementing traditional financial risk/return analyses. Aside from ESG criteria, exclusion criteria are also followed to prevent investments in securities of issuers that manufacture or sell the weapons prohibited by UN Conventions and governmental issuers sanctioned by the United Nations due to human rights violations.

In particular, Anima sgr, which in 2018 became a signatory to the **UN PRI** and which in 2020 obtained an **A rating** for its ESG Strategy & Governance from the **UN PRI**, launched the **ESaloGo** product range, a family of funds which integrates ESG factors in a more structured manner within the investment process and excludes controversial sectors such as tobacco, gambling and weapons. Anima Sgr also established a dedicated Committee to constantly monitor the ESG profile of the funds.

**UN PRI.** The United Nations Principles for Responsible Investment is an initiative intended to spread and integrate ESG criteria within investment practices. These principles were introduced by the United Nations in 2006 in order to favour the spread of sustainable and responsible investment amongst institutional investors

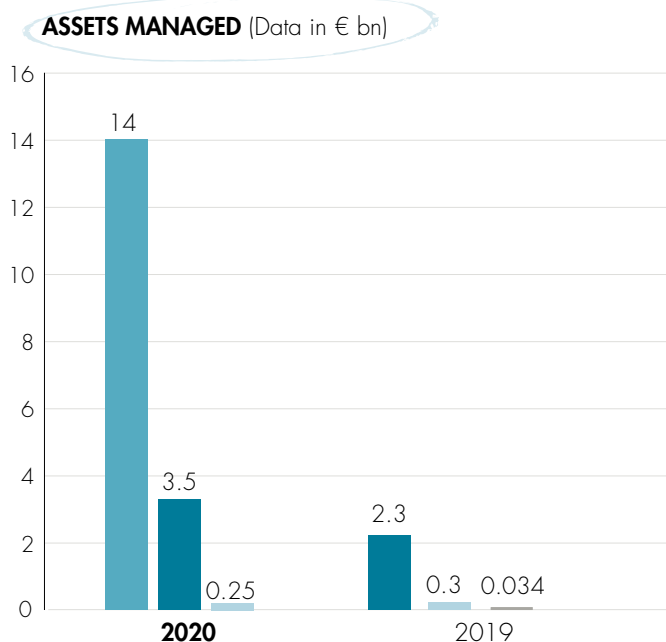
#### **Anima SGR - ESaloGo System.**

*“These are Italian funds that enhance conventional analysis criteria (macroeconomic context, financial scenario, microeconomic analysis of individual issuers) with ESG assessments, relating to environmental sustainability, social aspects and the governance of the securities present in portfolios. ANIMA’s ESG Committee prepares investment exclusion lists regarding securities that do not meet the criteria, monitors the “ESG quality” of portfolios (ESG rating) and individually examines all low “ESG quality” securities to decide whether they should be kept or sold. The management team is responsible for integrating the ESG Committee’s assessments, requirements and limitations in its investment decisions”.*

Source: [www.animasgr.it](http://www.animasgr.it)

The product offer includes the Vera Financial Futuro Sostenibile 2.0 unitlinked policy, whose underlying assets also include Etica Sgr funds.

Within the offer of services, individual management mandates are in place for institutional customers that follow exclusion criteria according to principles consistent with Catholicism. These selection restrictions are aligned with customer customisation requests, and respected through a particular focus by the advisor during the portfolio monitoring phase.



- Funds with ESG/sustainable focus
- Funds with ESG factors integrated in the investment process
- Individual management mandates managed with exclusion criteria according to principles consistent with Catholicism
- Individual management mandates managed with ESG/SRI criteria

With the entry into force of EU Regulation 2088/2019, the definition of ESG/sustainable instruments will follow those provisions, particularly with regard to the classification established in art. 8 and art. 9 of ESG/sustainable products and the disclosure pursuant to art. 6 at organisational unit level. These amounts could therefore experience significant changes, in accordance with that Regulation. In an environment that is changing continuously and rapidly, it is increasingly important to be informed when making complex economic and

Type of loan	2020	2019
<b>Funds</b>	<b>17.5</b>	<b>2.3</b>
with ESG/sustainable focus	3.5	2.3
with ESG factors integrated in the investment process	14.0	-
<b>Individual management mandates</b>	<b>0.25</b>	<b>0.3</b>
managed with exclusion criteria according to principles consistent with Catholicism	0.25	0.3
managed with ESG/SRI criteria	-	0.034
<b>Total</b>	<b>17.7</b>	<b>2.6</b>

financial decisions. This is why we have always contributed to enabling our customers to make informed investment decisions.

Again in 2020, although the pandemic complicated the scheduling of meetings, 36 financial knowledge courses were organised, 31 of which held online, in which roughly 1,900 people participated.

We also participated as speakers in conventions and round tables on topics linked to sustainable investment.

## ESG INVESTMENTS PRESENT IN THE BANCO BPM PROPRIETARY PORTFOLIO

Starting from 2020, ESG aspects were also included in the process of selecting the investment funds in which the Bank directly invests its own resources. In particular, during the product due diligence step, the management company and its governance, strategy, the fund regulation, the team and the track record are all analysed. The ESG factors reviewed and monitored annually are varied and may regard following the UN PRI/SDG principles and/or those of other international organisations, the presence of specific policies and an ESG Manager, periodic reporting for unit holders and the verification of the ESG analysis in equity investment acquisition memoranda.

Furthermore, in 2020 we acquired non-governmental securities in the primary market for a total of roughly € 660 million, with a particular focus on ESG securities which, although they represent only 8.6% of our non-governmental portfolio, increased by more than 50% compared to 2019.



# BUSINESS CONTINUITY, CYBERSECURITY AND PRIVACY

We work in one of the essential sectors which must guarantee an adequate service level even in difficult external conditions. In 2020, through new ways of doing business, we modified our organisation to be able to offer a service that meets customer requirements while also ensuring adequate security levels<sup>13</sup>.

<sup>13</sup> This policy is vast and includes the *IT security regulation*, updated with reference to payment system security in line with EU Directive 2015/2366 (PSD2); the *IT risk regulation*, updated to further reinforce IT risk oversight; the *IT incident guidelines*, governing the principles, roles and responsibilities for the management of IT incidents; the *Payment service security methodological manual*, governing methods guiding company operations adopted on payment service security; the *IT risk analysis methodology methodological manual*, which describes the method for analysing and quantifying IT risk, in line with Bank of Italy Circular 285/2013; the *dot.NET secure software development methodological manual*, which governs the methods to be followed to implement security requirements and securely develop dot.NET web applications; the *J2EE secure software development methodological manual*, governing the methods to be followed to implement security requirements and securely develop web applications using J2EE and possibly Spring; the *Personal data breach severity assessment methodological manual*, which formalises the adoption by the DPO Support structure of a changed methodology compared to that introduced by the European Union Agency for Cybersecurity (ENISA), in order to evaluate, with a structured, scoring-based approach, the severity of a personal data breach; the *Process Rules*, which regard the management of IT risk and the process of preventing and managing IT fraud.

## N MANAGEMENT MODEL

### DATA GOVERNANCE AND IT SECURITY

Data and information management and security, business continuity

### PRIVACY

Protection of the IT assets available to the Group

## DATA GOVERNANCE AND IT SECURITY

The pandemic emergency drove us to accelerate the **adoption** already started in previous years, of a **flexible working methodology** which, through collaboration tools and an objectives-based approach, aims to favour effective interfunctional interactions, autonomy, flexibility and organisational effectiveness.

At the same time, customers were encouraged to make use of remote banking services through digital channels (web, mobile and phone banking) as much as possible. In order to accompany the effective use of digital services, through all of our communication channels (app, web, email, SMS, ATM, social media), **we invested in "education" instruments**, especially concerning security, to mitigate the risk of fraud caused by fraudulent emails (phishing), SMSs (smishing) and phone calls (vishing) intended to obtain personal and/or banking data and induce others to adopt fraudulent behaviour. Moreover, we carried out several **initiatives to increase the level of security in customer transactions** through the introduction of *step up authentication* systems in the new customer app, after detecting high risk situations that do not meet the requirements for blocking the transaction. The *transaction signing* (SCAD) function was also introduced for online card payments (in line with the PSD2 regulation).

The Group's **business continuity** is guaranteed by the organisational business continuity management and crisis management structure governed by the **Operational continuity plan**, which formalises objectives and strategies and identifies the principles, objectives, procedures and resources required for the management of the company's operational continuity and the management of crisis situations ensuing from events impacting the Group or its significant counterparties. The continuity plan is broken down into sector plans referring to the crisis scenarios defined by regulations, including the **disaster recovery** plan, meant to allow for the functioning of significant IT procedures at sites alternative to production sites. Operational continuity plan adequacy is periodically tested, relating to the organisational as well as technological aspects, the results of which are sent to the Board of Directors of the Parent Company and the other companies involved in that plan every year.

As concerns the **company IT system**, the Group respects the compulsory external accreditations for the financial sector (e.g., PCI-DSS and SWIFT CSP) and, in collaboration with qualified external partners, performs assessment activities to improve its capacity to prevent, detect and respond to cyber-attacks in line with the NIST Cybersecurity Framework<sup>14</sup> standard. The information security management system refers to the ISO 27001 standard; in addition, there are skills and certifications relating to other market standards within the bank as well (such as lead auditor 27001, CBCI and Cobit 5 Foundation).

#### PARTNERSHIPS TO PREVENT AND COMBAT CYBER CRIME

The Bank participates in CERTFin (Italian Financial CERT), a public/private cooperative initiative meant to boost the capacity of banking and financial operators to manage cyber risks and increase the cyber resilience of the Italian financial system. Furthermore, as part of the OF2CEN (Online Fraud Cyber Centre Expert Network) project, we collaborate with the State Police to exchange information in real time for the prevention and limitation of bank fraud.

**IT incidents** are managed through a process of involving technical structures and escalations to higher level functions based on the level of severity assigned to the incident. Following identification, incident containment and resolution actions are initiated, involving the pertinent company structures and, for the most significant cases, the incident is reported to the control authorities (such as the Bank of Italy). **In 2020, no serious IT security incidents were identified** which would require reporting to the Bank of Italy. The only events identified and reported to the ECB regarded three cases of phishing and fraudulent intrusion in company email accounts, along with one attempted intrusion in a Leasing Division certified email account. In any case, these events did not result in any expense or sanction. Incidents classified as serious are channelled into the crisis management process, which involves the Group's top management. There is also a Security Operation Centre (SOC) operating 24/7, 365 days a year, which guarantees the management and triage of all cyber security related reports. The Group's IT system is subject to controls with a frequency depending on the critical issues and requirements arising over time. Furthermore, an **insurance policy has been taken out to cover risks deriving from security or personal data confidentiality breaches**, which covers own damages (suspension of activities, costs and expenses, personal data protection, costs of defence and sanctions resulting from investigations, cyber extortion) as well as **requests for compensation submitted by third parties and liability deriving from the media**.

<sup>14</sup> For more information, [www.nist.gov/cyberframework](http://www.nist.gov/cyberframework)

## PRIVACY

As a banking group, **we have a significant set of IT assets to be protected** and, from this perspective, like for the IT security area, we have not only boosted our controls and skills, but also redesigned procedures and regulations to make the principles of privacy by design and by default increasingly effective and operational within the performance of our activities. As regards **personal data protection**, to guarantee that data subjects can exercise their rights, we have a dedicated mailbox for receiving requests (protezionedati@bancobpm.it) and we have appointed specific organisational supervision<sup>15</sup>, specific internal regulations<sup>16</sup> and we have also launched the implementation of adequate IT solutions. In particular, our internal regulations require the information managed to be classified to guarantee the effective application of the appropriate security measures as required.

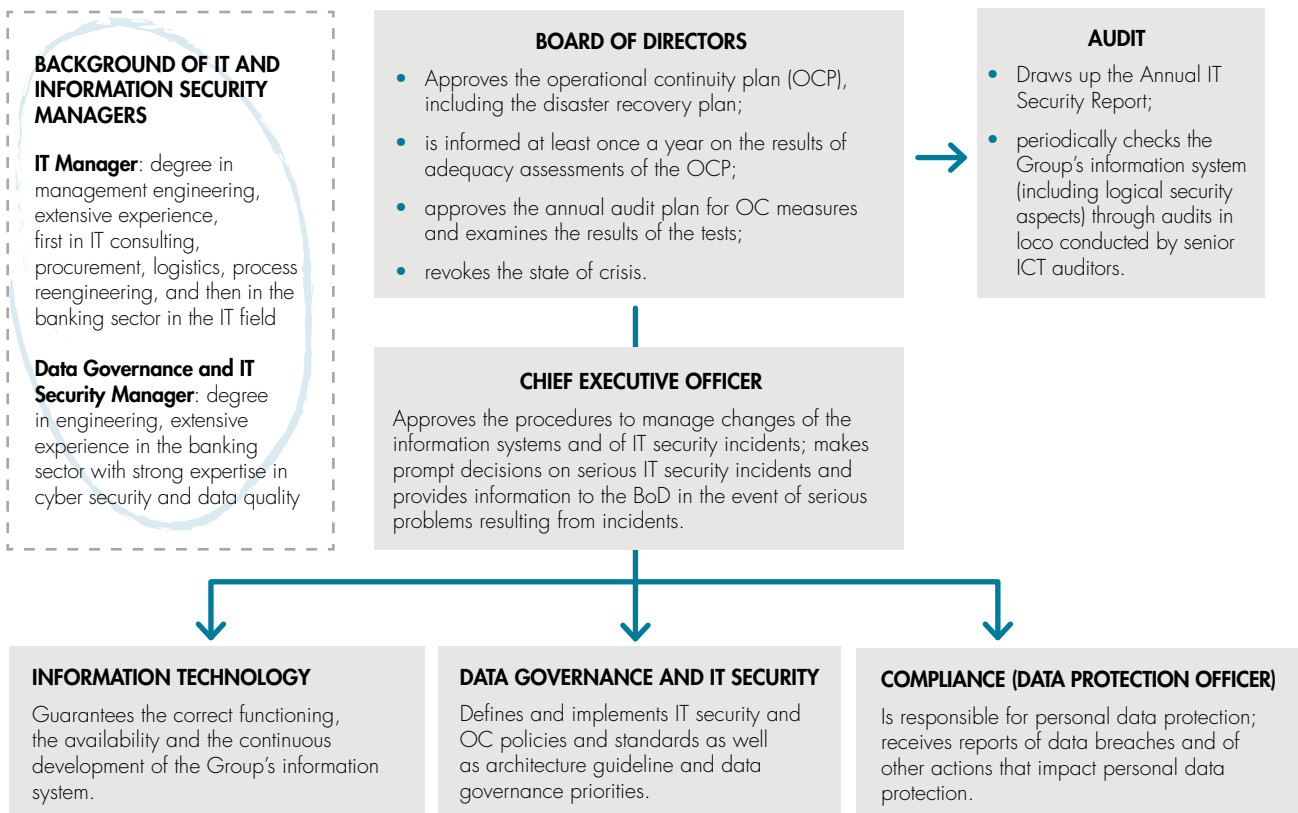
<sup>15</sup> The Data Protection Officer (DPO) is the Head of the Compliance Department, which provides specialist ad hoc support

<sup>16</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 data subjects. For further information: [www.bancobpm.it](http://www.bancobpm.it) Privacy section

<sup>17</sup> In 2020, complaints and requests for clarification were submitted by the Data Protection Authority which had not yet generated any results at 31/12/2020

In 2020, **no significant episodes of data loss or unauthorised access occurred that required notification to the Data Protection Authority or to the data subjects** and no sanctions in this regard were imposed<sup>17</sup>.

## INFORMATION SECURITY AND PRIVACY CONTROLS



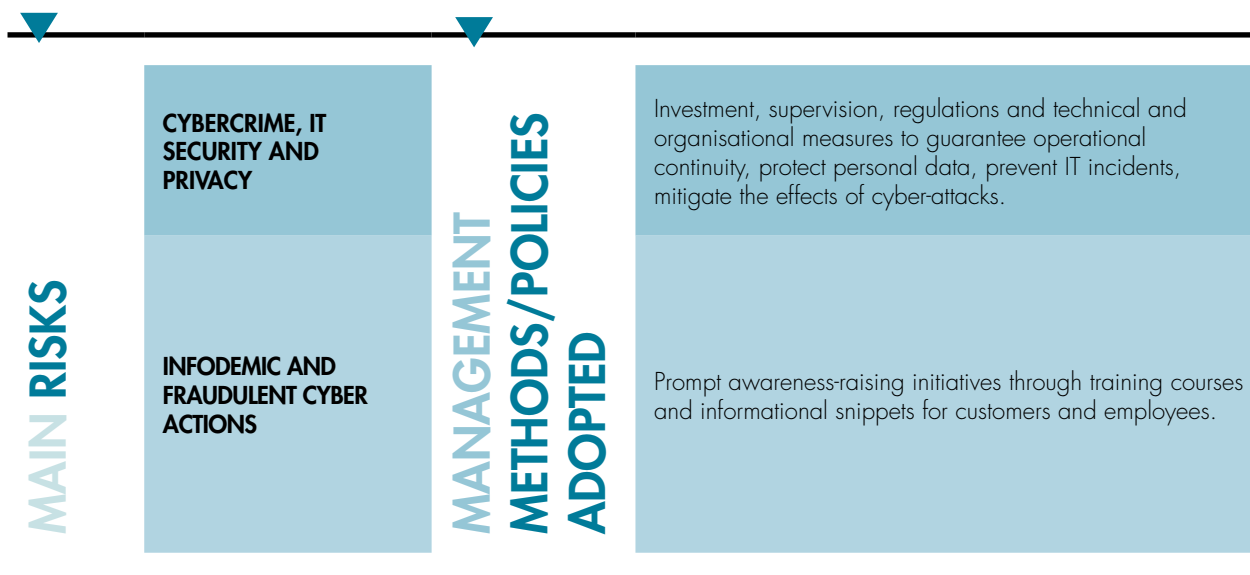
In order to **spread awareness** on these matters, also in 2020 we released:

- **training courses** on cybersecurity and on document classification for the correct use of information intended for all Group employees;
- **publications on the website of security snippets** for customers (Covid-related fraud, emails, apps, SMS, WhatsApp, smartphone SIMs) and on the company intranet for all employees (phishing attacks, smishing, fake calls, MFA - multi factor authentication);
- **internal communications** relating to phishing attacks, company email management, internet services and the recognition of fraud.

Furthermore, for 2021 we have planned virtual classroom training sessions on privacy.

## In 2020 THERE WERE NO

serious IT security incidents or  
serious episodes of data losses  
or unauthorised data access.





# TOGETHER WITH OUR PEOPLE

 SUSTAINABLE DEVELOPMENT GOALS

<b>1</b> NO POVERTY 	<b>2</b> ZERO HUNGER 	<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>10</b> REDUCED INEQUALITIES 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 
<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	<b>17</b> PARTNERSHIPS FOR THE GOALS 	

**21,000** OVER  
**people**

NEARLY ALL WITH A  
PERMANENT CONTRACT

**885,000**

TRAINING HOURS

and € **5.5** MILLION INVESTED

OVER **7,000**  
**PEOPLE**

AUTHORISED TO WORK  
FROM HOME

**75,000** Approx.

employees, workers made  
redundant and retiring  
and dependent family  
members covered by  
health care assistance

UNI ISO 45001:2018

**CERTIFICATION**

FOR OCCUPATIONAL HEALTH AND  
SAFETY MANAGEMENT SYSTEM

# MANAGEMENT, DEVELOPMENT AND INCLUSION OF PEOPLE

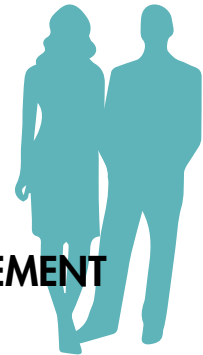
Personnel management is based on “the respect of the identity and the dignity of each employee” and on promoting “a positive working climate, which enhances individuality and interpersonal relations, encouraging a strong sense of belonging and team spirit”<sup>1</sup>. This policy takes shape through a **personnel management model based on continuous professional development which is achieved by steady acquisition of new expertise** accompanied by generational renewal, while fully safeguarding working conditions.

Appreciating and listening to people, developing and recognising skills acquired and professional aspirations are fundamental to creating a **positive working atmosphere**, and essential to motivating people and achieving an adequate level of performance, particularly in current circumstances, characterised by complexity, uncertainty and new ways of working. The **relationship between the company and its workers does not show high levels of conflict**: with respect to labour law proceedings, in the course of 2020 25 petitions against the Group and 8 disputes challenging of dismissals for just cause were lodged by employees / former employees.

**All workers’ rights are guaranteed**, including the right to work and the right to join a union<sup>2</sup>, applying the protections laid out by provisions of law, the national collective labour agreement and specific company supplementary contracts.



## MANAGEMENT MODEL



### 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

### INCLUSION AND 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 know-how and the exit of people in a responsible way

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

<sup>2</sup> All employees of Group Banks are covered by the National Collective Agreement for the Credit Sector signed with the Trade Unions

In the course of 2020, the serious issues caused by the Covid-19 pandemic made it necessary **to adopt a detailed series of precautionary informational, hygiene/health, organisational and management measures to reduce the risk of contagion in the workplace.** The company's management of the health emergency was a continuous topic of discussion with the trade unions, particularly as concerns flexible work measures suitable to support both personal and family requirements, particularly relevant for workers with children and/or in vulnerable conditions, as well as the effectiveness of the measures for preventing and limiting contagion to protect occupational health and safety while limiting in-person working activities.

During the emergency, we activated:

- **flexible work for more than 7,000 individuals** also thanks to the distribution of remote working tools and guaranteeing the right to disconnection for the Professional Areas and Managers who work under smart working arrangements;
- **recourse to the ordinary benefits of the Industry Solidarity Fund, with two periods of compulsory suspension from work while receiving regular pay** (300,000 days for 18,000 employees in the first period 9 March-31 August and 170,000 days for 19,000 employees in the second period 16 November-31 December);
- **paid leave to support parents for a total of roughly 15,000 days** distributed as follows: up to a maximum of 3 days in the 27 April - 8 June period for employees with children from 0 to 12 years of age; up to a maximum of 6 days in the 9 June - 14 September period and up to a maximum of an additional 3 days in the 16 November - 31 December period (in both periods for requesting employees with children from 0 to 14 years of age).

## OUR PEOPLE, INTRODUCTION OF NEW RESOURCES AND SUSTAINABLE MANAGEMENT OF EMPLOYEES LEAVING

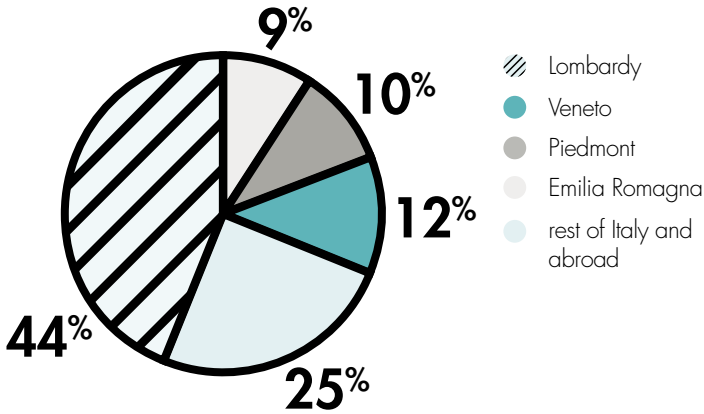
We are a Group of around 21,700 employees, nearly all with a permanent contract<sup>3</sup>, with average seniority of more than 22 years and an average age of around 49. 95.7% of our employees work at Banco BPM and nearly 2/3 work in the commercial network. More than 700 people work in the specialist banks, Banca Aletti and Banca Akros.

<sup>3</sup> There are no temporary contracts. Data on employees differ from the workforce as there are also 5 collaborators, 12 interns/apprentices and one person on secondment

GROUP EMPLOYEES	2020	2019
<b>Total employees*</b>	<b>21,662</b>	<b>21,938</b>
<b>Employees on permanent contracts</b>	<b>21,511</b>	<b>21,708</b>
of which women	45%	44.8%
of which men	55%	55.2%
<b>Employees on apprenticeships</b>	<b>151</b>	<b>230</b>
of which women	52.3%	49.1%
of which men	47.7%	50.9%
<b>Part-time employees</b>	<b>3,546</b>	<b>3,470</b>
of which women	94.3%	94.5%
of which men	5.7%	5.5%
<b>Full-time employees</b>	<b>18,116</b>	<b>18,468</b>
of which women	35.5%	35.5%
of which men	64.5%	64.5%

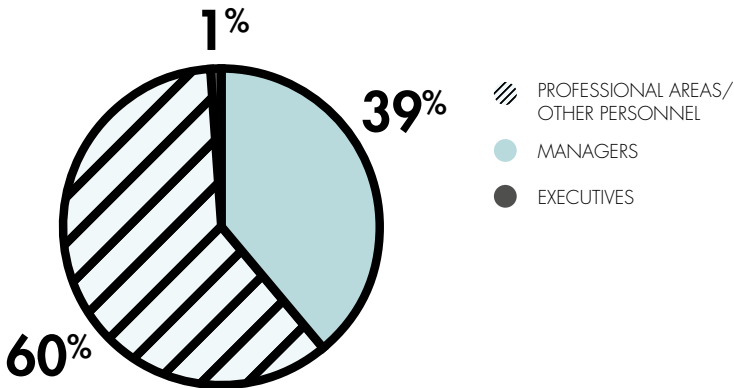
The table shows a reduction in Group employees and an increase in people choosing to work fewer hours (16.4% of the total compared to 15.8% in 2019). The decline in employees on apprenticeships takes into account transitions to permanent contracts. There were no particular differences in the gender breakdown compared to 2019.

**EMPLOYEES BY LOCATION**



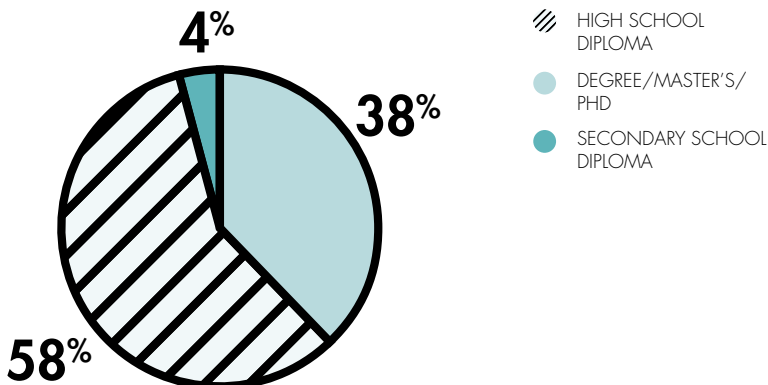
The distribution of employees by location reflects that of 2019 and shows that the majority of our people are concentrated in Northern Italian regions, in line with the geographical distribution of our branches.

**EMPLOYEES BY CONTRACTUAL CATEGORY**




The snapshot of employees broken down by job classification and level of education shows no differences compared to 2019: 6 employees out of 10 belong to the professional areas and almost all employees have a medium-high level of education.

**EMPLOYEES BY EDUCATIONAL QUALIFICATION**

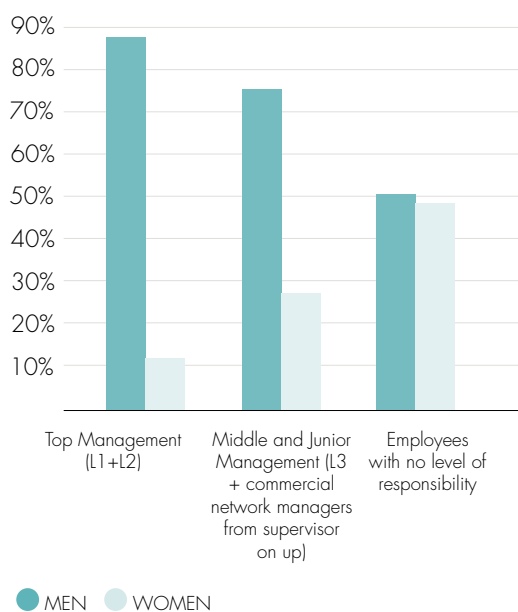


Compared to last year, there was a higher share of people over 50 years of age across all contract categories and a slight rise in individuals working part-time in the "professional areas" category.

	Professional areas and other employees	Managers	Executives
under 30 years	3.2%	/	/
30-50 years	56.3%	31.3%	15.3%
over 50 years	40.5%	68.7%	84.7%
<b>total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
women	55.1%	31.0%	9.7%
men	44.9%	69.0%	90.3%
<b>total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
belonging to protected categories/disabled	8.9%	4.1%	0.3%
not belonging to protected categories/disabled	91.1%	95.9%	99.7%
<b>total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
part time	23.9%	5.3%	/
full time	76.1%	94.7%	100%
<b>total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

With respect to the breakdown of employees by gender and responsibilities, again in 2020 the share of women employees became smaller as the level of responsibility increased and, as a result, as the contractual classification increased.

#### EMPLOYEES BY GENDER AND RESPONSIBILITY



Aware that the **enhancement of female talent** contributes to the achievement of better performance and the construction of an inclusive corporate culture, medium/long-term investments continue to be made in women through:

- a balanced distribution of women and men in hiring processes;
- the presence of female talent in the process of appointing individuals to positions of responsibility;
- an increase in the percentage of women in roles in which employees are prepared for greater responsibility (such as customer advisors).

Increasingly personalised development paths as well as the acquisition of skills through training and experience have enabled us to **cover nearly all open positions using internal resources. Against 368 departures, 79.3% of which due to retirements and voluntary departures, we hired 92 people, 77.2% of whom with university degrees and 59.8% under 30 years of age.** In 2020, we dedicated **a team of 7 people and almost € 170,000 to selection, assessment, head hunting and employer branding activities.**

The turnover rate relating to hiring declined to 0.4% (for both men and women) compared to 1.6% in 2019, while the turnover rate relating to departures declined to 1.7% in 2020 (2.1% for men and 1.2% for women) compared to 2.4% in 2019.

EXPECTED

**750**

hires

in the 2021-2023  
period

	HIRED 2020	LEFT 2020	HIRED 2019	LEFT 2019
<b>Total</b>	<b>92</b>	<b>368</b>	<b>341</b>	<b>523</b>
women	45.7%	31.2%	41.6%	37.7%
men	54.3%	68.8%	58.4%	62.3%
under 30 years	59.7%	4.3%	45.2%	4.0%
30-50 years	28.3%	28.0%	39.6%	38.2%
over 50 years	12.0%	67.7%	15.2%	57.8%
in Northern Italy	85.9%	81.0%	90.0%	79.5%
in Central Italy	6.5%	9.2%	5.3%	11.7%
in South and Islands	7.6%	9.8%	4.1%	8.6%
Abroad	/	/	0.6%	0.2%

In relation to the planned closure in 2021 of 300 branches in the Banco BPM commercial network and the need to support business growth through new skills, a highly socially responsible agreement was reached with the trade unions, which establishes:

- **the voluntary early departure of a maximum of 1,200 workers** who, by 31 December 2026, meet the requirements for retirement, through the voluntary use of the extraordinary resources of the Solidarity Fund for the industry, guaranteeing 85% of the net standard pay of each applicant;
- **consensual and incentivised termination of the employment relationship for a maximum of 300 workers** who, by 31 December 2021, meet the requirements for early retirement (according to the "100 quota" regulation), as an alternative to the extraordinary resources of the Solidarity Fund;
- the activation of a consistent generational turnover plan, which envisages **hiring 750 young people between 2021 and 2023**.

## DEVELOPMENT OF HUMAN CAPITAL AND INCLUSION

In 2020, we renewed the **personnel development model** which promotes professional growth with respect for people's specific traits, skills and ambitions. In particular, the model considers a broad range of information about the person, including skills, potential, experience and professional aspirations, to outline individual profiles and activate personalised development paths in accordance with company requirements.

The **skills survey** is a fundamental element of the person's knowledge and development process. In that sense, in 2020 we activated the skills survey for the IT and Data Governance and IT Security functions, involving more than 600 employees, equal to 90% of the people working in those functions, with a view to strengthening the know-how of our people to keep pace with future trends. Over the coming years, this activity will be expanded to other company functions and will make it possible to activate targeted professional development paths consistent with the survey performed.

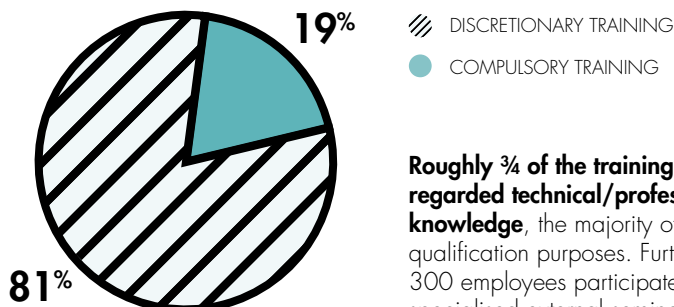
An initial application of the new development model took shape through the **Gender Program**, an initiative which favours the development of women managers and professionals in order to guarantee a greater presence of women in management positions through training, mentoring, coaching, on-the-job training and job rotations to foster diversified experiences, integrating technical/professional knowledge and boosting individual awareness.

## ACQUISITION OF EXPERTISE THROUGH TRAINING

We believe that **training** is a fundamental driver to accompany the development of our people and of the organisation, especially in complex scenarios. Therefore, also in 2020, albeit with different methods, we invested in this activity by dedicating roughly **€ 5.5 million** and a **team of more than 50 people** at times working alongside specialised internal and external instructors.

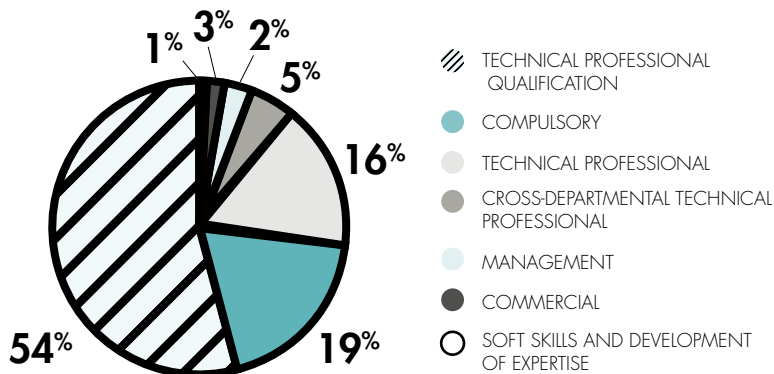
Specifically, even during the pandemic emergency, in 2020 **we provided roughly 885,000 hours of training** (-32% compared to 2019), 83% of which through internal instructors and more than 77% in e-learning mode. Furthermore, in the course of the year we launched the **FORmYOU app** to enable our people to make use of mobile and smart mode training content.

## COMPULSORY/DISCRETIONARY TRAINING



**Roughly ¾ of the training provided regarded technical/professional knowledge**, the majority of which for qualification purposes. Furthermore, 300 employees participated in 123 specialised external seminars for a total of 2,760 hours.

## TRAINING BY TYPE



## SHORT-TERM REQUIREMENTS

### ACCOMPANYING PEOPLE IN HANDLING THE IMPACT OF THE PANDEMIC EMERGENCY

#### HOW?

- Remote leadership and team working
- Understanding of financial and commercial measures to handle the pandemic emergency and the relative procedures
- Remote financial consultancy
- New digital instruments and relative business opportunities
- Regulation (ESMA/IVASS procedures, anti-money laundering, administrative liability, GDPR and cyber security, security)

## MEDIUM/LONG-TERM REQUIREMENTS

### RELAUNCHING THE BUSINESS, CREATING A RESILIENT AND SUSTAINABLE ORGANISATION

#### HOW?

- Agile action strategies and prompt execution
- Proactive and knowledgeable approach
- Strengthening of technical, commercial and relationship skills
- Sharing of information and skills and generation of synergies
- Culture of dialogue and cooperation on shared objectives
- New culture of credit and risk
- Female leadership, culture of inclusion and awareness of the value of people
- Sustainability and green transition

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



● MEN ● WOMEN

## ASSESSMENT AND GROWTH OF PEOPLE

The **regular assessment of performance** promotes the empowerment of managers and collaborators and encourages the spread of virtuous conduct, via the recognition of individual performance and the application of assessment criteria based on the principles of fairness and merit.

Managers and employees hold continuous discussions throughout the year, formalised during the assessment interview. In 2020, **20,816 people were assessed** (more than 96% of employees<sup>4</sup>) and **19,900 interviews were formalised** regarding individual performance for the year, accordingly defining a development plan. On conclusion of this process, each employee was able to express an opinion on the assessment received.

**The top management is involved in a special assessment system which in 2020 was integrated with assessment elements that take into consideration the Group's ESG objectives.**

## CULTURE OF RESPECT FOR AND INCLUSION OF PEOPLE

Personnel management is oriented towards leveraging **diversity**, recognising it as an indispensable asset for the development of ideas and as an occasion for growth within a stimulating, inclusive and welcoming environment.

We guarantee the maintenance of a work environment in which the dignity of all people is safeguarded and honest interpersonal relationships are favoured. Within this context the **#Respect** programme has been activated to ensure a deep reflection on the topic of respect both within and outside the company, leveraging its fundamental values and targeted at enhancing virtuous conduct. Training workshops are used to identify conduct and actions that will be an integral part of the Banco BPM "Respect Pact". A specific process has also been established for reporting episodes of harassment or gender violence in the workplace which calls for the activation of assistance and psychological support.

All employees made use of an average of **41 hours of training** (compared to 59 in 2019) and there were no particular differences between men and women, except in the highest classification levels, where executive women took advantage of an average of 8 hours more than men.

People are also recognised and enhanced by **understanding their potential**, or a combination of motivation, engagement and skills. The assessment of potential, aimed at **young people entering the company or close to acquiring management responsibilities**, is performed through an evaluation intended to create personalised and consistent development plans; highlight talent components, resilience capacity and the propensity to learn; and help people to acquire more knowledge.

<sup>4</sup> In particular, 94.8% of women were appraised and 97.2% of men, 95.3% of Executives, 98.4% of Managers and 94.6% of Professional Areas and remaining employees

With reference to **personnel remuneration**, in 2020 average remuneration, which includes the variable part, is 12% higher if compared with the average pay (compared to 5.6% in 2019), with a higher incidence as the professional category increases (for Executives, the variable part represents 22.5% of remuneration on average). As regards **remuneration by gender**, again in 2020, significant differences were recorded in the executives and positions of responsibility: the average remuneration of women is lower by approximately 35% at top management level (30% in 2019), around 16% at middle and junior management level (18% in 2019) and around 12% for commercial network managers (same in 2019)<sup>5</sup>.

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



<sup>5</sup> The ratio between the average remuneration of women and men is 0.65 for the top management (considering the first two hierarchical levels from the CEO) and equal to 0.86 for middle and junior management (considering the third hierarchical level from the CEO and commercial network managers starting from supervisor)

## MAIN RISKS

**UNSUITABLE PROFILES AND LOSS OF KEY RESOURCES**

**CONFLICT AND RESISTANCE TO CHANGE**

## MANAGEMENT METHODS/POLICIES ADOPTED

Selection of personnel with adequate levels of education/expertise; competitive remuneration system and better conditions than the CCNL (national collective labour agreement), continued investment in training, proper assessment of performance and adequate recognition of the work performed

Involvement of trade union organisations, schemes to accompany and engage employees involved in the change

# WELFARE, WORK-LIFE BALANCE AND WELL-BEING

**Engagement and attention to well-being and safety** are the fundamental elements of our People Strategy, which places people at the heart 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”*.

The new occupational health and safety guidelines also show that the protection of people’s health and safety is a commitment that guides Group decisions. These guidelines are inspired by the UN’s Declaration of Human Rights, the C155 Convention on occupational safety and health issued by the International Labour Organisation, the principles of the Global Compact promoted by the United Nations and the UN’s Sustainable Development Goals.

In this sense, we are committed on one hand to building quality environments, relationships and ways of working with our people and on the other hand to providing them with resources and tools that are able to contribute to the different dimensions of well-being. With reference to these dimensions, our welfare system is capable of covering the various needs of employees in terms of health, peace of mind, family and free time.



## MANAGEMENT MODEL

### WELL-BEING OF PEOPLE

Great attention on health, safety and in general all of the different dimensions of well-being also through specific organisational oversight.

### ENGAGEMENT AND CORPORATE CULTURE

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



## WELL-BEING OF PEOPLE

### 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) and additional pension contribution (roughly 5,000 former employees retired).
- ✦ **Insurance policies** covering workplace and non-workplace accidents and in the event of disability ensuing from sickness, also coverage of non-professional accidents for employees participating in the solidarity fund (roughly 350 cases in 2020).
- ✦ **W@W Project:** education on physical and mental health with a dedicated intranet section, addition of "Sfumiamo" activities (risks of tobacco use) and #Plasticfree, training provided in virtual form due to Covid-19.
- ✦ **Disability Management** - social/employment integration of people with disabilities starting from the moment of selection (36 selection interviews and 53 personalised projects to support orientation, remaining at the company, professional and organisational development).
- ✦ **Psychological support** to help people through difficult periods (94 support processes activated) following robberies (12 cases) or in the process of reporting harassment or violence in the workplace.
- ✦ **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:** strengthening of smart working for roughly 2,800 people, part-time work (3,546 in 2020 compared to 3,470 in 2019), hourly flexibility, voluntary paid suspension (up to 100%, in particular during the final part of the year).
- ✦ **Parenthood:** the Mamma Insieme project maintains the link between new mothers on leave (the company donates the adoption of a cacao tree to each mother participating in the project) and the workplace. When returning to work, Welcome Back Mom provides a useful occasion to balance work and family life.
- ✦ **Initiatives for the children** of employees: summer camps (17 camps with around 209 children/young people despite the pandemic); "Il giardino di Bez" company crèche in Milan and support for the "Le Gemme di Baby City" nursery school in Lodi; Jingle Bank, the Christmas event which in 2020 involved more than 4,000 children, raising their awareness of environmental sustainability through two projects: "The world of bees" and "The ideal city"; budget for Christmas gifts.
- ✦ **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.

Particularly with regard to the Welfare Plan, a **welfare budget** is provided to all non-executive employees, with an economic contribution (€ 1,200 in 2020) for the acquisition of goods and services dedicated to the family, mobility, free time, assistance or supplementary pension plans. In 2020, the traditional services offered were joined by dedicated support to employees and their family members, also usable during the pandemic period.

## HEALTH AND SAFETY

In line with what is defined in the Code of Ethics, the occupational health and safety guidelines and the international standards that inspire them, we believe that the protection of people's health and safety and well-being in the workplace are fundamental.

Thanks to continuous investments in this sense, in 2020 we obtained the **UNI ISO 45001:2018 international standard certification for the Occupational Health and Safety Management System (OHSMS)**, with reference to all employees and real estate used in the activities of Banco BPM, Banca Akros, Banca Aletti, Aletti Fiduciaria, ProFamily, Release, Bipielle Real Estate and Tecmarket Servizi<sup>6</sup>. This achievement is even more significant in light of the pandemic emergency. Integration, dialogue and cooperation between the various figures in the OHSMS, as well as the involvement and active participation of workers and their representatives (workers' safety representative) has always distinguished Banco BPM's approach to topics of health and safety. The circulation of information, facilitated by specific procedures and dedicated channels, is a central element which over time has guaranteed adequate levels of knowledge and contributed to spreading a corporate culture on such matters.

### **We have put conduct into place to prevent incidents, accidents or dangers**

deriving from environmental impact, logistics or healthcare events to which employees or third parties could be exposed, ensuring the adoption of effective measures compliant with regulations in force, to protect the offices and branches and all other spaces open to the public. To support these actions, Banco BPM relies on an annual plan for monitoring health and safety risks; the prevention of incidents and any non-compliant elements; improvement with respect to the gaps identified following the assessment of risks and opportunities relating to the health and safety aspects deemed relevant.

Aside from a central oversight structure, there are also company physicians covering the entire country, one of which collaborates actively as coordinator in risk assessments and the implementation of measures to protect the health and mental/physical integrity of employees. Furthermore, all employees are invited to report any sources of risk and situations that could have an impact on the OHSMS to the dedicated email address [servizioprevenzioneprotezione@bancobpm.it](mailto:servizioprevenzioneprotezione@bancobpm.it).

<sup>6</sup>The certification does not regard the Company Ge.Se.So. Srl, which has 47 employees (0.2% of the Group's employees), for which occupational health and safety activities are outsourced due to specific requirements

During the emergency situation arising as a result of the Covid-19 pandemic, **we took decisions and prompt measures to guarantee the continuation of services to support the real economy and people, ensuring the necessary protection of health and worker safety.** These measures have been updated from time to time and also restructured in relation to the epidemiological context, the evolution of the emergency and the resulting measures of the competent authorities<sup>7</sup>.

<sup>7</sup> More information on the actions to mitigate the impacts of the pandemic is available in the "customer relationships and innovation", "credit to support the country" and "management, development and inclusion of people" chapters.

Specifically, the Covid-19 pandemic has shown how important it is to be aware of health and safety risks, collaborate and adopt the proper preventive behaviours.

Of the mitigating actions implemented, please note that:

- ✦ smart working was expanded to around 2,800 people, overall more than 7,000 people received the tools and authorisation to work from home (up to 5 days during the most critical periods of the health emergency);
- ✦ personal protection equipment was distributed to all employees and workplaces were sanitised;
- ✦ aside from the consolidated and periodic required health surveillance, all workers were provided the possibility to access the company physician to request the activation of "exceptional" Covid-19 health surveillance measures ("vulnerable" workers). In 2020, 2,017 workers were subjected to periodic or "exceptional" health surveillance; workers with a certification and who submitted a request attesting to a condition of risk deriving from a weak immune system or the results of cancer or the performance of the relative life-saving treatments, including workers recognised as disabled, will be able to take advantage of flexible working arrangements until the end of the emergency (around 250 employees involved);
- ✦ in collaboration with Milan's Istituto San Raffaele, the employees in Milan, Verona, Lodi, Novara and Rome were provided with flu vaccines, during the Regional vaccine campaign, with the participation of 1,938 employees.

OVER  
**48,000**  
 TRAINING HOURS  
 ON HEALTH AND SAFETY

to approx.  
**11,600**  
 employees

Also in 2020, we invested in employee training through a specific OHSMS course which was added to compulsory training. Overall, **more than 48,000 training hours were provided on health and safety to around 11,600 employees.**

The banking environment is confirmed as relatively safe: in 2020, there were no workplace deaths, however there were **2 accidents in transit which resulted in the death of two people.**

There were also **165 accidents** (down by 34% compared to 2019), of which 74% in transit. Therefore a **clear improvement of the injury rate** was recorded (4.86 compared to 7.25 in 2019), accompanied by **fewer days lost due to injury** (6,243, of which 52% regarded men, compared to 7,746 in 2019) and a **lower average severity** (the severity rate was 0.18 compared to 0.22 in 2019).

There were no significant differences in the geographic distribution of accidents compared to 2019. In addition, **2 occupational illnesses<sup>8</sup>** were recorded, due to physical problems that did not result in a loss of working days. The main cause of personnel absence continues to be illness, which represents 81.7% of total absences, followed by permits under Italian Law 104/92 and trade union permits. The **absenteeism rate** is 5.2% (4.53% in 2019), slightly higher for women (6%) compared to men (5%).

## IMPROVEMENT IN the accident rate and the severity rate

<sup>8</sup> At 31/12/2020, with respect to the 2 reports of occupational illness, there was a negative outcome in one case and the result is still pending in the other case

ACCIDENTS 2020 <sup>9</sup>	MEN	WOMEN	TOTAL
<b>in the workplace</b>	16	27	43
<b>in transit</b>	64	58	122
of which in Northern Italy	73.7%	73%	73.3%
of which in Central Italy	18.8%	18.8%	18.8%
of which in Southern Italy and Islands	7.5%	8.2%	7.9%
<b>Injury rate (frequency rate)<sup>10</sup></b>	4.10	5.88	4.86
<b>Severity rate<sup>11</sup></b>	0.17	0.21	0.18

<sup>9</sup> The figures relating to accidents do not include the Group's foreign companies (Aletti Suisse) or Tecmarket, Terme Ioniche Srl and Sagim Immobiliare. The accident and severity rates are calculated taking into account total workable hours equal to 33,964,708 in 2020

<sup>10</sup> Number of injuries/ workable hours x 1,000,000

<sup>11</sup> Days lost due to injury/total workable hours x 1,000

## ENGAGEMENT AND CORPORATE CULTURE

**Internal communications and the remote engagement** of people were confirmed as relevant to build and maintain **valuable relationships**, particularly during the pandemic emergency, which drove the Group to adopt new working and relationship methods to protect health and safety.

### TRAINING AND ENHANCEMENT THROUGH THE INTRANET

The initiatives present on our **intranet (more than 3,922,000 total views)** were increased and strengthened to support the remote awareness of **people taking advantage of smart/remote working** during the health emergency, with carousels (more than 733,000 views), news and videos on Corporate TV. At times with the creation and sharing of videos, information was conveyed on **extraordinary working methods** and Crisis Committee updates **during the Covid-19 emergency** (also with a dedicated section which saw nearly 143,000 accesses), the **results** achieved by the Group (financial

statements, customer satisfaction, etc.), employees (sports, working recognitions, etc.) and partner sports teams; **business opportunities; best practices** (education on physical and mental health, sustainability, etc.); **well-being** (welfare and training); **solidarity** (Airc, Avis, etc.) and **culture** (financial awareness of women, green awareness, etc.).



Dedicated section of the company intranet in order to spread a culture of sustainability

### INVOLVEMENT OF PEOPLE AND CORPORATE CULTURE

The usual "Lunch with Castagna" meeting evolved into "Teams with the Chief Executive Officer", resulting in **8 virtual occasions for dialogue and sharing**, featuring CEO Giuseppe Castagna and several commercial network employees (72 people involved overall), while there were 7 virtual workshops with the participation of the CEO, the top management (including the two Joint General Managers) and the managers of various functions/organisational

structures (more than 5,000 people involved overall). We also maintained ongoing relationships with the non-profit organisations with which we partner in corporate volunteerism, and our employees continued to contribute to **solidarity initiatives** such as the AIRC and #SOStegnostraordinario fundraising campaigns and the AVIS blood drive.

## MAIN RISKS

INADEQUATE LEVELS OF MOTIVATION AND RETENTION

HEALTH AND SAFETY (PHYSICAL AND PSYCHOLOGICAL)

## MANAGEMENT METHODS/POLICIES ADOPTED

Integrated and competitive welfare system, continuous information and involvement

Organisational oversight, psychological support, health check-ups for employees exposed to specific risks, training and awareness on health and safety issues. In 2020, as a result of the pandemic emergency, we enacted specific Covid-19 contagion risk mitigation actions for Group employees, customers and suppliers (for further information, please refer to the dedicated chapters).



# TOGETHER WITH OUR COMMUNITY

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 SUSTAINABLE DEVELOPMENT GOALS



OVER  
**€6 MILLION**

for social initiatives

67% for research,  
 health and solidarity

**2,800**  
 persons

INVOLVED IN FINANCIAL  
 AWARENESS INITIATIVES

ALMOST **1,600**  
 SUPPLIERS

98% IN ITALY, FOR MORE THAN € 700  
 MILLION IN TURNOVER

APPROX.  
**€5 MILLION**

in association membership fees

**240,000**  
 training hours  
 on anti-corruption and anti-  
 money laundering

trade and organisational associations  
 involved in financial, training and cultural  
 activities, and the promotion of social  
 responsibility.

# CORPORATE CITIZENSHIP

For Banco BPM, strong from its tradition of solidarity<sup>1</sup>, supporting the local social fabric is a specific commitment that is achieved through a model of **citizenship based on sharing objectives and resources**.

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

<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

<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

## MANAGEMENT MODEL

**ECONOMIC SUPPORT**  
from Group companies and initiatives of social value.

**SHARING**  
resources, skills and artistic assets.

**ASSOCIATION**  
with non-profit organisations.

## ECONOMIC SUPPORT

In 2020, we supported social and environmental projects with an **economic contribution of around € 6.2 million**, of which roughly € 1.7 million for the Foundations<sup>2</sup>, and the majority of which was dedicated to initiatives to mitigate the consequences of the Covid-19 pandemic.

Part of this total contribution, roughly € 1.3 million, derives from fundraising from personnel and the members of our corporate bodies (Chairman, Chief Executive Officer, members of the Board of Directors and the Board of Statutory Auditors who waived, like some managers, a share of their own remuneration).

Furthermore, with the claim **#Insiemestraordinari**, we activated a platform on our websites in order to raise funds to be devoted to local projects run by non-profit associations and charitable organisations. In several cases, Banco BPM added to the amount raised in order to meet the pre-established target. Overall, we were able to support 260 beneficiaries in the following areas:



## RESEARCH AND HEALTH

A particular commitment was made to supporting the healthcare facilities and personnel working to combat Covid-19. Some of the most significant include: support to the **Sacco Hospital in Milan** for the Biological Bank to collect data useful to tackle the pandemic emergency<sup>3</sup>, **the acquisition of electronic medical devices, helmets, ventilators for intensive care, blood tests** and other materials for hospitals, associations, foundations, medical boards, outpatient clinics or local health authorities in the cities of Alessandria, Novara, Milan, Bergamo, Lodi, Verbania, Reggio Emilia, Modena, Florence, Rome, Naples, Messina and Palermo.

In a year in which donations to the **AIRC Foundation** (Italian Association for Cancer Research) declined considerably, in light of our consolidated relationship with the Foundation, we boosted our support with a **total contribution of € 800,000**.

Furthermore, various organisations were supported such as the Integrated University Hospital of Verona for **autism research and early diagnosis**, the Verona Brain Research Foundation for a **neuroscience** study grant and the Buzzi Children's Hospital in Milan for the acquisition of a DY Laser for the treatment of angioma and capillary malformations.



## SOLIDARITY AND SOCIAL

In the wake of the social emergency unleashed by the pandemic, we dedicated a significant part of our efforts to supporting the **weakest segments of the population** with the **donation of food, medicine, educational materials and utility payments** in collaboration with the Food Bank, Caritas Italiana, the Pharmaceutical Bank, Acli (Christian Association of Italian Workers), local dioceses and archdioceses and other non-profits.

Our support also went to those local organisations working with the **vulnerable and disabled**, such as the Casa della Carità Angelo Abriani in Milan, for the implementation of CasAnziani to support the mental and physical well-being of the elderly; the Lucca Art and Psychology Association for activities for the elderly and disabled; the Verona Physicians for Peace charitable organisation to treat dental issues in indigent people; the Armonia e Salute Foundation charitable organisation to support people with disabilities; the Centro Ausiliario per Problemi Minorili in Milan for the "protected Bed & Breakfast" for disadvantaged Italian and foreign young people.



## EDUCATION AND TRAINING

We believe that the **education and training of young people** is a factor that drives Italy's well-being. Therefore, the **"School Project"** has continued in collaboration with 50 Municipalities, for the **adaptation of equipment in 164 schools, particularly tablets and computers, needed for remote learning**.

We also contributed to the **implementation of the master's programs** "Governance, Control System and Auditing in public and private entities" and "Management and Organisation of Banking and Insurance Intermediaries" at Roma Tre University; the **third university hub** of Unimore in Reggio Emilia; the project **"Learn languages with Clupo"** at the University of Eastern Piedmont in Vercelli, which includes Italian language classes for foreigners; the course Acting sustainable - Instruments for business in evolution for young entrepreneurs of the Verona Ance (National Association of Private Construction Contractors). We also awarded **91 study grants for research doctorates and training** in economics, law, financial and managerial areas, for **university and high school students**, in partnership with the Universities of Milan, Verona and Modena and with the Famiglia Legnanese Foundation in Milan.

<sup>3</sup> The project, approved in 2020, but not yet funded, will take place in 2021



## ART AND CULTURE

Despite pandemic-related closures, we confirmed our commitment to **art and culture** as a fundamental asset of our country by supporting several **theatres and philharmonic orchestras** with which we have collaborated for some time now: the 72nd Verona Summer Theatre Festival, the seasons of the Spazio Teatro No'hama Teresa Pomodoro in Milan, the Globe Theatre in Rome, the Mariangela Melato acting school at the Genoa Stable Theatre; the La Verdi orchestra in Milan, the Verona Arena Foundation for the Philharmonic Theatre season and the concert season at Giacchino Rossini theatre in Modena.

As part of **literature, cinema and philosophy** festivals, some of which took place online in streaming mode, we supported the **"Strane Coppie"** festival in the cities of Naples, Rome and Milan, entitled Shadows, whose theme revolves around the shadows and demons of history and literature, focusing on the masterpieces of the past as told by writers and cinema professionals; the **"Wondy sono io"** literature award dedicated to the important and current theme of resilience in literature; **"Fuori Cinema artisti insieme"** in Milan, a non-stop marathon of meetings and projections which transversally tells the story of our country with artists and stars from the world of culture, information, cinema and entertainment; the **"Festival Biblico"** of the Diocese of Vicenza, entitled Logos, for a reflection on the principle of life and human relationships.

Amongst the projects aimed at **preserving traditions**, we supported the "Verona Minor Hierusalem" Foundation, which offers historical and artistic paths linked to pilgrimage routes, while with respect to art exhibitions, we supported the exhibit "Le donne nell'arte. Da Tiziano a Boldini" in Palazzo Martinengo in Brescia, telling the story of the leading role played by women in the history of Italian art.



## SPORT

Again in 2020, we supported the **world of sport, particularly for youth and the disabled**, with a view to spreading the values of discipline and the importance of physical activity. Amongst others, the project with ASD Rugby **"Rugby Milano Webb"** to favour knowledge of this sport within juvenile detention centres, to encourage responsible behaviours; the initiatives of the **Hellas Verona** football club and **Olimpia Pallavolo** volleyball team active in schools in the provinces of Verona and Bergamo, **Verona Swimming Team** and **Phola Varese** for the 2020 Paralympic swimming sports seasons.

Aside from the initiatives presented, we have several commercial collaborations that contribute to the creation of social value: the partnership between **A.C. Milan** and Banco BPM, for example, provides support for the youth and social activities promoted by the club.

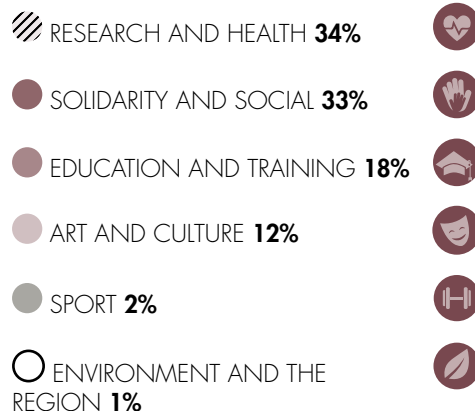
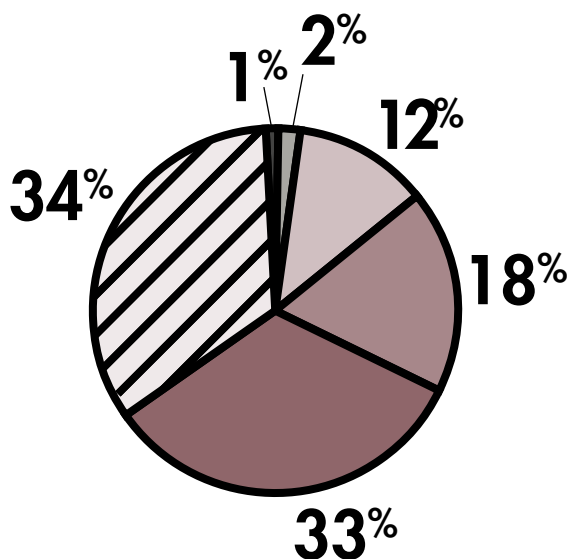
The agreement, renewed in 2020, enabled Banco BPM to become **Jersey Sponsor of the Serie A women's team and the main partner of the AC Milan Academy youth project**. As concerns women's sports, other initiatives included the football team **Hellas Women Calcio** and the volleyball teams **Igor Agil Volley** of Novara, **Saugella Team Monza** and **Zanetti Bergamo**.



## ENVIRONMENT AND THE REGION

Aside from initiatives promoting the **protection and identity of local areas (conservative restoration** of Basilica di San Magno in Legnano, the **restoration of the original entries** of the Benedictine Chapel at S. Michele Arcangelo monastery in Verona), we supported environmental initiatives including **"Siamo nati per camminare"**, of the Milan Associazione Genitori Antismog and the Centro Antartide of Bologna, which aim to promote virtuous behaviours for a more liveable city and **Summit 2020** of Assopiscine (Italian Association of Swimming Pool Manufacturers), on a possible aggregation of the sector supply chain with the aim of promoting better water use.

### CONTRIBUTION TO THE COMMUNITY BY AREA OF ACTIVITY



**67% of our economic contribution to the community was dedicated to research, health, solidarity and social initiatives in 2020**, compared to a contribution of 42% in 2019.

## SHARING

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

In 2020, despite the pandemic, we managed to share experience and knowledge, also through webinars.

In particular, Webank, with the participation of financial specialists, held **36 financial awareness events** (of which 31 in webinar format) in favour of customers, but also open to the community, dedicated to analysis of the financial markets and the relative mechanisms regulating them. In collaboration with FEDUF - Foundation for Financial Education and Saving, a **cycle of thematic webinars was created on stereotypes and gender differences relating to money management and understanding the gaps between men and women, with respect to the economic and financial area** but also with regard to the study of STEM subjects (Science, Technology, Engineering, Mathematics). The meetings, which will continue in 2021 as well, include an original informational and coaching process that involves the public in a dynamic learning path. Also with the contribution of FEDUF, economics lessons were held in secondary schools to **teach young people about the proper use of money** and, more generally, about financial matters.

For the third consecutive year, the collaboration continued with **Scuola Galdus**, which has worked in the Milan suburbs for more than 20 years, with financial education lessons involving Group employees and the participation of TAXI 1729 (a scientific training and communication company). Overall, roughly 2,800 people attended webinars dedicated to the community and schools.

Also in webinar format, the ten-year partnership continued with **COSP Verona** "Provincial Educational and Professional Guidance Committee" which every year provides around **130 secondary school students** with the opportunity to come into contact with the world of work. A number of colleagues contributed by speaking about the bank's activities, from both the economic and social perspective.

In 2020, **collaborations continued with the main universities** and business schools present throughout the country for the implementation of professional training and orientation activities, the identification of the best new graduates and the activation of internships and ad hoc programmes. Banco BPM continues to be a member of the Faculty-World of Work Board in the Faculty of Banking, Finance and Insurance Sciences at the Catholic University of Milan. The partnership was also renewed with the University-World of Work Committee at Catholic University and we began a new collaboration with Bocconi University. Furthermore, **many of our colleagues participated as speakers** in outside seminars/events, sharing their skills and knowledge.

**Employer branding activities** also continued, making the know-how of our professionals available to schools and universities by planning and holding **9 talks at universities** concerning the world of investment banking, risks, human resources and private banking.

We also provide our support to young people working on university theses and projects as well as in professional orientation during **14 initiatives intended to provide the tools required to embark upon the selection process and understand their abilities**. The "Soft Skills in customer relationship quality" professional course was also held in which Group managers and professionals met with several students at the Faculty of Banking Sciences at the Catholic University of Milan and managed project work, role playing, case study and group dynamics activities.

Despite the difficulties caused by health restrictions, the following also continued:

- **internships** (mixed in-person and remote working) with 20 students from a number of universities, 4 of whom were later hired;
- **career days** where, on 4 occasions, of which one dedicated to disabled students, the Bank described the possibilities for joining the workforce and met with interested candidates;
- **company visits** to present Banco BPM and some of its departments.

All initiatives were held remotely and involved a total of roughly **2,300 young people** and **40 employees** in collaboration with **8 institutions** (universities, business schools and training organisations).

Our **first line of management also played an active role** in accompanying a selection of students enrolled in economics departments in analysing the typical features of as well as functional, organisational and commercial approaches underlying Corporate and Investment Banking activities, particularly with regard to topics, considered in light of the pandemic emergency situation, such as the service model (new relationship dynamics), the dedicated offer (financing tools to support companies during liquidity crises), innovation and the digital acceleration in the banking and financial world (industry standard and future developments).

The Group's managers shared their knowledge as speakers in various conferences, roundtables and meetings; amongst the many events, they participated in the **Social Innovation and CSR Fair**, which bore witness to the Group's efforts to achieve the 17 UN sustainable development goals, and the talk at **"Il Tempo delle Donne - Rigenerazioni"** on the topic of respect.

Despite the restrictions put into place in response to the pandemic, **initiatives for spreading ideas and knowledge** continued (more than 90 with the involvement of over 13,600 people) through conferences, meetings and the sharing of our real estate and artistic holdings. Some of these include the conference in Modena with Archbishop Erio Castellucci "Today, how can the economy reconcile solidarity, sustainability, respect for the environment and growth?" and edition XIX of Invito a Palazzo with digital visits to our prestigious and historical offices at piazza Meda in Milan, palazzo Scarpa in Verona and palazzo Bellini in Novara.

Amongst the many sharing initiatives, between January and February 2020, in our conference rooms and branches, we organised **"Meetings with the author"** with the participation of more than 2,600 people in the presentation of 12 books of important Italian authors, stimulating a debate on social matters as well.

There was significant employee participation in social initiatives: aside from the #SOSTegnostrordinario fundraising for the Covid-19 emergency and AIRC fundraising for cancer research, the collaboration continued with **AVIS Milano** for blood donations and to raise awareness on the topic during the critical period experienced in 2020. Lastly, with regard to **company volunteerism**, we maintained our relationships with local organisations with a view to continuing with the partnerships in 2021.

**VOLONTARIAMO**  
BANCO BPM  
GRUPPO

# 19,500

## WORKS OF ART

*the artistic assets of the Banco BPM Group.*



Gaetano Previati, *Maternità*, 1890-1891, oil on canvas, 175.5 x 412 cm, Banco BPM collection

## ARTISTIC ASSETS

In 2020, our Foundations provided considerable support to initiatives such as **temporary exhibits in Lodi**, prior to the Covid-19 period, as well as the **virtual exhibits cycle** across the main social channels thanks to the **Creberg Foundation** and the **permanent exhibit in our Bergamo branch of several sixteenth-century frescos** provided to the bank under gratuitous lease.

The **restoration programme also continued with 38 interventions** concerning antique rugs, the extraordinary maintenance and recovery of the original curtains at Palazzo Carandini in Modena and 18 conservation initiatives on paintings and artifacts.

Another important initiative was the **collaboration with the Verona City Museums**, which allowed for the free loan until 2021 of one of our most internationally recognised masterpieces, Gaetano Previati's *Maternità*, exhibited at Verona's Achille Forti Modern Art Gallery.

## ASSOCIATION

In 2020, we provided around € 5 million in membership fees to trade associations, organisations which are involved in financial, training and cultural activities, and companies and organisations that promote the spreading of ideas and social responsibility, including:

**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.

**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.

**EUROMOBILITY**, an association which promotes and disseminates new forms of sustainable mobility in Italy by providing specialised services to companies such as training, monitoring centres and regulatory updating.

**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.

**ISPI - ISTITUTO PER GLI STUDI DI POLITICA INTERNAZIONALE**, an institute which supports research on risks and opportunities at world level for enterprise and Institutions, as well as training and dissemination.

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

**SOCIAL IMPACT AGENDA PER L'ITALIA**, 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.

**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.

## OUR FOUNDATIONS

Although they do not fall within the scope of the Group, our Foundations contribute to strengthening the bond with the local area and represent a driver for the common good. In 2020, also in collaboration with Banco BPM, they supported several initiatives, particularly in relation to the Covid-19 emergency.

### CREDITO BERGAMASCO FOUNDATION



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

The Foundation supported the Papa Giovanni XXIII (Bergamo) and Bolognini (Seriante) Hospitals; the Carisma Foundation, the Angelo Custode Institution, the Bergamo Board of Nursing Professions, the Presolana Volunteer Corps and the Municipality of Bergamo for the **acquisition of materials and supplies for treatment and assistance and instruments for research on the Sars-Cov-2 virus.**

### BANCA POPOLARE DI LODI FOUNDATION<sup>4</sup>



*It pursues the public interest in the areas of Lodi, Cremona, Pavia, Mantua, Eastern Liguria, Piacenza and Parma.*

The Foundation has confirmed its commitment to the **Network of Support to vulnerable families: food, shelter, work and training** project. Amongst the direct relevant interventions, a contribution was made to the Diocese of Lodi for the Solidarity Fund for Families.

<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 Crema per il territorio

### BANCA POPOLARE DI MILANO FOUNDATION



*It supports initiatives in education, training, social assistance and healthcare with regard to the most disadvantaged segments of our society. It works in the areas of the former BPM Group, particularly in Milan, Legnano and Alessandria.*

At the end of 2020, the Foundation approved its support for the Municipality of Milan's **"Connetti la scuola - Accendi il futuro!"** project to **improve the connectivity of 272 Milan schools** and therefore remote learning, which will be fully implemented by the end of next February.

### BANCA POPOLARE DI NOVARA FOUNDATION

*It is committed to being a driving force in the Piedmont, Valle d'Aosta and Western Liguria regions.*



The Foundation has supported a range of initiatives for the healthcare and social/welfare sectors. It made a significant contribution to the "Maggiore della Carità" University Hospital in Novara to **purchase an ultrasound scanner and a video laryngoscope for intubations.**

### BANCO SAN GEMINIANO E SAN PROSPERO FOUNDATION



*It supports and promotes solidarity activities primarily in the Emilia-Romagna area.*

To respond to the requests of the Emilia-Romagna Civil Protection, the Foundation supported the **purchase of healthcare equipment for operators** needed to limit the epidemic, for the provinces of Modena, Bologna and Reggio Emilia.

### S. GEMINIANO E S. PROSPERO RELIGIOUS FOUNDATION

*It works in the Emilia-Romagna area particularly in favour of religious initiatives for the archdiocese of Modena-Nonantola, the Diocese of Carpi and the Diocese of Reggio Emilia and Guastalla.*

In the Archdiocese in which it operates, it also provided contributions to **support families and individuals in difficulty** with consumer staples.

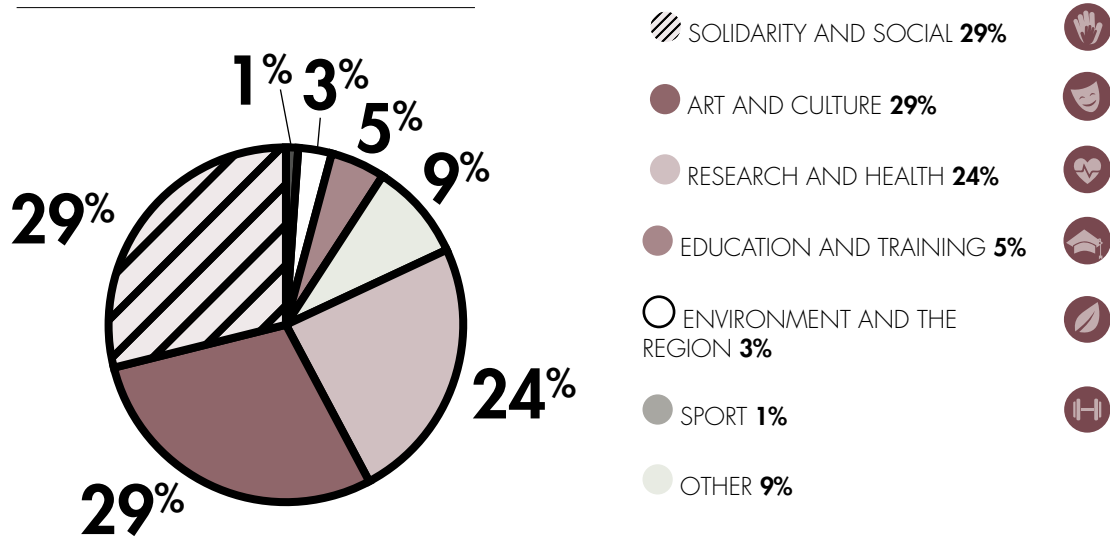
### BANCA POPOLARE DI VERONA FOUNDATION



*It implements and promotes assistance, education, research and cultural activities in the Triveneto area.*

Its main initiatives include support to the Più di Un Sogno Foundation to **set up 8 outpatient clinics** for the rehabilitation of children and young people with intellectual disabilities and learning disorders and the contribution to Hermete Cooperativa Sociale ONLUS charitable organisation for the "A PLACE TO BE" project, in order to renovate Villa Gabanel, confiscated from the Mafia, to make it available for the work of young NEETs (Not in Education, Employment, or Training).

**CONTRIBUTION OF FOUNDATIONS TO THE COMMUNITY BY AREA OF ACTIVITY**



<b>MAIN RISKS</b>	<b>REPUTATIONAL DAMAGE, UNRELIABLE COUNTERPARTY, CONFLICTS OF INTEREST AND CORRUPTION</b>
<b>MANAGEMENT METHODS/POLICIES ADOPTED</b>	<p>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.</p> <p>Anti-money laundering and Anti-corruption regulations</p>

## 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.



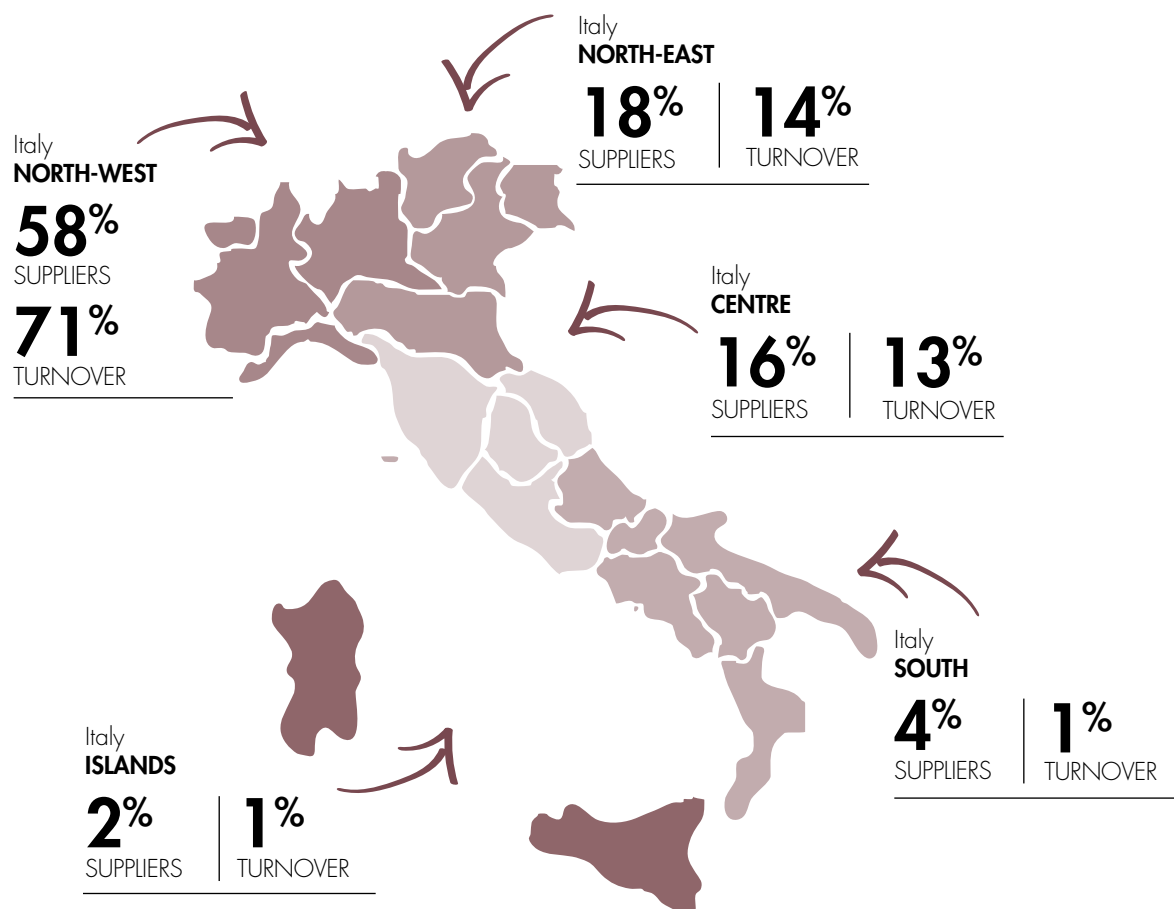
### ENTRY ON SUPPLIER REGISTER

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.



**Abroad** (EU + Non-EU)  
SUPPLIERS 2% TURNOVER 1%

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

- **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.

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.

Due to the Covid-19 health emergency, to reduce the risk of contagion, the entry of suppliers in the company offices was strictly limited, with the exception of particular services (such as cleaning services).

**1,600** **ALMOST**  
suppliers WHO RECEIVE  
NEARLY  
**€ 737** **MILLION** | + 2.4%  
compared to  
2019

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

In 2020, we collaborated with 1,586 suppliers, which received nearly € 737 million (up by 2.4% compared to 2019 despite the health emergency).

#### TOTAL TURNOVER BY CATEGORY

	2020	2019
<b>SERVICES</b>	40%	38%
<b>REAL ESTATE</b>	16%	16%
<b>TECHNOLOGIES</b>	44%	46%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

## MAIN RISKS

COMPLIANCE

LABOUR LAW

UNRELIABLE  
COUNTERPARTY

## MANAGEMENT METHODS/ POLICIES ADOPTED

Monitoring of contracts

Systematic anti-money laundering controls

Checks regarding legislative obligations in terms of occupational health and safety

Monitoring of excessive financial dependence

Monitoring of the prerequisites of integrity, professionalism, expertise and reputation

Checks of quality and environmental certifications

Monitoring of the level of professional development

Monitoring of economic and financial stability

Acquisition of consolidated document on pension contributions

## 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.

### ANTI-MONEY LAUNDERING

OVER

# 102,500

TRAINING HOURS

for  
17,040  
employees

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

<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 and the effectiveness of the organisational structure and the internal control system

### OVER ANTI-CORRUPTION

# 141,700

TRAINING HOURS

for 18,119  
employees

0 confirmed episodes  
and dismissals  
relating to  
cases of  
corruption

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.**

## 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, ethnicity, 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 and know-how 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.

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

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

**REGULATION** and procedure for governing 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

### GUIDELINES REGARDING THE MANAGEMENT OF ENVIRONMENTAL AND ENERGY ISSUES AND THE FIGHT AGAINST CLIMATE CHANGE

<sup>6</sup> For more information, the relevant company documents are available for download at:  
[gruppo.bancobpm.it/corporate-governance/documenti-societari/](http://gruppo.bancobpm.it/corporate-governance/documenti-societari/)

The anti-money laundering regulation is available at:  
[gruppo.bancobpm.it/antiriciclaggio/](http://gruppo.bancobpm.it/antiriciclaggio/)  
Guidelines regarding the management of environmental and energy issues and the fight against climate change are available at:  
[gruppo.bancobpm.it/sostenibilita/governance-della-sostenibilita/](http://gruppo.bancobpm.it/sostenibilita/governance-della-sostenibilita/)

Italian 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 an organisational, management and control system some time ago, which establishes, for each company in the Group, the principles of control and conduct that must be adopted to prevent the risk of committing the crimes or unlawful acts envisaged by the decree in the performance of business activities and in relationships with counterparties. More specifically, it refers to active or passive corruption and to crimes relating to the violation of human and environmental rights.

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**, 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 it, 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
231 MODEL PREVENTIVE MEASURES	Environmental crimes	Corporate Crimes, tax offences, money laundering offences, self-laundering and terrorist financing, market abuse offences and all provisions of the Code of Ethics.	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 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.

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>.

**The system of integrated controls plays a fundamental role as it promotes a culture characterised by fairness, the awareness and 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.

Again in 2020, ad hoc training programmes continued for the Regional Division Audit Managers and Branch Audit Representatives, with the aim of building on the specific skills needed to monitor and guarantee the control system.

**WHISTLEBLOWING SYSTEMS** Supervisory Body 231/01: in 2020 a total of 8 reports were submitted, all to the Supervisory Body email. After the Supervisory Body confirmed that the complaints did not relate to Decree 231/01 - and therefore were not relevant to its control activities - and after requesting additional details in just one case, it sent them to the complaints' management department, which provided its responses to customers, informing the Body of this.

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, guaranteeing the anonymity and protection of the persons involved. To further guarantee this confidentiality, in the course of 2020 a new IT procedure for the management of reports was developed. This procedure is expected to be released in the initial months of 2021.

**INTERNAL WHISTLEBLOWING SYSTEM:** in 2020, 1 report was submitted, which resulted in inspections and investigation by the relevant departments.

<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"

## TAXATION MANAGEMENT

With the awareness that **tax payments constitute an essential contribution for the economic and social development of the community**, we undertake:

- to respect national and international tax legislation, to prevent disputes and to ensure overall management that makes it possible to properly manage and minimise tax risk;
- to pay all taxes due and to punctually meet the obligations required under tax legislation, including through adequate organisational controls and the adoption of an internal control system;
- to effectively manage the Group's overall taxation;
- to properly determine the tax charge in compliance with provisions and what is legitimately allowed, without making recourse to transactions or activities intended exclusively or primarily to achieve tax savings and without offering products or transactions with such purposes to customers, personnel or third parties.

**Tax risk** is managed through a complex set of organisational controls, within the Administration and Budget function, and procedures that guarantee constant verification of the accuracy of data provided in tax returns, tax payments and communications to the tax authorities. The effectiveness and updating of the above-mentioned controls is periodically verified to enact the necessary mitigation actions and modifications, when required. The Compliance function also oversees the **risk of non-compliance with regulations,**

**including on tax matters**, through a specialised control unit present in the Administration and Budget function, with which it collaborates for risk management and assessment activities and the preparation of information flows.

The organisational models prepared for the purposes of Italian Legislative Decree 231/01 provide the possibility to **report alleged violations of tax laws to the Supervisory Bodies** through the reporting channels they oversee.

Any particularly relevant matters are promptly handled so as to eliminate or minimise the ensuing economic and reputational risk. To this end, the opinion of external professionals may be requested or the tax authorities may be asked for their advice through the procedures established by law (e.g. consultations).

In company processes for the approval of transactions, new products and services, the tax impacts and risks linked to such proposals are evaluated.

**We undertake to establish a relationship of full cooperation with the tax authorities**, responding to the requests received as quickly and transparently as possible and making sure to never adopt conducts that could, to any extent, hinder the tax authority's audit activities or have the effect of concealing the beneficial owners of income flows<sup>8</sup>.

**Overall, the economic value distributed to the Public Administration in 2020 amounted to roughly € 446 million.**

<sup>8</sup> Source: Internal regulation on taxation

## MAIN RISKS

**NON-COMPLIANCE WITH LEGISLATIVE AND REGULATORY PROVISIONS**

**NON-COMPLIANCE WITH COMPANY VALUES AND RELATIVE SELF-REGULATION RULES**

## MANAGEMENT METHODS/POLICIES ADOPTED

Organisational measures to monitor external legislation and update/adapt internal regulations

Organisational measures to monitor the correct application of legislation

Personnel training and information

Internal disciplinary and sanctioning system

Internal whistleblowing system

Organisational measures to update the regulations

Personnel training and information

Monitoring the correct application of the regulations and the disciplinary and sanctioning system

Internal whistleblowing system



# TOGETHER FOR THE ENVIRONMENT

 SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY 	2 ZERO HUNGER 	3 GOOD HEALTH AND WELL-BEING 	4 QUALITY EDUCATION 	5 GENDER EQUALITY 	6 CLEAN WATER AND SANITATION 
7 AFFORDABLE AND CLEAN ENERGY 	8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY INNOVATION AND INFRASTRUCTURE 	10 REDUCED INEQUALITIES 	11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 
13 CLIMATE ACTION 	14 LIFE BELOW WATER 	15 LIFE ON LAND 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	17 PARTNERSHIPS FOR THE GOALS 	 SUSTAINABLE DEVELOPMENT GOALS

CDP  
**SCORE B**  
CONFIRMED

ISO **14001 AND**  
**50001 CERTIFICATIONS**

**100%**  
ENERGY FROM  
**RENEWABLE SOURCES**

# CLIMATE CHANGE AND PROTECTION OF THE ENVIRONMENT

Responsible energy and natural resource management, the mitigation of our environmental impact and awareness of the role that we can play in combatting climate change are the three main drivers guiding our decisions in the transition towards a lower-emissions economy.

In 2020, we developed **Guidelines regarding the management of environmental and energy issues and the fight against climate change**. This regulation represents an important tool for orienting all Group activities towards limiting our environmental impact and formalising our commitment to stakeholders. The document, available on the "Sustainability Governance" page of the Group website, addresses all of the main areas of activity, distinguishing between direct and indirect impacts.

Training plays a particularly significant role: at the end of 2020, the course **"Green awareness at Banco BPM"** was released, which was compulsory for all employees, with a view to increasing the dissemination of a culture focusing on environmental protection and combating climate change. The course aims to highlight the urgency of environmental matters, the very nature of climate change and its impacts, in relation to the Group and, in the broader sense, our whole society. It also suggests a sustainable development model and illustrates the direction taken by our Bank with the implementation of an environment and energy management system compliant with the ISO 14001 and ISO 50001 standards.



## Excellent assessment (SCORE B) confirmed for the second year in a row

Through participation in the Carbon Disclosure Project, the independent non-profit organisation which provides companies with a system for identifying, managing and sharing information regarding environmental impact, **we continue to be committed to analysing risks and opportunities linked to climate change**, to establish objectives for lowering environmental impact and improve results towards a **low CO2 emissions economy**.



## ISO Certification for the Health & Safety, Energy and Environment management systems.

In the course of 2020, the Group successfully concluded the implementation activities required for the adoption of three ISO Management Systems relating to thematic areas strictly correlated with the ESG context. The Bureau Veritas certification body positively performed the checks set forth in the audit process, issuing the relative certificates of compliance with the **ISO 45001 - Occupational Health and Safety, ISO 50001 - Energy and ISO 14001 - Environment standards**.

The decision to manage the three systems, although established separately, in a single framework has made it possible to identify contextual synergies and opportunities across the various areas, guaranteeing high levels of organisational efficiency and operating effectiveness.

This achievement is particularly significant in a year when attention for the health of individuals and workers has been demonstrated as central in the actions taken by the Group, as well as in decisions concerning the environment, energy and combating climate change.

# N

## MANAGEMENT MODEL

of the group establishes specific organisational control units in these areas:

### ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

### CORPORATE MOBILITY

### CONSUMABLES

and relative disposal and recycling

**BUSINESS INITIATIVES** to favour the transition towards a sustainable economy

### PREVENTION OF CRIMES TO SAFEGUARD AND PROTECT THE ENVIRONMENT

<sup>1</sup> Tonnes of primary energy per square metre

## ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

We have strengthened energy management activities, including by implementing the Environmental and Energy Management System, in particular with the definition of Indicators, named EnPIs (indicators such as kWh/m<sup>2</sup> – TOE/m<sup>2</sup><sup>1</sup>), with respect to which we intend to evaluate ourselves, with a view to a continuous improvement plan, to offer more effective oversight over all energy matters.

**In 2020, 100% of the electricity consumed was generated from certified renewable sources (Guarantee of Origin GO), avoiding the emission of around 33,239 tonnes of CO<sub>2</sub> equivalent into the atmosphere.**

Direct energy consumption (Scope 1) (GJ)	2020	2019	CHANGE 2020/2019
Consumption of natural gas for independent heating	152,624	164,374	-7%
Consumption of fuel oil for independent heating	938	1,081	-13%
Consumption of diesel and petrol for the fleet of cars (personal + business use)	21,036	38,581	-45%
<b>Total energy</b>	<b>174,598</b>	<b>204,036</b>	<b>-14%</b>

Indirect energy consumption (Scope 2) (GJ)	2020	2019	CHANGE 2020/2019
Consumption of electricity from renewable sources	401,624	443,948	-10%
Consumption of electricity from solar panels	506	453	12%
Consumption of electricity from non-renewable sources	0	1,243	-100%
Consumption from district heating systems*	25,918	29,550	-12%
Consumption of natural gas for building heating systems	48,855	53,260	-8%
<b>Total energy</b>	<b>476,903</b>	<b>525,454</b>	<b>-10%</b>

<b>Total direct + indirect energy (Scope 1 + Scope 2)</b>	<b>651,501</b>	<b>732,489</b>	<b>-11%</b>
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\*2019 figure adjusted (24,976 GJ)

**Total energy consumption declined by 11%.** This decrease was primarily impacted by the reduced operations in 2020, as well as the initial effects of the streamlining and closure of branches in previous years.

The results were also particularly influenced by the application of protocols relating to the management of duct systems to limit the risk of infection from the Sars-CoV-2 virus, which required a higher number of air changes and the need to heat and cool environments, irrespective of the number of employees present in the office.

In line with consumption, emissions also fell. How the latter are measured can impact results. To provide proper reporting, purchased electricity is calculated using the following methodologies: "Location-based", which considers the total amount of energy purchased from renewable and non-renewable sources, and "Market-based", which considers the total quantity of electricity purchased, only if from non-renewable sources.

DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1) (t CO <sub>2</sub> eq)	2020	2019	CHANGE 2020/2019
Natural gas emissions from independent heating	8,831	9,527	-7%
Fuel oil emissions from independent heating	70	80	-13%
Diesel and petrol emissions for the fleet of cars (personal + business use)	1,564	2,866	-45%
<b>Total emissions (Scope 1)</b>	<b>10,465</b>	<b>12,473</b>	<b>-16%</b>

INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 2) (t CO <sub>2</sub> eq)	2020	2019	CHANGE 2020/2019
Emissions from acquired electricity - <b>Location-based</b>	33,239	39,260	-15%
<b>Total emissions (Scope 2) Location-based</b>	<b>33,239</b>	<b>39,260</b>	<b>-15%</b>
Emissions from acquired electricity - Market-based	0	166	-100%
Emissions from district heating systems*	1,503	1,761	-15%
Natural gas emissions for building heating systems	2,827	3,087	-8%
<b>Total emissions (Scope 2)</b>	<b>4,330</b>	<b>5,014</b>	<b>-14%</b>

<b>Total emissions (Scope 1 + Scope 2)</b>	<b>14,795</b>	<b>17,487</b>	<b>-15%</b>
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\*2019 figure adjusted (1,489 tCO<sub>2</sub> eq.)

We have implemented a new IT platform dedicated to energy & environmental management which, using an automated machine learning method, contributes to monitoring and achieving the energy and environmental targets established.



## CORPORATE MOBILITY

We intend to continue along the path undertaken through initiatives which, taking into account people's needs, are oriented towards increasingly sustainable mobility, so as to **unite the well-being of individuals with that of our cities.**

From this perspective, in July 2020, a website dedicated to mobility management was set up on the company portal: an info-training space where colleagues can consult the benefits available to them (mobility sharing, public transport, marketing of

The remote branch management project also continues, exceeding 150 branches activated at the end of 2020 (107 in 2019). Just as much attention was dedicated to upgrading air conditioning systems, with a plan involving the installation of:

- 42 condensing boilers;
- 25 high efficiency refrigeration units;
- 77 high efficiency heat pumps (some of which benefited from Conto Termico incentives).

With respect to water resources, the consumption of which within the Group is equivalent to domestic uses, in 2020 we used roughly 364,599 m<sup>3</sup> of water compared to 498,690 m<sup>3</sup> in 2019. Also in this case, the decline can be primarily ascribed to the reduced presence of personnel in the workplace.

environmentally sustainable vehicles) as well as news of interest and useful information relating to the world of mobility.

We have completed the **Commuting Plan** for the Verona - via Meucci district and initiated activities to prepare this document in other markets as well, in compliance with regulations in force. The goal of this effort is to optimise commuting and promote alternative urban mobility solutions and services, including with the support of local public and private entities (conventions, sharing, purchase of e-bikes and push scooters, training and information on micro-mobility and safety).

The use of the company car fleet, and car pooling initiatives in particular, declined compared to 2019 due to the pandemic: indeed, roughly 11 million km were travelled, of which 3 million km in car pooling, marking a 63% reduction compared to 2019. In any event the **renewal of the car fleet** continued with the progressive introduction of new Plug-in and Mild Hybrid Electric vehicles.

**APPROX.**  
**17,000**  
REMOTE EVENTS

The traditional system of **165 rooms set up for videoconferencing**, which again this year allowed for the organisation of roughly **17,000 remote events**, was joined by the basic functions of the innovative Microsoft Teams communication system. The new unified communication and collaboration platform, the release of which was accelerated by a few months to make it available to employees when the pandemic began, made an important tool available for working remotely and interacting via chats, videos and conference calls, using both company and personal devices.

The use of the platform saw **constant growth throughout 2020**, from around 2,600 meetings and 19,500 one to one calls per week in the early months, to 6,100 meetings and 20,500 one to one calls per week in the final quarter.

**1,550** tonnes OF PAPER AND CARDBOARD recovered

OVER **22** tonnes OF PLASTIC RECYCLED

## FOCUS ON CONSUMABLES, WASTE DISPOSAL AND RECYCLING

The direct environmental impact is also reduced through choices in terms of materials used, with a specific focus on those that our activities use most, particularly paper and toner. The pandemic also had effects in terms of the consumption of materials: the expansion of the group of smart workers and the lower presence of customers in the branch indeed contributed to a reduction of in-house paper and toner consumption. A less significant reduction was seen in the consumption of paper used by outsourcers, which includes bulk

customer communications, the materials for which cannot be recycled, due to technical restrictions imposed by the printing machines used (however, FSC certified ecological paper is used 95% of the time).

In the course of 2020, in continuity with previous years, we continued actions to limit consumption and virtuous behaviours, including:

- **streamlined and centrally controlled management of paper and toner supplies** for the individual departments (the quantity of materials that can be ordered is established with a maximum ceiling defined on the basis of the size and type of organisational unit);
- **procurement of recycled and Blue Angel certified paper** for over 99% of size A4, the most commonly used in the Group. 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;**
- **initiation of projects** for the digitalisation of the main processes **for acquiring products taking a paperless approach.** In particular, in 2020 we began to use the digital identity system, which allows the customer to sign contracts in digital and paperless mode, thus reducing the quantity of paper as well as customer presence in the branch for activities that can be carried out remotely. In the course of 2021, this process will be extended further.

CONSUMPTION OF MATERIALS (in tonnes)	2020	2019	CHANGE 2020/2019
<b>Total paper consumed in-house*</b>	<b>1,794</b>	<b>2,343</b>	<b>-23%</b>
of which A4 Paper	1,650	2,139	-23%
of which recycled A4 Paper	1,649**	2,137	-23%
<b>Total paper used by outsourcers**</b>	<b>513***</b>	<b>630</b>	<b>-19%</b>
<b>Total Toner used****</b>	<b>95</b>	<b>114</b>	<b>-17%</b>
of which regenerated Toner	87	104	-16%

\* As of 2020, consumption relating to record boxes is counted in the total of in-house paper and no longer in outsourcing paper. This change also impacts the year/year change, particularly as regards the reduction of outsourcing paper.

\*\* The share of unrecycled A4 paper in any event consists of FSC certified paper.

\*\*\* The quantity of paper used for bulk customer communications did not experience substantial changes, although there was a decline in consumption in the months of March and April due to the drop in current account transactions, because in January 2020 it was necessary to send a 9-page bulk communication to all current account holders.

\*\*\*\* In 2020, we expanded the reporting scope of toners used to also include those managed with a pullprinting contract with an external supplier.

With respect to **waste**, in 2020 the centralisation and alignment of the management of all waste generated at the Group's offices was completed.

This year, the total quantity collected was roughly 2,120 tonnes (not considering urban waste), disposed of in compliance with the regulations in place in the individual municipalities.

<sup>2</sup> In 2020, the quantities collected in 2019 were also disposed of

## ECOBBOX

In 2020, in the wake of the European electronic payments directive (PSD2), the **Ecobox project** provided important support for the recovery of physical tokens, made obsolete by the transition to the Token App: a strong authentication system capable of generating single-use passwords with no physical device. Furthermore, to further protect our customers, we offered them the opportunity to complete autonomously the transition to the digital system by accessing their private area on YouVWeb.

With this new access system, unused tokens are disposed of, as electronic waste, through a dedicated process. Therefore, also in 2020 through the collection containers present in all agencies throughout the country, 9,940 kg of materials, including tokens and cards, were collected/disposed of<sup>2</sup>.



## BUSINESS INITIATIVES TO FAVOUR THE TRANSITION TOWARDS A SUSTAINABLE ECONOMY

We have the opportunity to support our customers and our stakeholders in their green transition, through products, services and offers which can facilitate this process and boost awareness in terms of the environment as well as combating climate change.

In 2020, our participation continued in Italian and European projects on environmental sustainability, and we initiated significant projects to develop a commercial offering that includes energy efficiency solutions, including in particular:

- the continuation of 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 plant 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;
- the **"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.

With the conversion of Decree Law no. 34/2020 "Relaunch Decree", people, condominiums, cooperatives, non-profits and amateur sports associations were able to take advantage of the **"Superbonus"** which provides tax deductions of up to 110% on energy efficiency initiatives and for the reduction of seismic risk and the possibility to transform such deductions into a tax credit that may be transferred to third parties, including banks and financial institutions.



The two advertisements with which Banco BPM announced the "110% Superbonus"

OVER  
**€300** MILLION

STOCK OF  
 GREEN BONDS  
 ACQUIRED

In order to take advantage of this opportunity, in 2020 we launched an online platform thanks to which users can manage the entire range of services and products linked to the world of the 110% Superbonus and other tax bonuses. Furthermore, a series of credit facilities are available for the advance of financial resources in favour of construction companies and the supply of plants which apply a discount on the invoice, in order to obtain the liquidity required to start and implement the building works established in the regulatory framework which defines the tax benefits.

Of the significant initiatives launched in 2020 which will be realised in 2021, the most significant is certainly that linked to **green mortgages**. In line with the principles of the **EeMAP project**, in which we participate as a pilot bank, we have developed a simple and distinctive offer that provides a discount/premium on the interest rate for customers that improve the energy performance of their property, by renovating it and thus reducing consumption and CO<sub>2</sub> emissions. This offer in fact represents **green potential** for all new mortgage loans and for properties in all energy classes and takes into account the importance of the **energy requalification of existing real estate assets**, also to combat increasing over-development in urban centres and the resulting lower resilience to the effects of climate change.

In order to raise financial resources to be used to finance sustainable and green initiatives, in 2020 we began a project which in 2021 will lead to the publication of the Group's **"Green, Social and Sustainable Bond Framework"**. This important document, drafted according to the market principles established by ICMA (International Capital Market Association), contains the Group's sustainability objectives, the details of the categories and criteria for the selection of "green", "social" and "sustainable" investments and the method for managing the proceeds collected.

Specifically, the document lays out the eligibility criteria of the individual asset categories and projects to be financed with the proceeds of individual green social or sustainable bond issues, planned for the immediate future. The initial issue of a Group green bond based on the Framework is already planned for 2021.

Within the **bond issues carried out by our customers**, also those based on sustainability (ESG) aspects, in July 2020 **Banca Akros** acted as **Joint Bookrunner in the green bond of Terna S.p.A.** for € 500 million. The issue was in high demand in the market: against a quantity issued of € 500 million, orders equal to nearly € 2 billion were collected, confirming the financial market's interest in this bond type. The proceeds from the issue were allocated to finance/refinance green projects by Terna.

Increasing attention placed on sustainability and the risks linked to climate change has also driven Banca Akros to supplement traditional financial analysis in the utilities sector with non-financial analyses using **hybrid sustainability indicators** (such as EBITDA/CO<sub>2</sub> Intensity) both in the electricity sector and in the water and waste sectors.

Furthermore, with reference to **the investment of the Group's financial resources**:

- we continued with the acquisition of green bonds for a stock value equal to more than **€ 300 million** at the end of 2020 (+33% compared to 2019);
- we invested **€ 19.4 million in 3 green and social theme investment funds**, particularly the Lombardy Real Estate Fund on the theme of social housing; the Foresight fund relating to green bonds on renewable energies and energy efficiency; the Italian Energy Efficiency Fund.

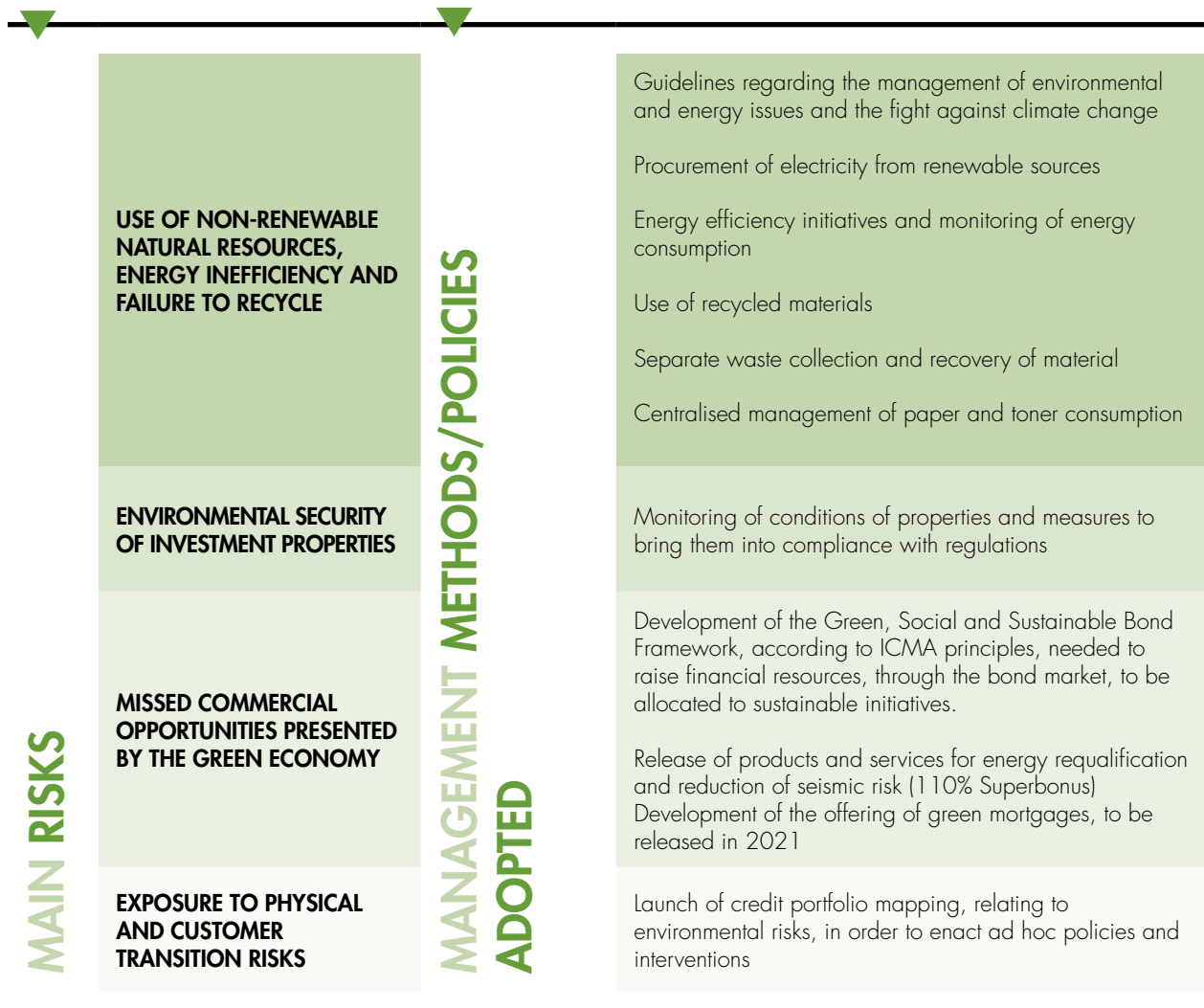
Lastly, amongst valuable non-financial services, through the partnership with Alphabet (BMW Group), we offer customers a long term car rental service that since 2020 has particularly focused on hybrid and electric vehicles in order to facilitate the use of sustainable mobility for customers.

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

At the end of 2020, the Group owned or held approximately 5,900 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.





# RECOGNITIONS

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APRIL  
**AIFIN**  
**“FINANCIAL INNOVATION – ITALIANS AWARDS” AWARD**

On this occasion, Banco BPM received 2 Awards:

**1st place in the “New Services” category for “You Gate”:** the application which makes it possible to transfer invoices, from the operating system to the Bank, **in order to be able to collect them, pay them and also provide advances on them, making immediate liquidity available to businesses.**  
**The project was particularly beneficial during the Covid-19 emergency.**

**3rd place in the HR & Organisation category for the application “Clarity” - incentive system:** custom IT solution that makes it possible to manage the different incentive requirements in integrated and full paperless mode, allowing all of the various players to interact during the phases of the process.

MAY  
**LEGAL COMMUNITY FINANCE AWARDS 2020**



Banco BPM received the award:

**“DEAL OF THE YEAR Sustainability” for the € 1.1 billion green loan for Italo NTV,** one of the first made available to an Italian company in line with green loan principles and sustainability linked loan principles.

JUNE  
**ABI AWARD FOR INNOVATION IN BANKING SERVICES**



A win for **Clarity** - as a workflow management tool supporting the main HR processes - **in the category “Operations innovation: digitalisation and transformation in internal processes”** with the justification of having initiated a radical change in “design thinking” mode to serve and support the business community, guaranteeing process optimisation within human resource services.

**Special Mention for the “Spunta Banca DLT” project** which, by establishing bilateral register systems, makes available, simultaneously, continuously and exclusively to counterparties, information useful for the management of reciprocal account entries, attaining simplification and transparency as well as risk reduction.

## NOVEMBER BUDGET OSCAR



For the prestigious award, Banco BPM was **finalist in the "Listed financial companies" category** and was recognised **for its 2019 Consolidated Non-Financial Statement**.

## DECEMBER National Award for Innovation "PREMIO DEI PREMI"



In the **Services - Innovation of Banking Services category**, the Jury declared **the Clarity project the winner** "for having initiated a comprehensive overhaul of HR processes, in which technological innovation is used as an enabling factor for change within the broader idea of Banco BPM's People Strategy".

**Banco BPM is the first institution in Italy in leveraged buy-outs (acquisitions with financial leverage) in the 2017 – 2020 period.** The ranking, made available by the company Mergermarket, the reference database for the M&A market, recognises **service quality, reputation and the capacity to take advantage of all market opportunities**, including large ones, without overlooking SMEs, as demonstrated by the average size of the transactions.

## ESG RATING AND CERTIFICATIONS

NOVEMBER

### Corporate Rating EE- POSITIVE:



The UK rating agency **Standard Ethics confirms the good positioning of Banco BPM in terms of sustainability** amongst Italian and European institutions, placing it amongst those banks which, following innovations in the governance model, reporting capabilities and adaptation to international targets, recently recorded positive changes in their outlook.

### CDP confirms its excellent assessment (score B)



Again in 2020, the Carbon Disclosure Project enabled us to evaluate our environmental footprint through an international measurement and accounting system, confirming the **very positive assessment** from last year (CDP score B).

## EU DIVERSITY LEADER

**The Financial Times publishes a ranking of European companies who stand out most for their diversity.**

On the basis of the assessments of 100,000 newspaper readers and other HR specialists, in the banking and financial services sector we are the **3rd Italian bank and the 23rd in Europe** out of 66 banks. We are also in 314th place in the general ranking of 850 leading companies on diversity, out of a total of 15,000 companies evaluated.

DECEMBER

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



The process for the adoption of the integrated ISO Management System was successfully completed. The Bureau Veritas certification body positively performed the checks set forth in the audit process, issuing the relative certificates of compliance with the **ISO 45001, ISO 50001 and ISO 14001 standards**.



# ENVIRONMENTAL DATA IN BRIEF

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# ENVIRONMENTAL DATA IN BRIEF

The main quantitative data relating to reporting on the environment and combating climate change are summarised below. For ease of use, this chapter includes both some data already published in chapter 6 (Climate change and protection of the environment) and additional details enhancing the information already provided.

The Banco BPM Group has expanded the reporting scope for its emissions, also considering direct emissions from fluorinated gases (Scope 1) and emissions from business trips by rail and air (Scope 3).

To facilitate the year-on-year comparison, chapter 6 contains data calculated with the same reporting scope as in 2019.

The data referring to the new scope are instead provided below.

## DIRECT – Scope 1

direct emissions due to fluorinated gas leaks from refrigeration systems:

TOTAL TONNES CO <sub>2</sub> EQ.	1,672
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## INDIRECT – Scope 3

other indirect emissions due to rail and air travel

- RAIL -				- AIR -				TOTAL tonnes CO <sub>2</sub> EQ.
tonnes CO <sub>2</sub>	tonnes CH <sub>4</sub>	tonnes N <sub>2</sub> O	tonnes CO <sub>2</sub> EQ.	tonnes CO <sub>2</sub>	tonnes CH <sub>4</sub>	tonnes N <sub>2</sub> O	tonnes CO <sub>2</sub> EQ.	
67	0.005354	0.001356	68	97	0.012767	0.002709	98	166

## INDIRECT – Scope 3

other indirect emissions due to paper consumption:

TOTAL TONNES CO <sub>2</sub> EQ.	1,986
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## REFERENCE PARAMETERS

PARAMETERS	Unit	2020	2019
Employees	no.	21,593	21,869
Total business trips	no.	7,123	n.a.
Total travel	thousands of km	2,108	n.a.
Net surface area	thousands of m <sup>2</sup>	1,241	1,106

GREENHOUSE GAS EMISSIONS [CO <sub>2</sub> EQ]	Unit	2020	2019
<b>Direct emissions (Scope 1)</b>			
Natural gas emissions from independent heating	t CO <sub>2</sub> eq	8,831	9,527
Natural gas emissions for cogeneration	t CO <sub>2</sub> eq		
Fuel oil emissions from independent heating	t CO <sub>2</sub> eq	70	80
Emissions from HFC gas	t CO <sub>2</sub> eq	1,672	n.a.
Emissions from petrol and diesel for the company fleet	t CO <sub>2</sub> eq	1,564	2,866
	<b>TOT.</b>	<b>12,137</b>	<b>12,474</b>
<b>Indirect emissions (Scope 2 Market-based)</b>			
Emissions from consumed electricity	t CO <sub>2</sub> eq	0	166
Emissions from district heating systems	t CO <sub>2</sub> eq	1,503	1,761
Natural gas emissions for building heating systems	t CO <sub>2</sub> eq	2,827	3,087
Emissions from fuel oil for office heating systems	t CO <sub>2</sub> eq		
	<b>TOT.</b>	<b>4,330</b>	<b>5,014</b>
<b>Total direct + indirect emissions (Scope 1 + 2 Market-based)</b>			
	<b>t CO<sub>2</sub>eq</b>	<b>16,467</b>	<b>17,488</b>
Total direct + indirect emissions per employee	t CO <sub>2</sub> eq./emp.	0.76	0.80
Total direct + indirect emissions per square metre	t CO <sub>2</sub> eq./m <sup>2</sup>	13.27	15.81
<b>Total direct + indirect emissions (Scope 1 + 2 Location-based)</b>			
	<b>t CO<sub>2</sub>eq</b>	<b>49,706</b>	<b>56,583</b>
<b>Other indirect emissions (Scope 3)</b>			
Business trips	t CO <sub>2</sub> eq	166	913
Paper purchased	t CO <sub>2</sub> eq	1,986	2,556

ENERGY CONSUMPTION BY SOURCE [GJ]	Unit	2020	2019
<b>Direct energy consumption (Scope 1)</b>			
Consumption of natural gas for independent heating	GJ	152,624	164,374
Consumption of natural gas for cogeneration	GJ		
Consumption of fuel oil for independent heating	GJ	938	1,081
Consumption of petrol and diesel for the company fleet	GJ	21,036	38,581
	<b>TOT.</b>	<b>174,598</b>	<b>204,036</b>
<b>Indirect energy consumption (Scope 2)</b>			
Consumption from renewable electricity	GJ	401,624	443,948
Consumption from solar panels	GJ	506	453
Consumption of non-renewable electricity	GJ	0	1,243
Consumption from district heating systems	GJ	25,918	29,550
Consumption of natural gas for building heating systems	GJ	48,855	53,260
Consumption of fuel oil for building heating systems	GJ		
	<b>TOT.</b>	<b>476,902</b>	<b>528,454</b>
<b>Total direct + indirect energy (Scope 1 + 2)</b>	<b>TOT.</b>	<b>651,500</b>	<b>732,489</b>
<b>Total direct + indirect energy per employee</b>	GJ/emp.	30	33
<b>Other indirect energy consumption (Scope 3)</b>			
Business trips	GJ	2,640	14,387
Paper purchased	GJ	22,429	28,891

**DETAILED FOCUS**

In the tables below, some specific indicators are highlighted relating to Electricity, Travel and paper.

<b>TOTAL ELECTRICITY FOCUS</b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>
Electricity per employee	kWh/emp.	5,167	5,655
Electricity per square metre	kWh/m2	90	112
Electricity from renewable sources	%	100	99.72

<b>TRAVEL</b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>
Air	thousands of km	579	n.a.
Rail	thousands of km	1,529	n.a.
Fleet	thousands of km	10,270	17,793
of which car pooling		3,763	9,304

<b>PAPER CONSUMPTION</b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>
Paper purchased	t	2,308	2,972
Paper purchased/employee <sup>1</sup>	kg/emp.	83	109
Total recycled paper out of total	%	71	72

<sup>1</sup> The only paper considered is "in house".



# METHOD AND FRAMEWORK

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# 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 2020) and is produced pursuant to the Decree and the “Sustainability Reporting Standards” defined in 2016 and subsequent additions 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 118-122.

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 pages 26-27 of this document, were considered relevant and such so as to reflect the 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 2020. 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 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 of 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 2020. 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 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 content to be included in the Statement, the definition of the reporting scope, the identification of the company structures involved, the relative data owners and approvers;
- the engagement of the company structures involved and the sending of informational requirements and the relative timing;
- the collection, control and processing of information and data received. In particular, in 2020 the ESGeo IT platform was implemented, a working environment that makes it possible to collect the required information and data while also controlling the contribution process (by the data owners), validating them (by the managers/approvers) and monitoring expiries;
- the preparation of the draft Statement;
- the control and validation, with any amendments and/or additions to the content, by the company structures involved, each for the part under their responsibility;
- the presentation of the Statement to the Internal Control and Risks Committee and its approval 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.

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## 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.

# CORRELATION TABLE

MATERIAL TOPIC	DEFINITION AND RELEVANCE	GRI Standard Disclosure	INTERNAL IMPACTS	EXTERNAL IMPACTS
<b>Organisational resilience</b>	In 2020, characterised by an unprecedented crisis, the topic of organisational resilience has definitely taken on a material role in handling all aspects of emergency and ordinary activity management. The topic is transversal and regards the majority of the other material topics.	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	All stakeholders
<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 254/2016.	GRI 205: Anti-corruption 2016 GRI 207: 2019 Taxation	Banco BPM Group	All stakeholders
<b>Management, development and inclusion of people</b>	Adequate personnel management and development as well as the capacity to include and enhance diversity and merit are fundamental to motivating people and achieving adequate performance levels, especially in current circumstances, characterised by complexity, uncertainty and new ways of working.	GRI 401: 2016 Employment GRI 404: 2016 Training and Education GRI 405: 2016 Diversity and Equal Opportunity	Banco BPM Group	Personnel
<b>Welfare, work-life balance and well-being</b>	Attention to people's well-being and engagement represents a great challenge to attract, maintain and motivate talent, especially in a period like that which we are experiencing, in which it is even more necessary to protect personnel health and safety while also using new remote engagement methods.	GRI 403: Occupational Health and Safety 2018	Banco BPM Group	Personnel
<b>Corporate citizenship</b>	Corporate citizenship refers to the responsibility towards the community and refers to all initiatives intended to contribute to the growth of the community in which we live, sharing objectives, values and solutions. In our specific case, the initiatives deployed regard social sponsorships, charitable donations, the provision of company assets, volunteer activities and other community development initiatives.	GRI 201: 2016 Economic Performance GRI 203: 2016 Indirect Economic Impacts	Banco BPM Group	Community

MATERIAL TOPIC	DEFINITION AND RELEVANCE	GRI Standard Disclosure	INTERNAL IMPACTS	EXTERNAL IMPACTS
<b>Climate change and protection of the environment</b>	This refers, on one hand, to all actions intended to reduce the consumption of resources used in company activities as well as harmful emissions and therefore as a whole it refers to the reduction of direct impacts on the climate and the environment, and on the other hand to the financing of initiatives and projects for the transition towards a sustainable economy (indirect impacts).	GRI 302: 2016 Energy  GRI 305: 2016 Emissions  GRI 301: 2016 Materials	Banco BPM Group	Community
<b>Supplier relations</b>	This refers to supply chain management and the selection of suppliers from a pool of companies and professionals exhibiting the prerequisites of integrity, professionalism, competence and reputation. It is important to maintain good relationships of collaboration with suppliers while seeking to guarantee the supply of quality products and services at a sustainable cost and privilege appropriate partnerships capable of creating value in the medium-long term. At the same time, the Group plays a fundamental role for many businesses throughout Italy.	GRI 204: 2016 Procurement practices	Banco BPM Group	Suppliers
<b>Customer relationships and innovation</b>	This refers to the capacity to add value to products, services and relationships linked to customers, in order to provide valuable solutions and experiences (including remotely), taking into account customer feedback and putting into place the required improvement actions.	Product portfolio (GRI G4)  GRI 413: 2016 Local Communities	Banco BPM Group	Customers
<b>Credit to support the country</b>	The bank has an economic interest in supporting its customers and generally the productive and social fabric of the areas in which it operates. The work of the banking sector in 2020 was fundamental to support the real economy and people in a period of strong crisis triggered by the Covid-19 health emergency.	Product portfolio (GRI G4)  GRI 413: 2016 Local Communities	Banco BPM Group	Customers
<b>Responsible management and promotion of saving</b>	Savings represents a great resource for the country, and the protection of savings is part of the institutional role and core business of the bank.	Product portfolio (GRI G4)  Marketing and labelling (GRI G4)	Banco BPM Group	Customers
<b>Business continuity, cybersecurity and privacy</b>	The banking sector is essential and must guarantee service continuity and reliability even during emergency periods and following problems and cyber-attacks, protecting the enormous wealth of information under its management.	GRI 418: 2016 Customer Privacy	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>			
<b>102-1</b>	Name of the organization	"Cover"	
<b>102-2</b>	Activities, brands, products and/or services	13, 40-43	
<b>102-3</b>	Location of headquarters	Back cover	
<b>102-4</b>	Location of operations	40	
<b>102-5</b>	Ownership and legal form	16-17	
<b>102-6</b>	Markets served	40	
<b>102-7</b>	Scale of the organization	30-33	
<b>102-8</b>	Information on employees and other workers	61-67	
<b>102-9</b>	Supply chain	84-86	
<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	22-23, 31, 45, 49, 53, 57, 67, 73, 83, 86, 91, 101	
<b>102-12</b>	External initiatives	26	
<b>102-13</b>	Membership of associations	81	
<b>STRATEGY</b>			
<b>102-14</b>	Statement from CEO and/or Chairman	Letter from CEO and Chairman	
<b>102-15</b>	Key impacts, risks and opportunities	22-23, 31, 45, 49, 53, 57, 67, 73, 83, 86, 91, 101	
<b>ETHICS AND INTEGRITY</b>			
<b>102-16</b>	Values, principles, standards, and norms of behaviour	12, 87-91	
<b>102-17</b>	Mechanisms for advice and concerns about ethics	90	

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	12, 14	
<b>102-41</b>	Collective bargaining agreements	60	
<b>102-42</b>	Identifying and selecting stakeholders	12, 14	
<b>102-43</b>	Approach to stakeholder engagement	12, 14, 16, 45, 73, 84	
<b>102-44</b>	Key topics and concerns raised	44, 45	
<b>REPORTING CRITERIA</b>			
<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	26-27	
<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, 6	
<b>102-54</b>	Claims of reporting in accordance with the GRI Standards	Note on methodology	
<b>102-55</b>	GRI content index	118-122	
<b>102-56</b>	External assurance	123	

Standard Disclosure	Disclosure	Page number (or direct reference)	Omissions
<b>GRI 200: Economic standards</b>			
<b>GRI 201: 2016 Economic Performance</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	31, correlation table	
<b>201-1</b>	Direct economic value generated and distributed	30	
<b>GRI 203: 2016 Indirect Economic Impacts</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	76-83, correlation table	
<b>203-1</b>	Infrastructure investments and services supported	48, 76- 83	
<b>GRI 204: 2016 Procurement practices</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	84-86, correlation table	
<b>204-1</b>	Proportion of spending on local suppliers	85	
<b>GRI 205: 2016 Anti-corruption</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	87-89, correlation table	
<b>205-2</b>	Communication and training about anti-corruption policies and procedures	87, 90	Data about anticorruption policies and procedures is not available.
<b>205-3</b>	Confirmed incidents of corruption and actions taken	90	
<b>GRI 207: 2019 Taxation</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	91, correlation table	
<b>207-1</b>	Approach to taxation	91	
<b>207-2</b>	Tax governance, control and risk management	91	
<b>207-3</b>	Stakeholder engagement and management concerns related to tax	91	
<b>207-4</b>	Country-by-country reporting	91	
<b>GRI 300: Environmental standards</b>			
<b>GRI 301: 2016 Materials</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	95, 98, correlation table	
<b>301-1</b>	Materials used by weight or volume	98, 111	
<b>301-2</b>	Recycled input materials used	98	

Standard Disclosure	Disclosure	Page number (or direct reference)	Omissions
<b>GRI 302: 2016 Energy</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	95-96, correlation table	
<b>302-1</b>	Energy consumption within the organization	95-96, 110	
<b>302-2</b>	Energy consumption outside of the organization	95-96, 110	
<b>302-3</b>	Energy intensity	95-96, 110	
<b>GRI 305: 2016 Emissions</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	95-97, correlation table	
<b>305-1</b>	Direct (Scope 1) GHG emissions	96, 97, 109	
<b>305-2</b>	Indirect (Scope 2) GHG emissions	96, 97, 109	
<b>305-3</b>	Other indirect (Scope 3) GHG emissions	96, 97, 109	
<b>305-4</b>	GHG emissions intensity	96, 97, 109	
<b>GRI 400: Social standards</b>			
<b>GRI 401: 2016 Employment</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	60, correlation table	
<b>401-1</b>	New hires and employee turnover	63-64	
<b>401-2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees	69 The company provides benefits to all Group bank employees, at times limiting certain benefits to only permanent employees or recalibrating benefits on the basis of working hours (e.g. welfare budget).	
<b>GRI 403: 2016 Occupational Health and Safety</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	68-72, correlation table	
<b>403-1</b>	Occupational Health and Safety management system	70-72	
<b>403-2</b>	Hazard identification, risk assessment, and incident investigation	70-72	
<b>403-3</b>	Occupational health services	70-72	
<b>403-4</b>	Worker participation, consultation, and communication on occupational health and safety	70-72	
<b>403-5</b>	Worker training on occupational health and safety	70-72	
<b>403-6</b>	Promotion of worker health	70-72	
<b>403-7</b>	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	70-72	
<b>403-8</b>	Workers covered by an occupational health and safety management system	70-72	

Standard Disclosure	Disclosure	Page number (or direct reference)	Omissions
<b>GRI 404: 2016 Training and Education</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	64-67, correlation table	
<b>404-1</b>	Average hours of training per year per employee	64-66	
<b>404-3</b>	Percentage of employees receiving regular performance and career development reviews	66	
<b>GRI 405: 2016 Diversity and Equal Opportunity</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	60, correlation table	
<b>405-1</b>	Diversity of governance bodies and employees	18-19, 61-63	
<b>405-2</b>	Ratio of basic salary and remuneration of women to men	In accordance with the national collective labour agreement, at the same contractual classification level, there are no basic salary and remuneration differences between men and women. However, some differences between average remuneration, also including the variable part, between men and women by contractual classification and level of responsibility are reported on page 67.	
<b>GRI 418: 2016 Customer Privacy</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	54, 56 - 57, correlation table	
<b>418-1</b>	Substantiated complaints concerning breaches of customer privacy and losses of customer data	56	

Standard Disclosure	Disclosure	Page number (or direct reference)	Omissions
<b>TOPICS NOT COVERED BY GRI ASPECTS</b>			
<b>Indicator of specific Sector Supplement - G4 - PRODUCT PORTFOLIO</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	36, 41-43, correlation table	
<b>G4-FS6</b>	Customer portfolio	36-37	
<b>G4-FS7</b>	Products and services designed to deliver a specific social benefit	48-49	
<b>Indicator of specific Sector Supplement - G4 - LOCAL COMMUNITIES</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	48-49, correlation table	
<b>G4-FS14</b>	Initiatives to improve access to financial services for disadvantaged people	48-49	
<b>Indicator of specific Sector Supplement - G4 - MARKETING AND LABELLING</b>			
<b>103-1; 103-2; 103-3</b>	The management approach and its components	50-53, correlation table	
<b>G4-FS16</b>	Initiatives to enhance financial literacy by type of beneficiary	52, 79-80	

# INDEPENDENT AUDITORS' REPORT



## **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" or "Banco BPM Group") for the year ended 31 December 2020 prepared in accordance with article 4 of the Decree, approved by the Board of Directors on 9 March 2021 (hereafter the "NFS").

### **Responsibility of Directors and the Board of Statutory Auditors 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 by them 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 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 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 that reported in the Banco BPM 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 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 Aletti & C SpA, Realease SpA and Bipielle Real Estate SpA, which were selected on the basis of their activities and their contribution to the performance indicators at a consolidated level, we discussed with management and 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 2020 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Milano, 24 March 2021

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 2020 translation.*

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