

**Consolidated
non-financial
declaration
pursuant to
Legislative Decree
No. 254 of 30th
December 2016**

**2017
Sustainability
Report**

UBI Banca
UNIONE DI BANCHE ITALIANE

Joint Stock Company

Head Office and General Management: Piazza Vittorio Veneto 8, Bergamo (Italy)

Operating offices: Bergamo, Piazza Vittorio Veneto 8; Brescia, Via Cefalonia 74

Member of the Interbank Deposit Protection Fund and the National Guarantee Fund

Tax Code, VAT No. and Bergamo Company Registration No. 03053920165

ABI (Italian Banking Association) 3111.2 Register of Banks No. 5678 Register of banking groups No. 3111.2

Parent of the Unione di Banche Italiane Banking Group

Share capital as at 31st December 2017: EURO 2,843,177,160.24 fully paid up

www.ubibanca.it

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Group profile

[GRI 102-1 102-3]

Unione di Banche Italiane S.p.A. (UBI Banca in abbreviated form) is the parent bank of the UBI Banca Group and was formed on 1st April 2007 following the merger of Banca Lombarda e Piemontese into Banche Popolari Unite, with the consequent integration of the two groups of the same name. Formed in 2007 as a “popular” co-operative bank, UBI Banca acquired its current legal form as an **ordinary joint-stock company** following a resolution of an Extraordinary Shareholders’ Meeting held on 10th October 2015 in accordance with Law No. 33 of 24th March 2015.

The registered office of the Bank is in Bergamo and its operating headquarters are in Bergamo and Brescia. As laid down in the Articles of Association, shareholders’ meetings are held alternately in the city or province of Bergamo and in the city or province of Brescia, while the Supervisory Board and the Management Board meet alternately in the city of Bergamo and in the city of Brescia and generally once a year in the city of Milan.

[GRI 102-4 FS13]

The Group operates primarily in Italy and has branches in all regions (except for Sicily) with 1,838 branches, 106 units destined for corporate clients and 82 private banking units in 89 provinces and 1,225 municipalities. The net increase in the number of branches, which at the end of 2016 came to 1,524, is attributable to the integration of the former Nuova Banca Marche Group, the former Banca Etruria Group, and Nuova Cassa di Risparmio di Chieti, net of rationalization efforts during the process of migration to UBI.

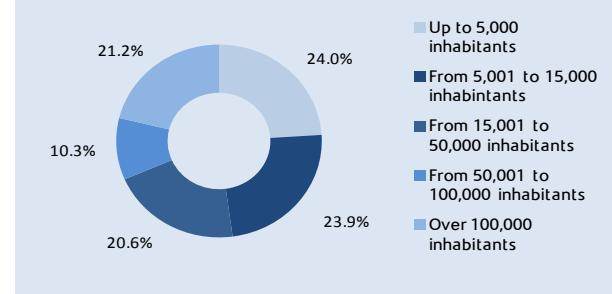
Physical proximity is still a characteristic of the Group's local presence and integration in the communities, even in the context of a gradual rationalisation and optimization of the distribution network as customers rely increasing on digital services.

While most of the Group's branches are located in more developed, affluent areas in Central and Northern Italy, the Group's presence is also significant in less developed regions¹ (252 branches accounting for 13.7% of the total) as well as small rural centres and mountain areas (24% of the branches are located in municipalities with populations of less than 5,000, while it is the only banking option present in 197 municipalities).

In addition to the Group's conventional physical channels, it continues its efforts to upgrade its instruments and applications in support of direct channels:

- self-service channels (more than 2,500 Bancomat ATMs, 317 of which are equipped to receive payments with banknotes and cheques and more than 101,000 POS terminals);
- banking by Internet

Distribution of branches by size of municipality served



ATM e POS	2017	2016
POS	101,587	73,670
ATM	2,523	2,112
of which: evolved ¹	317	309

¹ ATM equipped to receive payments with banknotes and cheques

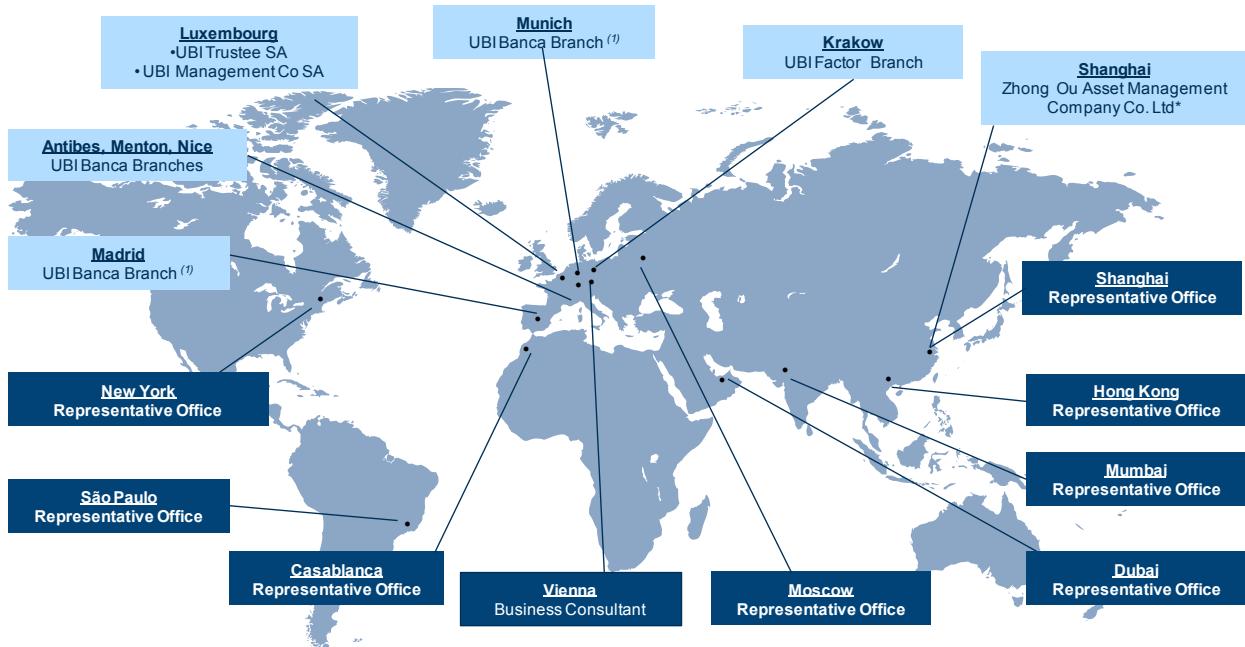
¹ Basilicata, Calabria, Campania and Apulia—regions that receive contributions from the European Union under the Program for Competitiveness and Work.

(approximately 1.8 million customers, representing an increase of approximately 12.5% on 2016);

- telephone assistance (approximately 2,290,000 business contacts and a further 104,000 “chats” per year);
- remote selling platforms (current accounts, internet banking, debit and prepaid cards, loans, and non-life insurance).

The Group is present abroad with a limited number of branches in other European countries, while in countries outside of Europe, the Group only has representative offices in areas of greater interest in terms of international expansion projects for small and medium-sized Italian companies and a minority stake in an asset management company in China.²

International presence



⁽¹⁾ On 28th April 2016 UBI Banca signed a contract for the sale of 100% of the share capital of UBI Banca International S.A. to EFG International AG. Upon completion of the transaction, Madrid and Munich branches became UBI Banca branches.

⁽²⁾ Joint-venture in which UBI Banca holds 25% of the total share.

Overall, the Group is present in 14 Countries, six of which are member countries of the European Union (Spain, France, Luxembourg, Germany, Austria and Poland) and eight of which are outside of Europe (U.S., Brazil, Morocco, Russia, United Arab Emirates, India, Hong Kong and China). Of these countries, only the United Arab Emirates, in which the group has a representative office in Dubai, has yet to meet international tax standards as it is on the Economic and Financial Affairs Council of the European Union (ECOFIN) list of non-cooperative jurisdictions for tax purposes.

Dimension

[GRI 102-5 102-7:9]

At the end of 2017, UBI Banca was Italy's number three banking group in terms of market cap, number four for funding, number five for lending and had the fourth largest number of branches. For information on the Group's economic dimension, see Reports and Accounts 2017³.

² Reports and Accounts 2017, Consolidated management report - *Distribution Structure and Positioning*.

³ Reports and Accounts 2017, Key figures and performance indicators.

SOCIAL DIMENSION		2017	2016
Personnel ¹		21,465	17,598
of which:	employees ²	21,423	17,571
	permanent	99.3%	99.5%
Customers (thousands)		4,541	3,866
	of which private individuals	89.0%	89.5%
Shareholders ³		145,700	150,085
Suppliers		12,765	11,288
	of which strategic and/or regular on the approved list	1,033	876

¹ The figure includes the associate workers at the end of the year.

² Recognised on the payroll.

³The information on the Group's shareholders is the latest available to the company .

ENVIRONMENTAL DIMENSION		2017	2016
Total floor area of offices and branches (sq.m.) ¹		1,268	970
Energy consumption (GJ) ²		701,561	528,742
CO ₂ Emissions (tons) ²		17,751	10,670
Paper consumption (tons) ³		2,408	2,377
Waste products (tons)		2,081	1,493

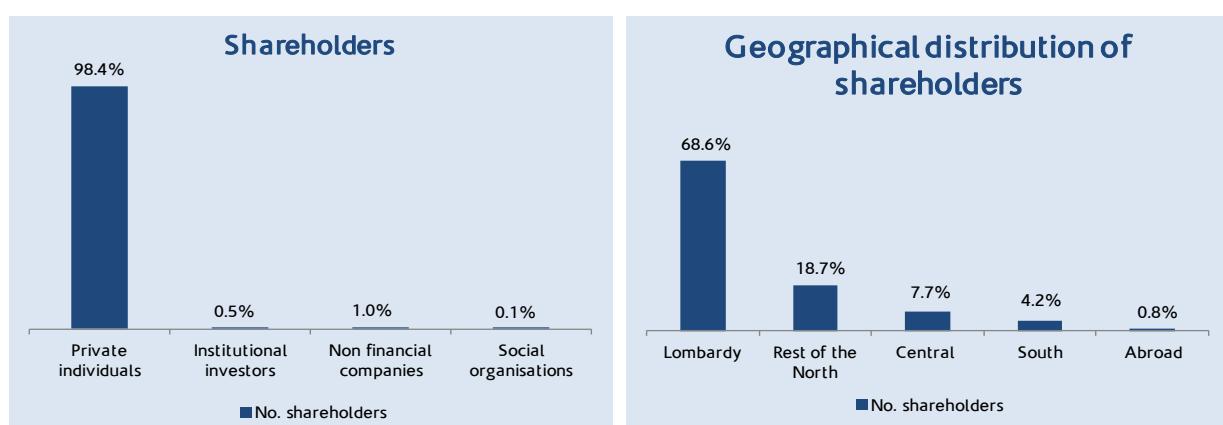
¹ Floor area on which environmental data are calculated

² This does not include energy consumption outside the organisation and the consequent emissions. The figure for 2016 has been restated following an update of the method used to calculate it.

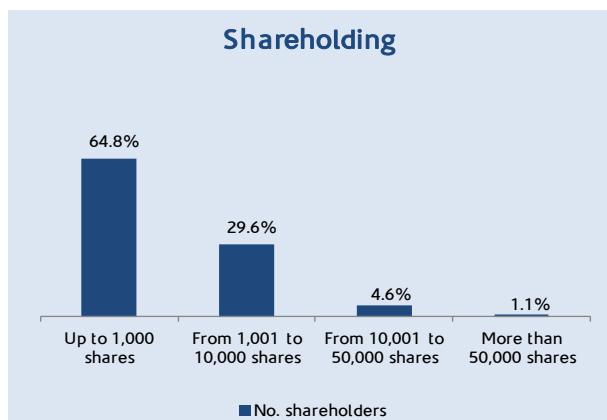
³ This does not include paper consumption 2017 of Banca Tirrenica and Banca Federico del Vecchio.

Shareholders and capital ⁴

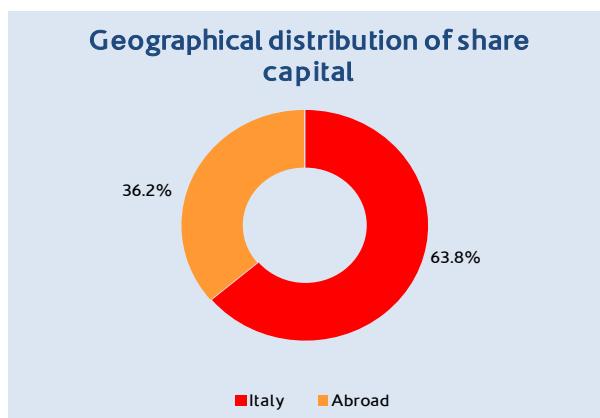
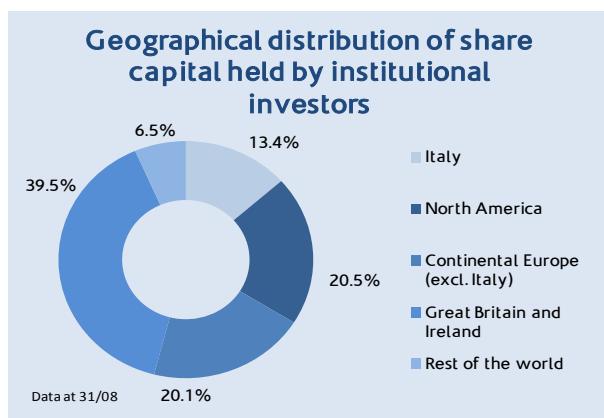
On 10th October 2015, in compliance with the law, a Shareholders' Meeting resolved to transform UBI Banca into an ordinary joint stock company. With effect from 12th October 2015, when the resolution was filed with the Bergamo Company Register, UBI Banca became an "S.p.A." (ordinary joint stock company). The former "registered shareholders" have now become ordinary shareholders. There is only one class of ordinary shares, each of which grants the bearer the right to vote in a shareholders' meeting.



⁴ The information on the Group's shareholders is the latest available to the company.



More than 60% of the shareholders are small-scale investors (owning less than 1,000 shares each). In terms of capital, according to the results of the latest study on the composition of the shareholding completed in August 2017, shares held by institutional investors identified by name (including foundations) accounted for approximately 52% of the share capital. Institutional investors other than foundations primarily operate in the medium and long-term horizon, in the following areas: Index (26.8%), Value (23.5%), Growth (19.3%), GARP (8.4%), Hedge Funds (8%) and other (14%).



The share is traded by 22 brokerage firms, 17 of which are international. It is listed with 100 of the key international stock indices⁵ and with leading ethical and sustainability indices at the national and international levels.⁶

Presence in ethical and sustainability indexes and ratings



ECPI EMU Ethical Equity



FTSE4Good Index Series



**Euro Ethical Index,
Euro CSR Index,
Sustainable Index
(rating A++)**



**Italian Index,
Italian Banks Index
(rating EE)**



ESI Excellence Europe



Rating Outperformer

Personnel

The Group's work force is comprised 99.8% of normal employees, almost all of whom have permanent contracts. During the year, an average of 42 associate workers (45.2% women)

⁵ Data as at 29/01/2018. Source: Internal data and Bloomberg.

⁶ <http://www.ubibanca.it/pagine/Ratings-and-Ethical-Indexes-EN.aspx>

were appointed, almost all of whom were students under internship arrangements with their respective universities.

EMPLOYEES BY EMPLOYMENT CONTRACT	2017		2016	
	Total	Women	Total	Women
Permanent	21,063	42.2%	17,478	39.0%
On temporary contracts	150	51.3%	93	52.7%
Apprentices	210	52.9%	-	-
Placement	-	-	-	-
TOTAL	21,423	42.3%	17,571	39.1%
Full time	18,564	34.5%	15,384	31.48%
Part time	2,859	93.1%	2,187	92.7%

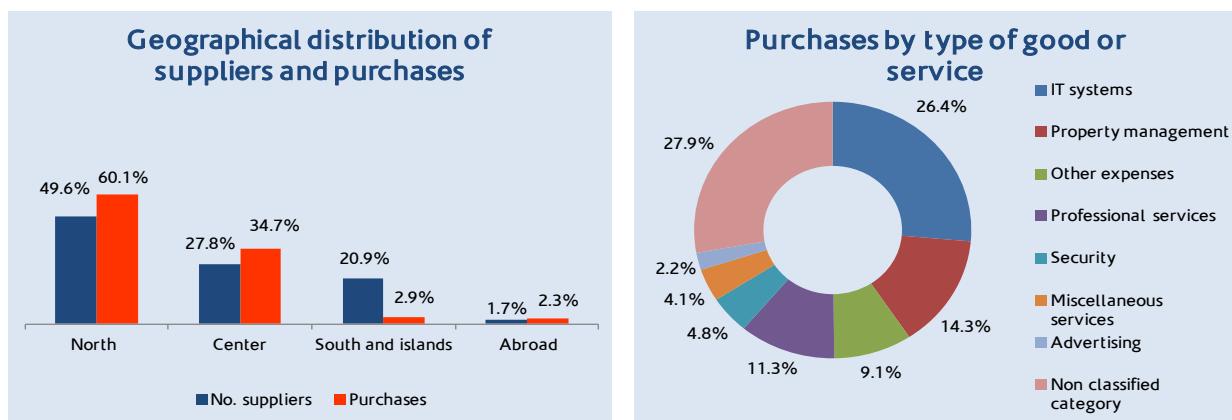
EMPLOYEES BY EMPLOYMENT CONTRACT AND REGION	2017		2016	
	Total	Permanent	Total	Permanent
North	13,815	99.0%	13,430	99.5%
Center	5,483	99.9%	1,779	99.9%
South and islands	2,066	99.9%	2,238	99.8%
Abroad	59	98.3%	124	87.1%
TOTAL	21,423	99.3%	17,571	99.5%
With different residence province	4,240	98.4%	3,582	99.0%

ASSOCIATE WORKERS BY EMPLOYMENT CONTRACT	2017		2016	
	Total	Women	Total	Women
Personnel leasing	-	-	-	-
Other contracts (e.g. internship/agency)	42	-	27	37.0%
TOTAL	42	45.2%	27	37.0%

GROUP WORKFORCE	2017		2016	
	Total	Women	Total	Women
Total employees and associate workers	21,465	42.4%	17,598	38.6%

Suppliers

The Group operates almost exclusively with suppliers in Italy and 98% of purchases are from local suppliers, which are defined as suppliers resident in Italy. When possible and advisable, owing to the type of goods and services acquired, suppliers present near the operational locations are used.



The Purchasing Department of UBI Sistemi e Servizi manages the purchasing cycle for Group companies in compliance with the provisions of the [Group Spending Regulations](#). These regulations, which apply to all Group companies, govern the roles and responsibilities of those involved in managing budgets and incurring expenses with the separation of roles between those requesting supplies and authorising payments, those that sign contracts and handle negotiations with suppliers and those keeping the accounts and paying the invoices.

During 2017, the new UBI.S supplier portal was launched, with which the Group's regular and occasional suppliers of goods and services exceeding €30,000 can register.⁷ Each supplier must declare its adherence to the United Nations Global Compact (UNGC) and indicate whether they have qualifications such as quality certifications (ISO 9001 or equivalent), Social Accountability certifications (SA8000 or equivalent), Occupational Health and Safety Assessment Series (OHSAS 18001), environmental management certificate (ISO 14001 or equivalent), Eco Management and Audit Scheme (EMAS) registration, and registration in the Environmental Management Register.

At the end of 2017, 1,033 suppliers were listed in the Register (an increase of 18% compared with 2016, as a result of 173 newly-registered suppliers and 16 that were removed from the Register)⁸.

For each category of goods, the Register lists the preferred suppliers with input from the offices requesting the supplies and the Purchasing Department. Each supplier is given a global score, 50 percent of which reflects the input score (which in turn is determined 60% by economic and capital soundness from external databases and 40% from having certifications and overall turnover); the remaining 50% of the score is obtained through periodic performance assessments (which in turn are determined 60% by fiscal responsibility assessment data and 40% percent by competitiveness assessments conducted by the Purchasing Department).

The Group's Code of Ethics has a specific section on relations with suppliers which must be oriented towards mutual satisfaction and be based on the observance of the principles of transparency, fairness, loyalty, integrity and competition⁹.

Contractual conditions and payment terms are aligned on an ongoing basis with the legislation in force and with market conditions on the basis of periodic monitoring. Specific contractual clauses are included for recurrent, strategic, high-operational-risk and financially substantial supplies.

Standard contractual clauses empower UBI Sistemi e Servizi to verify or have verified by its agents that the supply of goods or the provision of services is carried out, in compliance with the applicable legislation and regulations. Such clauses also provide for the supplier to undertake to facilitate the implementation of these verification powers, by providing UBI Sistemi e Servizi with all the information required, including the documentation needed to carry out appropriate controls.

Activities and markets served

[GRI 102-2 102-6 FS6]

The Group primarily provides retail banking and financial services for households, businesses, non-profit organisations, and local institutions. The majority of the balance sheet assets (72.5%) are comprised of loans to customers, only 15.90 percent of which is comprised of

⁷ The portal enables each supplier intending to register to view and accept the Rules on the use of the supplier portal of Unione di Banche Italiane Group, the "Report on personal data protection pursuant to Article 13 of Legislative Decree No. 196 of 30/06/2003", and the report on the "Code of Ethics and Model 231".

⁸ The data of the New Banks suppliers are not included, as they are not yet uploaded to the Register at the date.

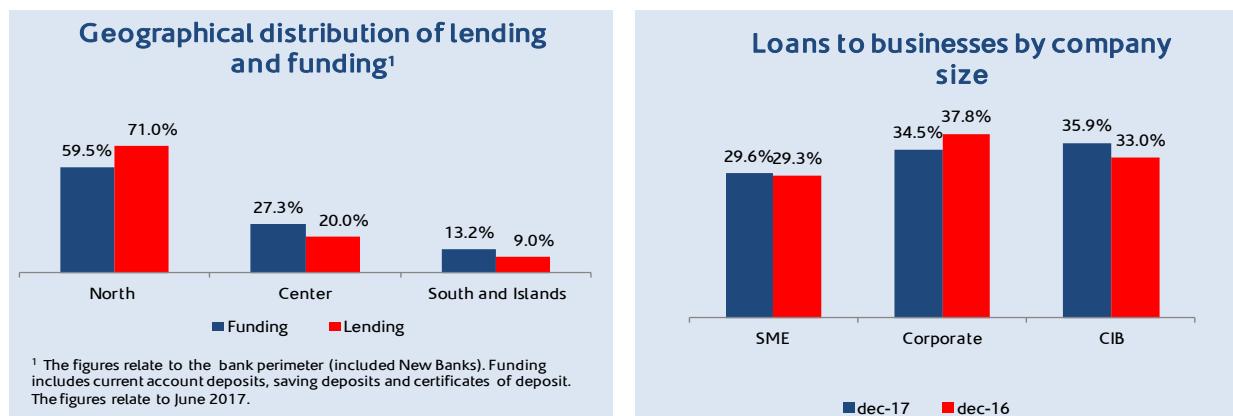
⁹ Code of Ethics, par. 6.5 Relations with suppliers.

financial assets (almost entirely government and central bank securities, hedging derivatives and shares in UCITS).¹⁰

At the end of 2017, the Group had more than 4.5 million customers. In keeping with the composition of the Italian population, 3.7% of private individual customers are nationals who have emigrated from non-European countries.

CUSTOMER PROFILE	2017 ¹	2016
Number of customers (thousands)	4,541	3,866
Retail Market	97.7%	97.8%
of which:		
Mass	78.6%	78.6%
Affluent	12.6%	12.0%
Small Business (POE e PMI)	8.1%	6.4%
Enti e istituzionali	0.8%	0.7%
Corporate Market	0.6%	0.7%
Private banking market	1.0%	1.5%
Private individuals	89.0%	89.5%
Businesses	8.7%	8.3%
Authorities and Institutions	1.8%	1.7%
Other	0.5%	0.5%
North	55.6%	66.0%
South and Island	22.0%	23.4%
Center	22.4%	10.6%

¹ Data as at 30/11/2017.



The geographic distribution of funding and lending shows a preponderance of Northern Italy, and more specifically Lombardy, as the group's main market.¹¹

The distribution of lending is consistent with the Group's mission to support local economies: more than half of the Group's business involves production companies in a wide range of economic sectors, and primarily manufacturing, property, trade, and construction activities. The Group's customers are predominantly small and medium-sized enterprises, which in total account for 3/4 of the lending to businesses.

The distribution network is based on seven Macro Geographical areas (MATs) and includes the Bank's online banking and product company brands. IT activities and other support functions are managed by UBI Sistemi e Servizi, while training and professional and managerial development activities are carried out by UBI Academy.

¹⁰ Reports and Accounts 2017, Consolidated Management Report - *Financial Activities*.

¹¹ Reports and Accounts 2017, Consolidated Management Report- *The distribution network and market positioning*

Key changes taking place during the year

[GRI 102-10]

The key changes taking place during the year have involved the group's configuration and dimension. In addition to completing the integration of the network banks into the parent company,¹² two substantial operations, as described below, were carried out.

As part of the Group's programme to refocus on its core business, the contract for the sale of 100% of the share capital in UBI Banca International S.A., with headquarters in Luxembourg, to EFG International A.G., an international player specialising in asset management and private banking services, with headquarters in Zurich, was completed. The perimeter of the sale included approximately €0.9 billion of direct funding and approximately €3 billion of indirect funding, consisting mainly of assets under custody. The sale was executed on 1st November 2017 against valuable consideration substantially in line with the net assets of UBI International, and had no impact on the UBI Banca Group's capital ratios.

On 10th May 2017, UBI Banca executed the acquisition from the National Resolution Fund, for the price of €1, of 100% of the share capital in Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Cassa di Risparmio di Chieti (the "Target Bridge Institutions", hereinafter referred to as the "New Banks") under a purchase and sale agreement of 18th January 2017 with the Bank of Italy as manager of and on behalf of the National Resolution Fund (the "Seller"). With this transaction, in return for the acceptance of low and contractually limited risk, the UBI Group increased its overall market share in terms of both lending and direct funding and consolidated it marked coverage of the geographic areas in which it was only partially or not present, with a positive impact on ordinary profitability. Altogether, the Group acquired over 900,000 customers, 547 branches and 5,000 employees¹³ and in connection with the operation it carried out and increase in its share capital of €400 million, to maintain a level of capitalization consistent with the value prior to the acquisition (a fully-loaded CET1 ratio of over 11%)¹⁴.

Commitments to sustainability

[GRI 102-12:13]

UBI Banca has adopted governance procedures mechanisms as provided under the [Corporate Governance Code for Listed Companies](#), issued in 1999 by the Corporate Governance Committee of the Italian Stock Exchange and updated in July 2015,¹⁵ and continues with the commitment made by the former BPU Banca which signed up to the ten universal principles of the [Global Compact](#) promoting human rights, protection of labour and the environment and the fight against corruption.

In the commercial framework the Group complies with the [European Code on Home Loans](#) signed by the European consumer and banking associations and with the principles of the [Voluntary Advertising Code](#) of the *Istituto di Autodisciplina Pubblicitaria* (Italy's advertising standards authority), the first edition of which dates back to 1966. In 2014 it adhered voluntarily to the [Italian Responsible Payments Code](#) promoted by Assolombarda (Lombard employers' association), making a commitment to comply with terms and conditions agreed for the payment of suppliers and more generally to spread a culture of efficient, punctual and rapid payment practices. To date, contracts with suppliers provide a maximum payment deferral of 90 days from the invoice date (0.13% of the total volume of purchases). The average payment period in 2017 was 29.7 days.



UBI Banca is also a member of associations in the sector and organizations that support initiatives to carry out projects to promote and disseminate best corporate accountability and sustainability practice:

¹² Reports and Accounts 2017, Consolidated Management Report- *Significant events taking place in 2017*.

¹³ Reports and Accounts 2017, Consolidated Management Report- *Significant events taking place in 2017*.

¹⁴ Reports and Accounts 2017, Consolidated Management Report- *Equity and capital adequacy*

¹⁵ Report on corporate governance and the ownership structure of UBI Banca SpA.

- Associazione Bancaria Italiana (ABI – Italian Banking Association), where UBI banca is a participant in ABI Energia – ABI Lab Competence Centre for energy efficiency in the banking sector and in various working groups including the Working Group on Financial and Social Inclusion and Bank-Migrant Relationships, the Consumer Bank Working Group, which also deals with issues of access to banks, and the newly formed Working Group on Banking Activities, Environment and Climate Change.
- Associazione Italiana degli Analisti e Consulenti Finanziari (AIAF – Italian association of financial analysts and advisors), whose aims are to develop the profession of financial analyst and advisor, to oversee professional qualification to the highest standards and to promote the study and culture of financial analysis in order to contribute to the transparency and efficiency of markets (UBI Banca is a supporting member);
- Fondazione per l'Educazione Finanziaria e al Risparmio (FEDUF), (foundation for financial education and savings), which promotes financial education in the broader sense of education for knowledgeable and active economic citizenship through the development and spread of financial and economic knowledge among young people and in schools above all;
- International Capital Market Association (ICMA), whose mission is to promote resilient and well-functioning debt capital markets, a necessary condition for economic growth;
- Associazione Italiana Responsabili Antiriciclaggio (AIRA - Italian association of anti-money laundering managers), whose aim is to combine the demands to bring people together, share experiences and reflect on the issues in order to develop a culture of legality to the benefit of stakeholders on the financial intermediation and insurance market.
- CSR Manager Network Italia, a centre for the promotion and experimentation of sustainability, which helps to spread a culture of sustainability through the development of expertise and active participation in national and international debates;
- Human Foundation, a nonprofit organisation which promotes collaboration between companies, government organisations, social enterprises, foundations, institutional investors, economic operators and the world of finance in order to generate and implement innovative solutions to social problems. UBI Banca is a “Gold Ambassador” member and makes a scholarship grant available for participation in the Executive Master in Social Entrepreneurship (Mhuse);
- Social Value Italia, an association which promotes the development in Italy of a culture and the practice of social impact assessment as well as the use of methods to measure it (UBI Banca is a founding member together with the Human Foundation and it is represented on the Management Board);
- Social Impact Agenda for Italy, an association which is continuing the work of the Italian Advisory Board of the Social Impact Investment Task Force (SIIT), promoted in 2013 during the British presidency of the G8 in order to bring social impact investments to the forefront in the agendas of member countries. The purpose of the association is to reinforce the ecosystem of social impact investments in Italy in order to encourage the growth of social enterprises (UBI Banca is a founding member together with the Human Foundation and it is represented on the Management Board);



- **Sodalitas Foundation**, whose mission is to contribute to the development of the third sector and the growth of a corporate social responsibility culture (UBI Banca supports the Sodalitas Social Innovation award and with Sodalitas it implements its own voluntary corporate programme entitled **Donate one day**);
- **Valore D (D value)**, the first association of companies that promotes diversity and female talent and leadership for the growth of companies and the country, through the promotion of inclusive and balanced leadership and governance models and models of social innovation and sustainability in order to orient personal study programmes for young women and overcome gender stereotypes in the family and at work.;
- **Triulza Foundation** (located in Cascina Triulza, in the civil society Pavilion at EXPO Milan 2015), whose mission is to be a special centre for representing the needs and proposals of organisations in civil society in order to encourage the active involvement of citizens and to guarantee acceptance and inclusion (UBI Banca is a founding member).



Strategy

[GRI 102-14]

Banking activity plays a fundamental role in everyday life by providing support for households and enterprises in making complex financial decisions in a constantly-changing environment characterised by changes with unprecedented speed, intensity, and scope. The digital revolution is leading to profound changes in the approach to banking. The availability of data and advanced information technology provide new opportunities to understand clients' requirements, and to propose "bespoke" products and services. The regulatory environment promotes ongoing improvements through new rules, guidelines, and standards for the industry within a banking system that is becoming increasingly integrated at the European level. Climate change has had a powerful influence on global economic systems and on decisions made by households, not always leading to reactions that we might expect in the scientific, political, ethical and social areas.

Against this backdrop, UBI intends to create the vision of a bank that is distinguished by quality: sound, reliable, efficient, and convenient; a bank that makes life easier for people and that supports the local economy, finding new solutions to meet the demands of customers, the local community, and investors, to improve relations with staff and suppliers, while putting regulatory compliance and respect for people and the environment first. Accordingly, UBI Banca intends to contribute to the promotion of the universal principles of the [Global Compact](#), to which it is a signatory, and to the implementation of the [Sustainable Development Goals \(SDG\)](#) outlined in the United Nations 2030 Agenda for Sustainable Development.



The macroeconomic scenario is showing important signs of structural reinforcement in the key indicators, and has opened the way for 2018 to be a year of significant expansion in the Italian economy, according to all of the major research and forecasting institutions, although still falling short of the average for the euro area. Potential risk factors are nonetheless present in connection with the growth slowdown in emerging economies, potential deterioration in the international geopolitical scene, and pressure on the financial markets reacting to monetary policy trends, more specifically with reference to the European Central Bank's decisions on *Quantitative Easing* policy.

UBI Group looks to a future with strengthened corporate governance as a result of important activities carried out during the past two years, more specifically with reference to (i) the 10th October 2016 conversion into an ordinary joint stock company (formerly the largest "popular" co-operative bank in Italy) to ensure corporate stability and focus as much as possible on routine management activities; (ii) adoption of a unified operating structure, a "Single Bank", following its successful integration, earlier than programmed, of the local banks, with the benefits of *cost savings* and a more uniform service model.

Under the [2016/2017-2020 Business Plan](#), a strategy of sustainable growth was defined, aiming to meet demand for sound credit and to manage clients' wealth responsibly in compliance with the principle of *Fare Banca per bene* (to bank fairly and well). This principle summarises the objective of creating sustainable value for all stakeholders over time, combining simplicity, quality and innovation to make products, services and excellent relations available to clients, contributing to the well-being of the community with support for social and cultural initiatives and cultivating individuals' talents, passion, and commitment.

The Business Plan provides the following key initiatives: (i) development of the distribution system with a multichannel approach; (ii) execution of a strategy for the targeted commercial segment; (iii) confirmation of the quality of loans granted and adequate coverage of *non-performing* loans; (iv) rationalization of the cost base; (v) maintaining a sound financial and capital balance; and (vi) implementation of initiatives consistent with the logic of optimising *risk-adjusted* profitability. The merger of the new banks acquired from the National Resolution

Fund during the first half of 2017 continues along the lines established under the Single Bank project to serve customers in accordance with UBI Group's highest standards: the merger process was completed for Banca Adriatica e Carilo, Banca Tirrenica and Banca Federico Del Vecchio and is planned in February 2018 for Banca Teatina.

The main objectives of the plan are:

- support to the real economy through increased financing, including new grants to support enterprises operating in the third sector;
- growth in the financial wealth intermediated of customers, promoting increased saving, including in the less affluent sectors;
- creation of value for shareholders and staff with growth in net profits;
- enhanced capital soundness with ratios consistently exceeding regulatory requirements;
- contribution to the public sector through growth in taxes deriving from higher projected profit levels;
- contribution to the local communities by maintaining a significant level of contributions through donations and sponsorships in support of numerous social, cultural, recreational, athletic, social and health care, and assistance projects for grassroots entities, organizations, and institutions;
- investments in the growth and well-being of staff members through professional training and development programs and benefits in connection with the corporate welfare system.

The sustainability of the objectives of the Business Plan is inextricably linked to the business model and its strengths, which can be summarized in terms of: (i) consolidated relationships with customers driven by the ongoing quest for their satisfaction as a prerequisite for maintaining a lasting, mutually satisfactory relationship; (ii) sound capital and liquidity positions making it possible to lay solid groundwork for the development of the Group and to support the real economy in compliance with the regulatory requirements; (iii) sound, prudent assessment of financing to promote development initiatives that are not only economically sustainable, but that are also sustainable from the social and environmental standpoints; (iv) competent management of customers' financial wealth through tailor-made solutions reflecting the life cycle and macroeconomic and financial environment; (v) efficient cost management, enabling resources to be allocated to projects that optimise their use.

As a bank, we are interested in topics of sustainability, directly as a business and indirectly through the approach our customers use in making financing and investment decisions. For example, the valuation of credit facilities in the *Project Finance* sector, more specifically with reference to health, mobility and services (water and gas systems), takes into account a broad range of economic and financial parameters, as well as the essential considerations of understanding environmental impacts in terms of the use of energy resources and the emission of pollutants into the atmosphere. In servicing households' financing requirements, we pay close attention to the sustainability of finance charges over time, in keeping with the principles of responsible lending, which benefits the Bank as well as the customers. At the sector level, we participate in financing benefits for customers who are victims of usury practices to enhance social inclusion and to give persons in difficulty better access to banking services. In terms of household savings management, we carefully assess factors of risk and return, customers' knowledge of financial instruments and investment horizons while promoting anti-corruption activities and the verification of provenance. Moreover, the Group's commitment to support local communities is well represented in terms of banking, financial, and savings management services to the third sector, as well as in terms of partnerships to execute projects. Last, as a business operating with more than 20,000 staff and 1,500 points of sale, the Group has devoted much attention to human rights, by promoting diversity, gender equality, dialogue between management and labour and protecting health and safety in the workplace in compliance with international conventions and regulations. We ask our suppliers to operate in accordance with UBI's Code of Ethics, in order to work together in compliance with the same principles that underpin the Group's activities. At the environmental level, the use of renewable energy sources has been consolidated to achieve a sustainable energy supply in the long term.

In summary, the Group's social responsibility model represents the Bank's system of relations with all internal and external drivers that influence (or that will influence) the business model. Implementation of the model is ensured through a meticulous strategic planning activity designed to guide the Bank towards its objectives of achieving sustainable earnings in the medium and long-terms; a *corporate governance* system entailing rules and processes in which roles and responsibilities are clearly defined, and a *framework of risk management* and internal supervision to anticipate and address the key risks involved in banking activity.

Key impacts, risks and opportunities

[GRI 102-15 201-2]

During 2017, UBI Banca updated its reporting on sustainability topics relevant in creation of value for the Group (material topics). In keeping with the definition of materiality under the GRI Standards adopted with reference to the drafting of this document, material topics "reflect a reporting organization's significant economic, environmental and social impacts; or that substantively influences the assessments and decisions of stakeholders."

Topics to be subject to materiality assessment were identified with reference to external documentary sources (references for the GRI Standards, sustainability reporting by other banking groups and investor questionnaires from SRI and ESG rating agencies) as well as internal sources (Business Plan, communications and statements from senior management and results from stakeholder engagement activities).

Risks potentially affecting the Group's activities were concurrently mapped with reference to a market benchmark and publications by international institutions (World Economic Forum, Task Force on Climate-Related Financial Disclosures and Carbon Disclosure Project). Risks were identified to reflect external factors in connection with key current global economic, social, environmental and geopolitical trends and internal factors in connection with corporate processes.

The topics and risks identified with this approach were subject to an assessment of UBI Banca's front-line structure, leading to the definition of a materiality matrix indicating the strategic priorities, used as a basis to formulate policies and objectives that also reflect risks and opportunities potentially having significant impacts on the Group's activities.

As the topics in connection with human rights and responsible supply chain management cut across the identified strategic priorities, they are addressed in accordance with the many different issues involved

Material topics

[GRI 102-46:47]

UBI Banca is a leading financial intermediary on the national scene. In this capacity, it maintains a dialogue and operates in a social, economic, and environmental context, in the presence of numerous stakeholders, reflecting the strategic priorities in reference to the material sustainability topics (including those listed in Legislative Decree No. 254/2016).

In achieving these strategic priorities, UBI Banca considers the risks generated and sustained that theoretically may arise in the relative context, for which adequate regulatory and organizational provisions are made.

Accordingly, the table below provides a list of material topics identified by UBI Banca, the potential risks generated or sustained in the context in which the Bank operates that is typical for a national primary financial intermediary, and the measures taken to address them.

Topic	Boundary	Potential important risks identified for financial intermediaries	Regulatory and organisational risk mitigation controls in place at UBI Banca
CREATION OF VALUE			
<p>The Bank's primary objective is the creation of value, to ensure, through appropriate levels of profitability, remuneration for shareholders and staff, and to maintain the capital strength required to support credit activities.</p> <p>The creation of value benefits all stakeholders, directly or through the indirect impact of grassroots activities and the communities involved.</p>	<p>Groups, shareholders, staff, suppliers, local and regional units of government and community.</p>	<p>Unfavourable perceptions of consumers, investors, and other stakeholders regarding UBI's sustainability, impacting business development as a result of low ratings, inadequate strategies to optimise the brand and make it stand out against its competitors, inadequate communication and involvement in topics of sustainability and/or inconsistencies between statements and actions.</p> <p>Inadequate forward-looking assessments of changes in the regulatory environment, consumer preferences, or market conditions, impacting UBI's activities and those of its customers.</p> <p>Loss of commercial opportunities in connection with the development of new products and services, segments of the customer base, and economic sectors of environmental or social interest.</p>	<p>Overall structure of the corporate governance model.</p> <p>Model of strategic planning and risk management framework.</p>
INTEGRITY IN CORPORATE CONDUCT			
<p>Respect for the rules and fundamental human rights and promoting compliance with such rules by the Group's partners, as an essential condition for the functioning of the company and its constituent systems and organizations.</p> <p>As a business, meeting objectives by correctly addressing competitors and maintaining proper relations with government and the market regulation authorities.</p> <p>As a bank, contributing to preventing and fighting corruption, money laundering and usury.</p>	<p>Group, community.</p>	<p>Inadequate staff training and awareness programmes, internal supervision systems, mechanisms for identifying violations and protecting whistle blowers, potentially leading to violations of the standards and codes of self-regulation (with particular reference to ethical, environmental, and social aspects of management) and involvement in illegal practices and activities, or in ethical, environmental, or social controversies.</p>	<p>Model 231/2001.</p> <p>Policies for management of non-compliance risk and organizational audit and compliance units.</p> <p>Internal rules of procedure against money laundering, financing of terrorism, and usury.</p> <p>Policies and guidelines for critical sectors.</p>

Topic	Boundary	Potential important risks identified for financial intermediaries	Regulatory and organisational risk mitigation controls in place at UBI Banca
CORPORATE GOVERNANCE AND RISK MANAGEMENT			
Corporate governance systems and effective and efficient organizational bases for the pursuit of strategic objectives, with particular reference to composition (including gender balance), remuneration and valuation of services of governing bodies.	Group, partners, staff and community.	Gaps in the composition of the governing bodies, in processes of communication with management and stakeholders and in delegating authority in the area of sustainability. Inadequate consideration of scenario variables, sustainability priorities, and stakeholders' expectations in strategic planning, decision-making and operational processes.	Criteria for appointment of members and composition of the management and supervision bodies.
Adequacy of the sustainability governance structure and processes, with particular reference to the integration of stakeholders' expectations and environmental and social issues of importance in the long-term strategy.		Performance measurement and incentive systems inconsistent with the implementation of sustainability strategies and objectives.	Self-assessment process and induction programme.
Efficacy of the internal control and risk management systems so that the impacts generated or sustained by business activity can be managed from the environmental and social standpoints.		Inadequate identification and management of environmental and social risks with significant impacts on the Group's activities.	Internal risk management and control system.
RESPECT FOR THE CUSTOMER			
Development of mutually satisfactory customer relations and loyalty, not only by providing excellent products and services meeting their demands delivered with transparent information, as well as respect for persons, their interests, security, and privacy.	Group, customers, community.	Failing to comply with regulations, agreements, standards, and codes of self-regulation in the areas of transparency and business practices, inadequate information on products, services and data protection, with repercussions on levels of customer satisfaction and with the risk of sustaining operational losses and reputational damages.	Policies and guidelines relating to commercial practices and product development.
			<i>Customer satisfaction</i> monitoring system.
COMMITMENT TO THE LOCAL ECONOMY			
Support for the real economy, responsibly selecting credit to local households and enterprises for the development of consumption and investment.	Group, customers, suppliers, community.	Structural unemployment or underemployment, increased inequalities and levels of poverty against a backdrop of crisis in the welfare systems, with damping effects on the local economy and repercussions on the Group's activity levels and profitability.	Strategic guidelines and business plan.
Support for households and enterprises, including those experiencing cyclical difficulties and contributing to the development of infrastructures and services of public interest.			Product development policies.
			Dedicated organisational units.

Topic	Boundary	Potential important risks identified for financial intermediaries	Regulatory and organisational risk mitigation controls in place at UBI Banca
ENHANCEMENT AND WELL-BEING OF PERSONNEL			
Creation of high-quality jobs, attracting higher levels of talent and supporting ongoing professional development.	Group, employees, community.	Inability to attract talent and inadequate management, communication and training activities, adversely affecting human resource development in the Group, and its capacity to achieve the established strategic objectives.	Contractual instruments and processes.
Providing every worker with the best position through opportunities to achieve their own goals, levels of welfare, to reconcile private and professional life and occupational health and safety.		Inadequate assessment and management of occupational health and safety risks, with potential operating losses and reputational repercussions.	Remuneration and incentives policies. Model 231/2001 and occupational health and safety management system.
DIALOGUE WITH TRADE UNIONS			
Guaranteeing effective freedom of association and collective bargaining.	Group, staff.	Inadequate trade union relations resulting in tensions and/or unrest, with potential repercussions on UBI's reputation, its strategic performance and corporate objectives.	Specialised process and dedicated organisational structure.
Managing relations with trade union organisations to find mutually-beneficial solutions to create value for both the company and staff.			
EQUAL OPPORTUNITIES AND NON-DISCRIMINATION			
Managing diversity, and more specifically gender, reflecting ethical requirements of non-discrimination and ensuring equal opportunities for staff in support of human and professional achievement.	Group, staff.	Inadequate diversity management, with particular reference to gender diversity, having potential repercussions on UBI's reputation and its strategic performance and corporate objectives.	Personnel management processes with dedicated organisational units.
In an increasingly competitive, constantly-changing market, requirements must also be met for growth in the Group's human resources with the best resources available on the labour market.			Remuneration and incentive policies.

Topic	Boundary	Potential important risks identified for financial intermediaries	Regulatory and organisational risk mitigation controls in place at UBI Banca
COMMITMENT TO THE COMMUNITY			
<p>Ability to grasp opportunities in social development to take appropriate commercial actions with goods and services to support economic inclusion of disadvantaged persons and to achieve objectives that are important to the community in terms of social services.</p> <p>Optimisation of the Group's local roots with the capacity to interpret trends in the social context and respond to the community's social, cultural, and economic interests through the implementation of strategic philanthropic initiatives.</p> <p>Promotion of financial education, more specifically for young persons, to enable them to make better-informed economic and financial decisions and development of socially-responsible investments.</p>	Customers, community.	Structural unemployment or underemployment, increased inequality and poverty levels in a context of crisis in the welfare systems, with adverse effects on quality of life within the community.	<p>Guidelines for grants drawing from articles of association-related profits and sponsorship management process.</p> <p>Participation in the Foundation for Financial Education and Savings.</p>
COMMITMENT TO THE ENVIRONMENT			
<p>Responsible management of the use of materials, energy consumption, waste treatment, and corporate mobility.</p> <p>Contributing to improved environmental services for customers and local infrastructure endowments and more generally, support the transition to an economy that has a reduced environmental impact.</p>	Group, customers, community.	<p>Inefficient energy management impacting the costs involved in managing the Group's infrastructure.</p> <p>Natural disasters and the consequences of climate change, more specifically extreme meteorological events impacting the Group's assets and customers' economic activities.</p>	<p>Model 231/2001 and environmental policy.</p> <p>Dedicated regulatory instruments and dedicated organizational units focusing on specific topics.</p>

Contribution to UN Sustainable Development Goals

Achieving the objective of "banking fairly and well" in the framework of the strategic priorities represented under the material topics outlined by UBI Banca supports the achievement of the Sustainable Development Goals identified below.



The provision of basic banking services and savings programs for vulnerable sectors and initiatives to support households at difficult times help ensure equal access to financial services for both men and women (SDG 1.4).



Support for local productive activities contributes to the objectives of economic growth (SDG 8.1) and productivity (SDG 8.2) and supports the creation of decent jobs, entrepreneurial activity, creativity and innovation, encouraging formation and growth of micro, small and medium-sized enterprises (SDG 8.3 e 8.5).

The Group's lending policies are designed to promote access for small and medium-sized enterprises to financial services and their integration into sectors and markets (SDG 9.3).



Financing for high-quality, sustainable and resilient infrastructures supports economic development and human well-being (SDG 9.1).

Banking services and contributions to universities and research institutes support technological innovation in industry and investments in technological development and research (SDG 9.5).



In the framework of strategic philanthropic activity, support for projects and organizations in the social and health care and assistance framework help ensure that all persons have access to essential health services, medicine and quality care. (SDG 3.8).



Banking services and contributions to academic and university training institutes and financial education initiatives targeting young persons and continuing education programs for the Group's employees support the development of skills for quality employment (SDG 4.4).



Employee management policies implemented by the Group, conditions of non-discrimination (SDG 5.1), equal opportunities and full and effective participation of women in economic affairs at all decision-making levels (SDG 5.5), equal pay for equal work (SDG 8.5) and a safe, protected labour environment for all workers (SDG 8.8).

10 REDUCED INEQUALITIES

These policies and indirectly contributions to non-profit organizations operating in the area of social assistance support the objectives of promoting social and economic inclusion for all persons, without any type of discrimination (SDG 10.2), , and equal opportunities and reduced inequalities in performance (SDG 10.3).

7 AFFORDABLE AND CLEAN ENERGY

Use of renewable energy sources through the Group's energy sourcing requirements and making financing available for public and private investments in plants and infrastructure support the attainment of the objectives of energy transition (SDG 7.2) and increased energy efficiency (SDG 7.3).

11 SUSTAINABLE CITIES AND COMMUNITIES

In the framework of personal financing, the home mortgage sector is an important one for UBI Banca, through which it helps to ensure that households can afford adequate housing (SGD 11.1).

The operating areas for the Group's social activities include protecting and upgrading the cultural and artistic heritage of the local communities (SDG 11.4).

Responsible management of the Group's properties and operations, financing for environmental investments by households and enterprises, as well as in infrastructures, contribute to the development of more sustainable cities (SDG 11.6).

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Compliance with the relevant regulatory texts in all activities supports the fight against all forms of corruption and bribery (SDG 16.5).

Policies adopted in relation to the Group's activities in specific economic sectors (arms, diamonds and gold) provide guidelines designed to fight any form of violence, child abuse (SDG 16.2), illegal flows of cash and weapons, and organised crime (16.4)

Creation of value

The creation of economic value that is sustainable over time is the Group's principal objective as an essential condition for remunerating shareholders and employees and for maintaining an adequate level of capitalization to support credit activities through allocations to reserves.

This objective is supported by all units of the Group through the establishment of the Business Plan and the relevant project plan, which is known as the Transformation Plan. Progress in connection with this Plan is systematically monitored by the UBI Banca Management Committee in dedicated sessions, so that any remedial measures that may be required can be adopted in a timely manner. During 2017, in connection with the Business Plan, rationalisation projects were pursued for the Group,¹ the distribution network² and the work force³ through improved efficiency, cost containment and projects for innovation⁴ in processes, products and services to make the Group more competitive on the market in terms of quality and convenience.

The [Regulation on the performance measurement system](#) and the [Methodological performance measurement manual](#) ensure that a uniform, consistent approach is used in obtaining information and stating results.

Economic value generated and distributed

[GRI 201-1 201-3:4 202-1 204-1]

The reclassification of the consolidated income statement highlights the economic value generated by the Group, which is substantially reflected in the prices customers pay for the products and services it provides, net of any losses and impairment losses on loans. In keeping with UBI Banca's retail banking focus, the share of financial assets is in fact limited.

In the area of climate change, which has taken on a preponderant role in assessing the sustainability of human, social and economic activity, the Group has no direct exposure to risks correlated with climate change potentially having substantial impacts on the creation of value.

Processes in connection with purchasing (more specifically in connection with fuel and electricity costs) and business and credit (related to extreme weather events that might affect the operational capacities of business customers) may be impacted to a lesser extent, although these risks would be mitigated by the high level of diversification in lending sectors).

On the other hand, business opportunities may arise in promoting investments by individuals and businesses in ways to save energy, the use of alternative energies, and investments by businesses to adapt to changing regulations and efficiency standards for products and production processes.

¹ Reports and Accounts 2017, Consolidated Management Report - *Significant Events in 2017*.

² Reports and Accounts 2017, Consolidated Management Report - *Significant Events in 2017*.

³ Reports and Accounts 2017, Consolidated Management Report - *Human resources*.

⁴ Reports and Accounts 2017, Consolidated Management Report - *Commercial activity*.

DETERMINATION OF THE ECONOMIC VALUE CREATED (thousands of euro)	2017	2016	VARIATION
Interest and similar income	2,261,451	2,161,121	+4.6%
Interest expense and similar	(610,213)	(663,230)	-8.0%
Commission income	1,744,216	1,508,992	+15.6%
Commission expense	(197,425)	(173,959)	+13.5%
Dividends and similar income	13,684	9,678	+41.4%
Net trading income (loss)	122,368	69,947	+74.9%
Net hedging income	(419)	415	n.s.
Income (loss) from disposal or repurchase of:	130,432	91,770	+42.1%
a) loans and receivables	(47,056)	(31,482)	+49.5%
b) available-for-sale financial assets	134,996	149,014	-9.4%
c) held-to-maturity investments	55,937	-	
d) financial liabilities	(13,445)	(25,762)	-47.8%
Net income (loss) on financial assets and liabilities at fair value	12,722	(8,421)	n.s.
Net impairment losses on:	(862,306)	(1,695,584)	-49.1%
a) loans	(728,343)	(1,565,527)	-53.5%
b) available-for-sale financial assets	(165,624)	(111,643)	+48.4%
c) held-to-maturity investments	-	-	
d) other financial transactions	31,661	(18,414)	n.s.
Net insurance premiums	155,128	-	
Other income/expense on insurance operations	(173,384)	-	
Other net operating income	319,825	306,541	+4.3%
Profits of equity investments (for the part from disposals)	(410)	-	
Profits on disposal of investments	859	22,969	-96.3%
Post-tax profit from discontinued operations	-	-	
TOTAL ECONOMIC VALUE CREATED	2,916,528	1,630,239	+78.9 %

DETERMINATION OF THE ECONOMIC VALUE WITHHELD BY THE GROUP (thousands of euro)	2017	2016	VARIATION
Net provisions for risks and charges	9,009	42,885	-79.0%
Net impairment losses on property, equipment and investment property	87,971	80,823	+8.8%
Net impairment losses on intangible assets	68,713	125,197	-45.1%
Profits (losses) of equity investments (the fair value part: write-downs/write-backs, impairment losses/reversals, other expenses/income)	(23,801)	(24,136)	-1.4%
Change in fair value of property, equipment and investment property and intangible assets	-	-	
Net impairment losses on goodwill	-	-	
Negative consolidation difference	(640,810)	-	-
Change in deferred tax assets and liabilities	43,694	(42,176)	n.s.
Profit allocated to reserves	565,014	(937,313)	n.s.
TOTAL ECONOMIC VALUE RETAINED	109,790	(754,720)	n.s.

DETERMINATION OF THE ECONOMIC VALUE DISTRIBUTED TO STAKEHOLDERS (thousands of euro)	2017	2016	VARIATION
b) other administrative expenses (exclusive of indirect taxes, grants and donations) ¹	725,535	564,472	28.5%
SUPPLIERS	725,535	564,472	+28.5%
a) personnel expense ²	1,542,463	1,599,717	-3.6%
EMPLOYEES	1,542,463	1,599,717	-3.6%
Profit (loss) for the year attributable to non controlling interests	26,435	(14,943)	n.s.
Share of profit destined to dividend payments ³	125,543	107,163	+17.2%
SHAREHOLDERS AND NON CONTROLLING INTERESTS	151,978	92,220	+64.8%
b) other administrative expenses: indirect and capital taxes, contributions to the Resolution Fund for the banking sector and to the Deposit County Scheme and contributions as part of treasury services	344,750	396,865	-13.1%
Current taxes on income for the year ⁴	35,482	(277,443)	n.s.
CENTRAL AND LOCAL PUBLIC ADMINISTRATIONS	380,232	119,422	+218.4%
b) other administrative expenses – grants and donations	6,530	9,128	-28.5%
Share of profits allocated to the fund for social purposes ⁵	-	-	
COMMUNITY AND THE ENVIRONMENT	6,530	9,128	-28.5%
TOTAL ECONOMIC VALUE DISTRIBUTED	2,806,738	2,384,959	+17.7%

¹ Excluding indirect taxes, contributions as part of treasury services, charitable donations and sponsorships for social purposes, contributions to the Resolution Fund for the banking sector and to the Deposit Guarantee Scheme (DGS European Directive).

² Inclusive of board members' fees and expenses for external distribution networks (e.g. agents and financial advisors).

³ The figure for the year is based on the allocation of profits proposed to the Shareholders' Meeting. It may differ from the total dividends actually paid out, if a change in treasury shares occurs on the ex dividend date.

⁴ It includes the changes in current taxes of prior years and the reduction in current taxes for the year

⁵ Allocations made by UBI Banca (and before the Single Bank also by the Network Banks) according to the provisions of its Articles of Association.

Employees

Economic value distributed to employees includes coverage for commitments resulting from internal funds, consisting of defined benefits and having the nature of items on companies' balance sheets. In this connection, contributions are allocated to the "provision for risks and charges: pension and similar obligations", which are subject to periodic actuarial measurement in compliance with IAS 19 "Employee benefits". It also reflects payments made to external pension funds in the framework of defined contribution plans from which all of the Group's employees benefit. Remuneration, which is the main component of the economic value distributed to employees, consistently exceeds the minimum provided by the trade unions.

AVERAGE SALARY, FIRST JOB COMPARED WITH TRADE UNION MINIMUM¹	2017	2016
Men	108.0%	108.4%
Women	106.5%	104.8%

¹ The base salary set in the national labour contract for the 3rd level 2nd area.

Shareholders

Share capital is composed of ordinary shares, each of which has equal dividend rights. As a result of its capital strength, UBI Banca has consistently been able to pay a dividend to the shareholders, even during the most difficult years.

In addition to shareholder dividends, this item includes the Group's profits attributable to non-controlling shareholders included in the consolidation.

Suppliers

The economic value distributed to suppliers accounts for 98% of the turnover of local suppliers, which are defined for that purpose as suppliers resident in Italy. When possible and advisable owing to the type of goods and services acquired, suppliers operating near the operational locations are used.

Public administration

UBI Banca has never received any form of government assistance. It has engaged in transactions with central banks in the framework of financing programmes (e.g. TLTRO) to promote financial stability or to facilitate monetary policy transmission.

Community and environment

The economic value of belonging to a community and the environment is represented by the costs sustained during the fiscal year for social purposes (independently of the actual payments during the same year) or the profit allocated to the reserve available to the corporate bodies (see "Board's Fund"). The framework of contributing to social organizations marginally reflects initiatives to promote conservation of the environment. However, the Group has devoted substantial, consistent expenditure and investments to reduce its environmental impacts, that are not reflected in the distribution of the economic value created.

SPENDING ON INVESTMENTS FOR THE ENVIRONMENT (thousands of euro)	2017	2016
Waste management	1,955	1,287
Electricity GO certificates purchased ¹	-	5
Replacement of UPS's at strategic sites		918
Replacement of air conditioners at Brescia DPC (2017 quota)	99	1,600
Consumption monitoring and feedback systems - first stage - for 772 branches (2017 quota)	988	2,820
Consumption monitoring and feedback systems - second stage - for 628 branches (2017 quota)	2,207	
Consumption monitoring system at the large New Management Centre building in Brescia (2017 quota)	184	
Replacement of UPS of Teatina Bank	17	
TOTAL	5,450	6,630

¹ The UBI Group and the Bridge Banks purchased the share of GO certified electricity from a firm that produces directly from renewable sources and is not shown the additional costs for the certification.

Integrity in corporate conduct

[GRI 102-16:17]

Compliance with the rules is the first principle of sound, prudent management that has consistently characterized UBI on the market. It is the principal foundation for the trust of customers and all other stakeholders and the first component of the objective of "banking fairly and well" as a way of affirming a distinctive identity on the market, reflected in the observance not only of external standards, but also of the principles, values and rules of conduct defined independently in the Code of Ethics and accepted through accession to the United Nations Global Compact.

The [Code of Ethics](#), the [Code of Conduct for Employees of the Group and the Management, Organization and Control Model pursuant to Legislative Decree No. 231/2001](#) (known as the 231 Model) constitute the main references on compliance with the regulatory texts, in terms of the risk of commission of crimes (including corruption, money-laundering and usury) or of engagement in activities that are illegal or inconsistent with the principles of ethics. The general principles are reflected in the specialized legislation governing different areas in the form of policies, circulars and rulebooks. The Group CSR Manager provides support and advice for training and communication activities and for the interpretation and implementation of the principles of the Code of Ethics.

The responsibility to manage and spread the culture of regulatory compliance, as a principle of integrity in corporate conduct, promoting rigorous compliance with high standards of conduct, is governed by the [UBI Group's¹ non-compliance risk management policies](#) incumbent on the organizational units responsible for [Audit](#) (the Chief Audit Executive, a staff unit of the Supervisory Board) and [compliance](#) (a staff unit of the Management Board) functions.

With particular reference to fighting money-laundering and usury, UBI Banca adopted the [Strategic guidelines and policies governing risks connected with money-laundering and the finance of terrorism; the Group's organisational regulations on fighting money-laundering and the finance of terrorism;](#) and the [Group's regulations relating to usury](#). Management of anti-money-laundering activities is incumbent on the [Anti-Money Laundering & Claims Area](#) that reports to the Chief Risk Officer under the directives provided in the document.

The Code of Ethics and 231 Model provide specific channels and processes for identifying and managing unethical or illegal practices, headed respectively by the Chief Audit Executive and Supervisory Body provided by law. In addition, the [Group's Policy on internal whistleblowing systems](#) provides a specific channel for reporting activities or events potentially constituting violations of the regulatory texts governing banking or financial activity. All channels subject whistleblowing to anonymity and provide confidentiality and protection from retaliation for whistleblowers.

The Code of Ethics, due to its key role in the application of Group values and principles, in addition to being officially adopted by all subsidiaries, is also brought to the attention of other investees so that they may commit to maintaining conduct consistent with the principles contained in it. It is communicated to staff through the app for the consultation of internal regulations on the corporate intranet and in hardcopy form for companies who have no access to that portal. It is delivered to members of governing bodies and to newly recruited personnel, when a relationship is established. It is published on the Group website and it is delivered to all those who work with the Bank under contract or who represent the Bank, even without

¹Noncompliance risk management Policies defined the reference principles and guidelines for management of the risk of incurring court-ordered or administrative penalties, substantial financial losses or reputational damages as a result of violations of mandatory regulations or self-regulatory rules and features of the organizational compliance model.

being subordinate to it. Suppliers are required to sign a declaration of acceptance as part of the relevant contractual arrangements.

The Audit function, in the framework of quarterly reporting in connection with the governing bodies, prepares a report indicating the number of investigations carried out and the type of measures adopted. It also prepares an annual report on the proper operation of internal whistleblowing systems with aggregate information on the results of actions taken on whistleblowing reports received.

Compliance

[GRI 307-1 416-2 417-2:3 419-1]

For reports on the findings and penalties to which UBI Banca and other companies in the Group have been subjected for noncompliance with the laws and regulatory texts, see the relevant paragraph of the [Consolidated management report](#).² No relevant penalties were reported for 2017 other than those we have indicated. In particular, there were whistleblowing activities for significant noncompliance with communication processes, as provided under the Group's internal regulations, nor were any substantial penalties reported under the provisions governing information technology reported in connection with product placement and investment services. No cases or circumstances were reported involving violations of the regulations and/or codes of conduct adopted in the area of transparency for products and services and proper customer relations. No significant fines or penalties were applied for noncompliance with the environmental regulations.

Through the appropriate whistleblowing channels, six reports were filed for violations of the Code of Ethics, which are pending investigation. No violations of the Code of Ethics have been confirmed through investigations conducted in connection with reports through the whistleblowing channel.

WHISTLEBLOWING REPORTS	2017	2016
Whistleblowing reports received		
<i>UBI Banca</i> ¹	10	7
<i>IW Bank</i>	1	0
<i>Total whistleblowing activities</i>	11	7
Whistleblowing investigations		
Whistleblowing reports during the year	11	7
Whistleblowing reports under investigation at the end of the previous year	1	0
Total whistleblowing reports under examination	12	7
of which:		
<i>closed on completion of the established procedure</i>	4	6
- <i>because not relevant to the Policy</i>	1	2
- <i>subject to appropriate management provisions</i>	3	4
- <i>follow-up frameworks not indicated</i>	0	0
<i>in progress</i>	8	1

¹ The 2016 data include five whistleblowing reports submitted to the Group's network banks prior to the incorporation of UBI Banca; the 2017 data include two reports submitted to Banca Adriatica prior to the incorporation of UBI Banca.

² Reports and Accounts 2017, Consolidated management report – *Other informations*

REPORTS AND VIOLATIONS OF THE CODE OF ETHICS	2017	2016
Alleged violations recorded in the year	6	
of which:		
from reports received	6	
from internal audits of organisational units		
from audit activities		
Violations defined in the year	2	
of which:		
ascertained with penalties imposed		
ascertained with corrective action ¹		
without grounds		
Violations being defined at the end of year	6	2

¹ E.g. training activities, organisational changes and improvements to the internal control system.

Corruption, money laundering and usury

[GRI 205-1:3]

All activities and organisational units are subject to verification connected with implementation of the 231/2001 Model (corporate liability model), while the Supervisory Body reports to the governing bodies on its adoption and effective implementation, the supervision of its functioning and oversight of its update.

All transactions are monitored according to the amount limits set by the relevant legislation by means of dedicated software applications which support the identification of evidence potentially connected with money laundering or other illegal activities, including corruption. The situations detected are subsequently subject to assessment by the organisational units responsible for managing the customer relationship and then by the central control unit.

The following activities were carried out during 2017:

- 12,200 hours of training, with 9,590 participants, on the principles of Legislative Decree No. 231/2001 and anti-corruption policies and procedures with mechanisms differentiated to reflect different levels of responsibility;
- 18,748 hours of training in the anti-money-laundering framework: in the classroom and through the e-learning platform with 7,844 participants (personnel from the UBI Banca commercial network, senior management, and employees from Group companies operating as the first point of contact with the customers).

During 2017, there were no cases of corruption involving Group personnel.

PARTECIPANTS TO TRAINING ON ANTI-CORRUPTION PRACTICES ¹	2017			2016		
	Nord	Centro	Sud ed Isole	Nord	Centro	Sud ed Isole
Senior managers	96	8	5	7	2	2
as a percentage of the total Senior managers	31.0%	22.9%	33.3%	2.3%	13.3%	13.3%
Middle managers	3,174	509	487	108	57	49
as a percentage of the total Middle managers	55.5%	28.7%	55.5%	1.9%	7.1%	5.2%
Professional areas	4,058	645	608	167	107	58
as a percentage of the total Professional areas	57.2%	20.1%	49.2%	2.4%	10.0%	4.5%
TOTAL	7,328	1,162	1,100	282	166	109
as a percentage of the total	55.8%	23.2%	51.7%	2.2%	8.8%	4.9%

¹ Topic covered in the training about Administrative liability of entities (Legislative Decree No. 231/2001)

PARTICIPANTS TO TRAINING ON ANTI-MONEY LAUNDERING PRACTICES	2017			2016		
	Sud ed Isole			Nord	Centro	Sud ed Isole
	Nord	Centro	Isole	Nord	Centro	Isole
Senior managers	49	9	4	102	5	6
<i>as a percentage of the total Senior managers</i>	15.8%	25.7%	26.7%	33.1%	33.3%	40.0%
Middle managers	1,769	1,108	373	2,810	484	520
<i>as a percentage of the total Middle managers</i>	30.9%	62.6%	42.5%	49.5%	60.5%	55.1%
Professional areas	2,314	1,793	425	3,443	638	663
<i>as a percentage of the total Professional areas</i>	32.6%	55.8%	34.4%	50.1%	59.9%	51.9%
TOTAL	4,132	2,910	802	6,355	1,127	1,189
<i>as a percentage of the total</i>	31.5%	58.0%	37.7%	49.4%	59.9%	53.2%

Anti-competitive behaviour

[GRI 206-1]

With a provision of 21st January 2016, the *Autorità Garante della Concorrenza e del Mercato* (AGCM – the Italian Competition Authority) launched an investigation into the Italian Banking Association concerning the possibility that the interbank agreement involving the SEDA service³ (and more specifically the remuneration mechanism inherent in it), as set forth by the Italian Banking Association itself in a circular it issued in 2013, might constitute a resolution for an association of companies that restricts competition. With a provision dated 13th April 2016 the AGCM decided to broaden the investigation to include some banks (including UBI Banca), because the AGCM had found that the banks themselves were taking an active role “in the definition of the SEDA remuneration system, also with reference to the transition stage from the RID direct debit system to the new systems and to the treatment of mandates already deposited”.

On 19th April 2016, concurrently with the notification of the decision for further investigation, inspections were conducted in some branches, including UBI Banca, which was found to have no involvement whatsoever in the alleged activities. On 7th April 2017, the statement of defence was filed in response to the communication of the results of the investigation and the final hearing before the authorities was held on 13th April 2017. On 15th May 2017, the AGCM notified UBI of the decision to close the proceeding under which, although it was found that the parties had implemented an agreement to restrict competition, it was decided not to issue any penalties as they were not merited by the minor violations confirmed.

Human rights

[GRI 408-1 409-1 412-1:3 FS6]

As a result of the location and nature of the activities carried out, the operational framework for risks of violations of human rights laws would seem to be strictly limited and less likely to involve the Group's operational activities (except for the purchasing of gold and diamonds) than to involve health and safety risks for persons in connection with products from certain controversial economic sectors subject to credit activities.

Where these sectors are concerned, considering the strictly marginal volume of activity, the Group has no specific policies, except for the arms sector, for which the Group adopted the

³ An optional ancillary reporting service in connection with the SEPA Direct Debit system.

relevant policy⁴ in 2008 and in the area of gambling and gaming, for which it adopted an Internal Credit Area Directive in 2011.

CONTROVERSIAL SECTORS	2017		2016	
	Lending (millions of Euro)	Percentage of total loans	Lending (millions of Euro)	Percentage of total loans
Arms	142.7	0.24%	68.6	0.13%
Tobacco	87.1	0.14%	62.1	0.11%
Alcohol	46.5	0.08%	45.1	0.09%
Furs	8.1	0.01%	7.6	0.01%
Gambling	12.6	0.02%	6.1	0.01%
Nuclear	0.0	0.00%	0	0.00%
TOTAL	297.2	0.51%	189.4	0.36%

End of November data for 2017 and end of October data for 2016, as a percentage of total loans to businesses.

A full check was carried out on the customer database in 2017, which amongst other things resulted in updates of the economic sector activity codes with which the loans reported in the table are calculated.

The main objective of the Group's [arms Policy](#) is to avoid the Group's involvement in operations potentially contributing to human rights violations and therefore prohibits relations with enterprises involved in weapons of mass destruction and other controversial arms such as mines, incendiary and laser weapons, fragmentation and depleted uranium weapons and is subject to limits and a rigorous authorisation process for the approval of banking and financial services for international arms trading operations, depending on the types of weapons and the countries involved.

In 2017 206 banking transactions were carried out for exports made by clients for a total of €50.1 million (€13.2 million of which is attributable to Nuova Banca Etruria and Nuova Banca Marche) as against €23.4 million the previous year, distributed as follows:

- €47.7 million in connection with arms equipment pursuant to Law No. 185/1990 (89.7% to EU/NATO/OECD countries);
- €2.4 million in connection with weapons for civilian use, classified as light weapons (98.1% to EU/NATO/OECD countries).

As in past years, all transactions were carried out in compliance with this policy, and no waivers were granted.⁵

⁴ <http://www.ubibanca.it/pagine/Policies-CSR-EN.aspx>

⁵ In 2017, UBI Banca ratified an operation in connection with €51,9000 in arms exports to Indonesia, for which the customer failed to provide timely information. A further 11 operations were reported totaling €1.8 million were channeled from customers of Nuova Bank Etruria and Nuova Banca Marche prior to their integration into UBI Group, to countries not permitted under the Group's policy (Albania, Colombia, Ecuador, India and Thailand).

TRANSACTION PERFORMED FOR EXPORTS OF ARMS AND ARMAMENTS SYSTEMS ¹	2017		2016	
	Amount of transactions (millions of euro)		Amount of transactions (millions of euro)	
Military arms and munitions ²	3.7	7.3%	0.1	0.45%
Military aircraft and other craft ²	37.4	74.7%	16.8	71.76%
Military systems and equipment ²	6.6	13.2%	1.8	7.83%
Arms and munitions for civilian use ³	2.4	4.8%	4.7	19.98%
TOTAL	50.1	100.0%	23.4	100.01%

¹ The following transactions do not fall within the scope of the Group policy on arms and are therefore excluded from the report arms for sports and hunting and the relative ammunition, reproductions of antique of arms (Art. 1, paragraph 11, Law No. 185/1990), unless these are destined to government bodies, the armed forces or the police, and transactions performed on behalf of the government (Art. 8 Law No. 185/1990) or within the framework of joint intergovernmental programmes (Art. 13 paragraph 1, Law No. 185/1990).

² Arms which, because of their specifications or technical and construction or design characteristics, are to be considered as having been constructed mainly for military se or by armed corps or police (Art. 2 of Law No. 185/1990).

³ Ordinary firearms pursuant to Art. 2 of Law No. 110 of 18th April 1975 and short firearms provided they are not automatic (Art. 1 paragraph 11 of Law No. 185/1990), commonly known as "light" arms, unless these are destined to the armed forces or the police.

In compliance with the commitment to transparency provided under the Group's arms policy, a more detailed report on the operations in question is published in the Social Responsibility Section of the Group's corporate website concurrently with the publication of the Government's report to Parliament under Law No. 185/1990⁶.

Where the **gambling and gaming sector**⁷ is concerned, the internal directive provides that operations in this sector are completely marginal and that extremely stringent procedures are used in the assessment of financing applications. In addition to meeting creditworthiness requirements, transactors in this sector must already be favourably known to the bank and meet criteria for absolute integrity, seriousness and reliability. <http://www.ubibanca.it/pagine/Policies-CSR-EN.aspx>

Last, the Group has a pending commercial bid on the sale of diamonds to clients and with the acquisition of Nuova Banca Etruria, it also acquired an activity in the gold sector. For these activities as well, potential involvement in activities that might entail risks of human right violations is considered. Accordingly, **diamonds** are purchased through Diamond Love Bond,⁸

⁶ <http://www.ubibanca.it/pagine/Policies-CSR-EN.aspx>

⁷ The organisation of gaming and betting in those European countries which allow it is managed by central governments which sub-contract operations to private sector companies in return for the payment of license fees. In Italy, laws allow gaming and betting activities to be run by companies authorised by government, which intends in this manner to exercise stringent control over a highly profitable sector with a high risk of illegality.

⁸ Diamond Love Bond is a diamond company located in Antwerp authorised by the Belgian Ministry of the Economy, Commerce and Energy, with an international organisational network and it is present on all world diamond exchanges. The company adopts rigorous ethical principles. It follows and supports the UN Global Compact principles and adheres to the rules of conduct for Diamond companies – best practices recommended by the World Diamond Council System of Warranties and by the Diamond Trading Company – and it adheres to and complies with the Kimberley Protocol designed to break the link between illegal diamond transactions and armed conflicts.

which certifies the origin to be “conflict free” (not deriving from zones of conflict or operations to finance armed groups or conflicts) and “child labour free” (not deriving from mining and working processes using under-age labour). For the responsible sourcing of gold, UBI Banca has adopted the existing policy of Nuova Banca Etruria subject to the relevant amendments, for adoption group wide.⁹ In 2017 470 diamond trading transactions were brokered and 422 transactions to purchase gold or to repay a loan in gold were carried out for which verification of compliance with the relative policy was also carried out.

These transactions were close to zero as a percentage of the total number of transactions carried out by the Group. There were no other contracts or investments which are subject to or include clauses that are subject to human rights assessment.

Depending on performance in connection with the Single Bank and the relevant transfer of skills for management of operations governed by the Group's arms policy, numerous training sessions on this topic – for a total of 381 hours - were held for 127 staff members responsible for international trade activities (0.6% of Group employees), which also focused on human rights issues.

⁹ The Policy defines the internal guidelines for responsible sourcing of gold, with particular reference to the risk of violations in connection with human rights and financing of armed groups in the supply chain, drawing from the Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas” from “OECD Due Diligence Guidance for Responsible Supply Chain”. The policy is available to the public from the Social Responsibility section of the corporate website (www.ubibanca.it).

Corporate governance and risk management

The quality of the corporate governance and risk management system is a priority issue in the pursuit of the Group's strategic objectives.

The following factors with reference to sustainability issues are particularly important: i) the expertise of the governing bodies and their ability to make planning decisions consistent with important scenario variables, and with the stakeholders' expectations, so that the sustainability priorities can be adequately integrated into the business strategy and operational processes; ii) implementation of adequate mechanisms for delegating authority and the involvement of management in strategies; iii) effective risk management, which entails, amongst other things, the alignment of performance measurement and incentive systems.

UBI Banca has adopted an organisational model based on a single business unit that provides for centralised, synergistic performance of common service functions and management of banking and financial products by the product companies, with the objectives of achieving excellence and optimizing the distribution force through the commercial network.

This approach is formalised in the organisation, management, and control model pursuant to Legislative Decree No. 231/2001 on the administrative liability of legal persons, companies and associations even without a recognised legal personality. In addition to representing grounds to exempt the Bank from liability in connection with the commission of certain types of crime and administrative offenses, this model also constitutes an act of social responsibility vis-à-vis the stakeholders because of the benefits that result in terms of the integrity and sustainability of operations.

For effective risk management, the Group has adopted [Group regulations on the integrated risk reporting, management and mitigation action¹](#) and specialized regulations governing specific types of risk. In relation to non-financial risks, the Group adopted a [Reputational risk management policy](#), which requires socially responsible conduct, monitoring and responding to the economic, environmental, and social expectations of all stakeholders, with the objective of gaining competitive advantages and maximizing returns in the long run. Where other non-financial risks are concerned, more specifically in connection with the environmental and social aspects of operations, in 2018 the Group worked on a comprehensive review of the internal regulations with a view to making any necessary additions to them.

Corporate governance

[GRI 102-18:19 102-21:29 102-33:34 405-1]

UBI Banca has adopted a two tier governance system consisting of a Supervisory Board and a Management Board. The Supervisory Board performs the duties of strategic policy-making and supervision (including performance assessment) of the management of the Bank and is the highest governing body of UBI Banca. It defines the Group's principles and ethics with its approval of the Code of Ethics.

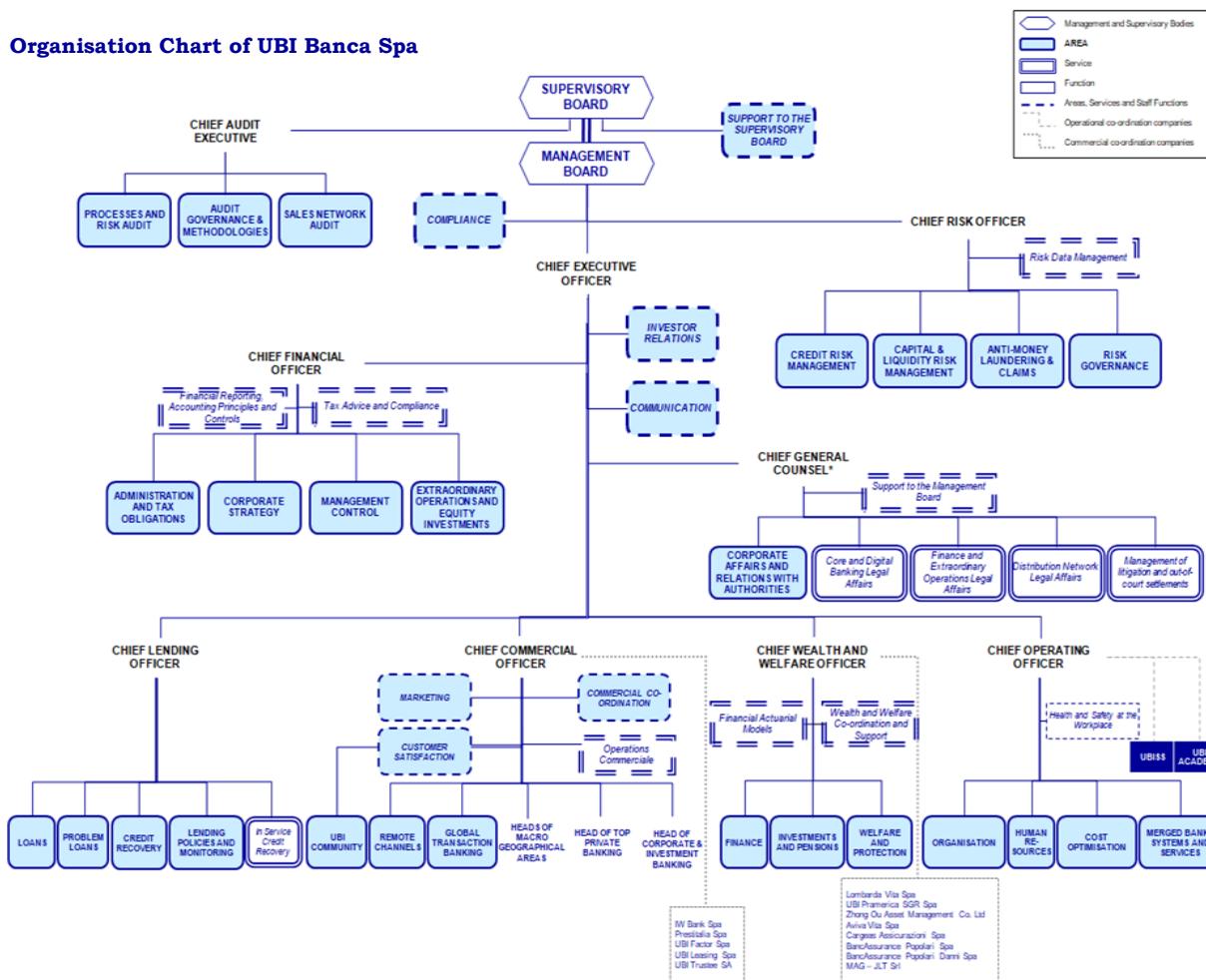
For an in-depth discussion of UBI Banca's governance system, see the [Report on corporate governance and the ownership structure of UBI Banca SpA in accordance with Art. 123-bis Consolidated Finance Act](#), contained in the Reports and Accounts 2017.² This report covers: the structure, composition (more specifically in connection with gender diversity,

¹ The Regulations are designed to support the process of identification, measurement and monitoring on company risks, behavioural shortcomings and damaging events.

² Consolidated financial statements of the UBI Banca Group 2017, Report on corporate governance and the ownership structure of UBI Banca SpA.

qualifications, and expertise of the members), powers of the governing bodies; the processes and criteria for appointing the governing bodies and relative internal committees; processes for managing conflicts of interest and delegating authority; and mechanisms for developing expertise and performance assessment. Induction sessions were organised for board members on matters related to Legislative Decree No. 254/2016 and within the broader framework of sustainability issues as part of programmes to develop the expertise of members of governing bodies. The governance system is based on a constantly updated organizational structure with the aims of structural simplification and operational efficacy and efficiency.

Organisation Chart of UBI Banca Spa



Remuneration and incentives

[GRI 102-35:39]

For policies on remuneration and incentives, see the Remuneration Report ³.

Governance of sustainability

[GRI 102-20 102-40 102-42:44]

Ethical, social, and environmental aspects of management are co-ordinated by the Group's **CSR Manager**, responsible for UBI Banca's Corporate Social Responsibility Function, who reports to the Financial Reporting, Accounting Principles and Controls Service. This service reports to the Chief Financial Officer, who is on the staff of the Chief Executive Officer.

Responsibilities on specific topics are delegated to:

³ Reports and Accounts 2017, Remuneration Report – Shareholders' Meeting 2018.

- The **Welfare and Mobility Manager**, in the Human Resources Area under the Chief Operating Officer, who is responsible for optimising systematic travel by employees and for the conception and co-ordination of action to improve the quality of life of persons inside and outside the Bank, from the viewpoint of both organisational well-being and personal well-being, offering concrete opportunities in terms of services and benefits;
- The **Health and Safety Manager**, manager of the Prevention and Protection at the Workplace Unit, who reports to the Chief Operating Officer, responsible for the management of all aspects of health and safety of workers, by means of occupational risk assessment, prevention, and monitoring, and the appropriate corrective and training activities;
- the **Energy Manager**, manager of the Energy Management Operational Unit in the Real Estate Department of UBI Sistemi e Servizi, who is responsible for analysing the energy requirement and for taking action to optimise consumption and improve the energy efficiency of buildings and services.

Sustainability governance provides opportunities for discussion and dialogue with stakeholders to identify their expectations in connection with the Group's activities. In drafting the Code of Ethics, UBI Banca has identified the major categories of stakeholders: customers, staff, investors, suppliers, communities (with particular reference to local communities), public authorities, operators on the financial market, the media and opinion leaders and organizations representing stakeholders' interests.

Current activities in terms of consultations with stakeholders involve shareholders (through Shareholders' Meetings held as provided in the Articles of Association, at least on an annual basis in connection with the publication of the financial statements, and meetings in the field with senior management in connection with significant events in the life of the Bank, such as the development and implementation of the Single Bank Project in 2017), operators on the financial market and the media (through investor and media relations activities, on an intensified basis in connection with important dates on the financial calendar), employees (through periodic consultations with trade union organizations and studies on organisational well-being), and customers (through customer satisfaction surveys conducted systematically during the year).

FINANCIAL COMMUNICATION ¹	2017		2016	
	No. of events	No. of contacts	No. of events	No. of contacts
Conference calls/presentations ²	6	822	5	812
International conferences	7	219	6	186
Road shows	17	182	10	99
Individual and group meetings	46	166	55	138
TOTAL	76	1,389	76	1,235

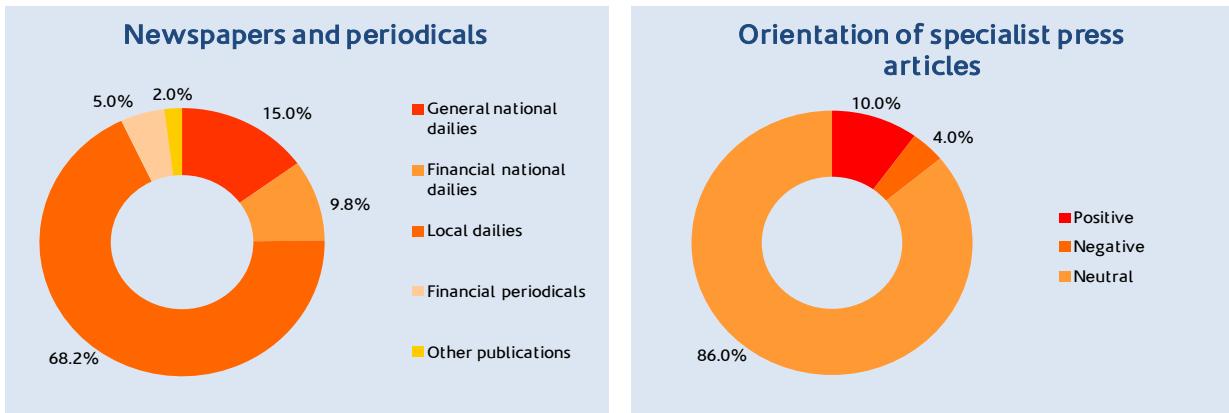
¹ Events organised with investors and analysts of the share and with investors in debt instruments. The number of contacts are the number of interactions, which may even be with the same parties, at different events on different dates.

² 5 conference calls e 6 presentations (also attended by UBI Group employees)

RELATION WITH THE PRESS	2017		2016	
Press articles		95		64
of which:				
<i>financial</i>		60		38
<i>informational</i>		11		13
<i>social / local initiatives</i>		19		10
<i>on products and services</i>		5		3
Meeting		12		11

The main social and environmental issues brought to light in carrying out these activities in 2017 involved employment (covered by trade union agreements relating to the Single Bank Project and the acquisition of three New Banks), the commitment to the local economy and

community (an issue addressed by shareholders in Shareholders' Meetings) and involvement in economic sectors which may be experiencing social difficulties (questions specifically involving the armaments sector raised by a shareholder, customers, and social organisations). These issues are already being addressed by the Bank and are discussed in this Report.



As concerns communication through the social media, initiatives are ongoing to enhance social public interest and interactions in these forums. More specifically, on [Facebook](#), UBI Banca's activities focused on expanding its community to 244,000 fans (up 25% on the previous year), with more than 150 million UBI Banca content views (up 39% compared with 2016) reaching an average of 3 million persons each month. On [Instagram](#), a number of activities were commenced leading to an annual growth of 37% in followers and a 32% increase in engagement through an additional 300 published content items. Our [Linkedin](#) editorial and recruiting activities for which Human Resources is responsible made it possible to reach 50,900 followers, including 4,800 employees, with a further 216,000 job vacancy views. Last, on [Youtube](#), the UBI Banca channel in 2017 to all intents and purposes tripled the minutes of video viewing from just over 4 million to 11 million.

In 2018 the Bank intends to introduce a programme for consultations with stakeholders more directly related to the management of important sustainability issues, to steer the incorporation of important environmental and social issues into the long-term strategies, in the framework of the Group's strategic planning process.

Risk management

[GRI 102-11 102-30:31]

For a description of the internal control and risk management system, see the [Report on corporate governance and the ownership structure of UBI Banca SpA in accordance with Art. 123-bis Consolidated Finance Act](#), contained in the Reports and Accounts 2017. The main risks and uncertainties to which the UBI Banca Group is exposed are analysed in the relative section of the [Consolidated Management Report](#) contained in Reports and Accounts 2017.

With particular reference to non-financial risks described in the sub-section Material Issues in the Strategy section, the Chief Financial Officer is responsible for the process of the identification, measurement and management of these risks through the Corporate Social Responsibility function, in the framework of the process of identifying and managing sustainability issues of importance to the Group.

Respect for customers

The changing competitive environment that banks must address through digital transformation and the consequent changes in customer behaviour and expectations are of growing strategic significance.

The primary objective is now to attract and retain customers better than the competition and to do this we need to adopt a competitive strategy that can create and reinforce bonds of trust. From this point of view customer satisfaction with quality and the cost of the product or service provided are not the only factors affecting customer loyalty. Of equal importance are customer expectations relating to the intangible aspects of the relationship, including the perception of the transparency of contractual conditions, security and privacy in relationship management and the solutions provided for problems and emergencies. This is gaining further significance due to the establishment of a service model centred on a variety of digital channels that does not offer the same reassurance of direct personal contact and is increasingly tied to technologies that increase internet data flow and the security problems associated with it.

It is also the opinion of the Bank of Italy that the quality of relationships between banks and their customers is a key strategic factor for the competitiveness and soundness of intermediaries and that good rules, effective self-regulation and correct behaviour are the cornerstones of customer protection.

UBI Banca shares this vision and evaluates respect for customers from the viewpoints of **security** (in terms of business continuity, IT systems and physical security in branches); **uniformity of products and services** (in the sense of providing customers with transparent information); **marketing communications** (above all in terms of the proposals being appropriate to customer needs and profiles and the appropriateness of the promotional communications and the commercial contact), **respect for privacy** and, more generally, **compliance** with legislation and regulations – including voluntary codes of conduct – that govern the sale and use of products and services.

In the Italian context, all these aspects are governed by specific legislation and regulations for the sector, that the Group incorporates into its internal regulations that it distributes to all employees on the corporate internet and covered on specific refresher courses. In particular, the **Group has adopted an Internal policy for managing inducements¹**, **Guidelines on commercial practices aimed at consumers²**, a **Regulation implementing Bank of Italy provisions on the transparency of banking and financial operations and services³**, a **Policy for**

¹ The policy incorporates criteria to implement the obligation to act in the best interests of the customer and ensure that commercial information is correct and transparent.

² The guidelines are intended to state behaviour relating to commercial practices more clearly, in compliance with the provisions of the Code of Conduct, providing relevant information about operating in compliance with the provisions of Title III of the Consumer Code.

³ This regulation implements Bank of Italy provisions which assume business relationships based on good faith and integrity and are intended to improve the effectiveness of transparency tools, regulate the behaviour of intermediaries in order to promote more considered customer choices in line with their financial requirements and make it easier to compare offers and promote competition in the market.

managing proposals to make unilateral changes to the terms and conditions for customers⁴ and the Group product development and management policy⁵. The regulations are based on:

- organisational controls overseen by the Chief Commercial Officer for management activities and first level controls and by the Chief Risk Officer, the manager responsible for the Compliance Function and the Chief Audit Executive for second level controls;
- internal regulations (policies, regulations and rule books), in relation to the relevant aspects of the issue;
- technical controls consisting of dedicated support platforms for commercial activities (e.g. identification of customers to which determined products and services should be offered on basis of an analysis of their particular life cycle and behavioural profile and thus any unmet financial needs) and protection devices on IT systems.

UBI Banca uses its Customer Satisfaction Unit to monitor customer satisfaction and direct the activities of the Group on the basis of the quality of the customer experience⁶.

Health and safety

[GRI 416-1]

During 2017 activities to upgrade physical security assets in branches, emergency exits and medical emergency alarm systems equipment continued in accordance with Legislative Decree No. 81/08. Particular attention has also been paid to ATM attacks, due to which new pre-tested deterrence systems have been installed and new physical devices have been applied to prevent the removal of the ATM itself. Approximately 300 branches have been upgraded. In order to combat robberies more effectively a new remote management system for opening safes has been identified and tested with positive results and is scheduled for installation in 200 branches in 2018.

THEFTS AND ROBBERIES (included ATM)	2017 ²			2016		
	Thefts	Robberies	Total	Thefts	Robberies	Total
Events	35	25	60	64	18	82
Frequency Index ¹	1.6	1.7	3.3	2.8	1.1	3.9
Employees involved	0	138	138	0	179	179

¹ Number of events every 100 branches.

² Data don't include Banca Teatina.

Protection

[GRI 417-1 418-1 FS15]

Transparency

The Bank of Italy has issued specific provisions on the transparency of banking and financial operations and services. These set minimum and general standards for the preparation of the documentation used to provide customers with information (structure of the documents, essential information, choice of terminology, standardisation of some common types of

⁴ The policy contains the strategic guidelines and general principals that the UBI Group intends to adopt for exercising the right to unilaterally change the conditions of long term contracts with customers (termed the ius variandi). The main provisions for the implementation of this policy are included in the "Regulation implementing Bank of Italy provisions on the transparency of banking and financial operations and services".

⁵ The policy establishes guidelines for the development and distribution of new products and the maintenance over time of catalogue products in order to interpret the needs and characteristics of intended customers accurately, consistent with the mission, strategy, business objectives and overall corporate architecture of the Group.

⁶ Reports and Accounts 2017, Consolidated Management Report - *Commercial activity*, Customer satisfaction.

contract) and they also introduce obligations for banking and financial intermediaries as well as for the marketing of traditional banking services of an organisational or control nature for compliance with regulations governing transparency and integrity in relations with customers. In 2017 522 complaints were received in relation to communications and information sent to customers, out of an overall total of 15 thousand, in line with 2016 (639). In general the transparency rules complement those required by other areas of regulation concerning transparency and proper conduct towards customers including, for example, those relating to investment services, regulated by the Consolidated Finance Law, insurance products or the provisions of the Consumer Code.

Product responsibility

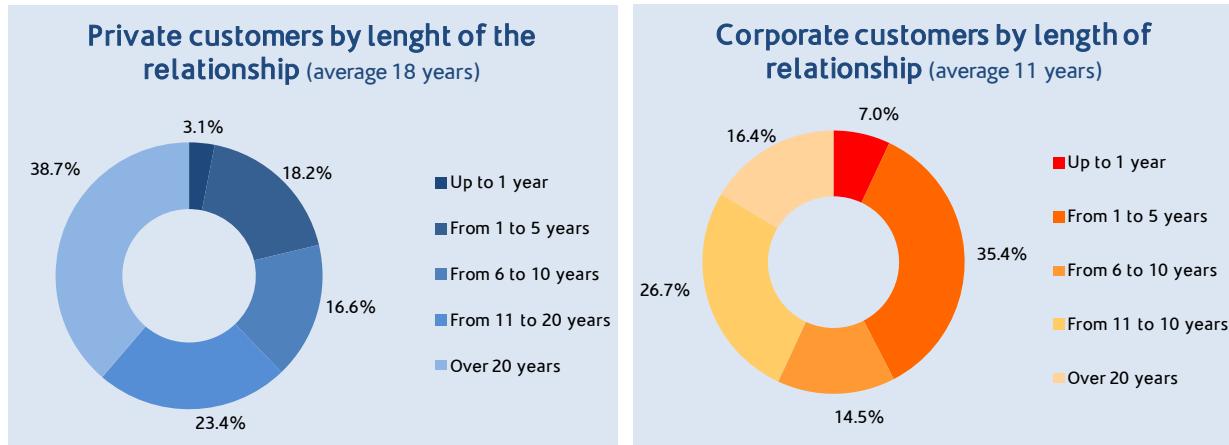
In this respect it is noted that in the field of banking and financial services product responsibility relates mainly to respect for the interests of customers in commercial and marketing practices and more broadly to the impact on customer well-being and the local economy. The principal relevant authorities, on the necessary assumption that the banking sector (including the producers and distributors of banking products and services) *must take the needs of its customers into consideration when developing a product* have issued specific guidelines to strengthen measures for the prevention of behavioural and operational errors in the management of the commercial portfolio that could cause serious damage to customers, with consequent negative repercussions on the relationship of trust between the customer and the bank and potential damage to market integrity. These provisions regulate the definition and implementation of suitability requirements for all banking products offered in relation to specific characteristics of the customer to whom the product is offered and require the suitability requirements to be maintained throughout the life cycle of the product and/or the relationship with the customer. In this context, the principle of suitability is defined, although with differing areas of application, for both the producers and distributors of offered products.

More specifically, the Bank of Italy, in line with its consumer protection commitments, has started the process to implement the EBA Guidelines on product oversight and governance arrangements for retail banking products (supranational product governance guidelines), and provided for them to be added to the relevant regulatory provisions governing transparency and proper relationships with customers advanced for consultation from 8th February 2018. With the entry into force of the MIFID II regulations on 3rd January 2018, similar provisions apply in relation to the offer and management of investment products and services. Finally, it should be taken into consideration that from 1st October 2018 (when the regulations relating to the Insurance Distribution Directive come into force) the principles concerning the suitability of the offer to the characteristics of the customer will also apply to the overall management of the life cycle of insurance products.

UBI Group has a specific **Product development and management policy** in place defining strict and explicit rules for the development and distribution of new products and the maintenance of existing products. The policy requires the involvement of a variety of organisational units using their different areas of expertise to ensure the proper and effective performance of the process in order to pursue objectives of **quality, technological innovation, competitiveness, and regulatory compliance**, consistent with our mission, strategy, business goals and the overall corporate architecture of the Group. In view of the regulatory developments specific initiatives are underway for a detailed revision and updating of the current policy so that all the regulatory provisions that have already been issued or are currently being finalised.

In developing and managing products, particular attention must be paid to reduce time to market and ensure that products and services are suitable for **customer characteristics** (e.g. age, profession, investment plans) and **needs** (e.g. financial, protection from risk), in addition to the adoption of organisational procedures to define: i) ways of identifying the market in question; ii) the product testing phase (designed to assess the market impact of new products in a variety of scenarios); iii) the monitoring phase (designed to ensure the continuing suitability of the products for the market in question and iv) corrective actions to resolve any critical issues found with the products. The producers will also have to choose suitable distribution channels for the specific intended markets of the products while the distributors will need to have sufficient knowledge of the intended markets and provide consumers with all the relevant information (product characteristics, risks and price).

The characteristics and needs of customers are surveyed through special consultation and interview procedures (e.g. focus groups with customers and potential customers and with commercial distribution network staff) or systematic procedures (e.g. the “Consultation Project” customer satisfaction survey or complaints management) and through the analysis of competitors’ products and services (benchmarking). Active participation in observatories and working groups (e.g. through the Italian Banking Association) or research centre initiatives is also a source of useful comparisons and information about a variety of areas and particularly significant for those concerning the possibilities offered by new technologies.



The management of potential **conflicts of interest** in the provision of investment services is regulated by a specific Group policy, adopted some time ago in compliance with the EC MiFID Directive No. 2004/39/EC. An assessment is also made the case of UBI Comunità products for the Third Sector involving a donation made by UBI Banca (e.g. Social Bonds, Sicavs, Ethical Funds and Enjoy Social Edition), to check the relevant senior officers of the beneficiary organisations in order to discover any potential conflicts of interest and activate the procedures governed by the relevant internal regulations.

IW bank has responded to the specific characteristics of its business, which differs in some areas from that of UBI Banca (e.g. evolved trading, an open platform for assets under management, etc.) by setting up a specific **development and management process for its products and services**, in addition to the procedure required at Group level.

Particular attention is paid to the placement of complex financial products. The **Risk Appetite Framework - Policy for trading in, the placement and subscription of financial products** establishes transparency, integrity, product quality and customer protection rules for the provision of financial instruments. In compliance with the recommendations of the Supervisory Authority, **UBI Banca does not place products on the Consob “black list” on the primary market** (Communication No. 0097996/14), because it considers that these are not appropriate to retail customers. These are products that, according to Consob recommendations, may be recommended or distributed to retail customers only after an assessment carried out by the intermediary on their appropriateness to the customer’s interests and on the availability of sufficient information to assess the main characteristics and the relative risks. Measures have also been taken in relation to the IW Bank online trading platforms, to prevent customers from dealing in complex products that are in the “black list”.

Digital innovation activities to develop and expand the available range of **multichannel** services continued throughout the Group in 2017. The objective is to monitor, study and build the best services, using technology to achieve a better user experience in terms of ease-of-use and transparency.

Protection of privacy

Technological progress and the development of procedures for acquiring and processing data associated with the provision of services and sale of banking and other products to customers require increasing attention to protection of personal data, in order to ensure that private individuals are aware, well-informed and protected with regard to the use of their personal

information by third parties. The protection and safeguarding of personal data involves all the organisational units in the Group, on the basis of their relations with the various counterparties and the personal information that is processed.

Specific [organisational units](#) have been established within the Group to protect privacy. They are directly involved in the issue by, among other things, promoting a privacy culture, providing advice to units on an individual basis, organising training courses and monitoring compliance with the consent granted by customers for their data to be processed. Technical measures are also in place in order to ensure all aspects of data security and protection, ensuring that corporate processes will be operational even in emergency situations (disaster recovery), with a series of controls and periodic tests and continuous implementation and improvement activities to comply with changing regulatory requirements.

Customer protection is also implemented by providing constant [customer information](#) on the adoption of appropriate anti-fraud measures when using internet and mobile banking services. In particular, the UBI.S IT Security & Business Continuity Department, acting for the whole Group and all the stakeholders concerned, continuously adopts appropriate measures for the protection of personal data, in accordance with Legislative Decree No. 196 of 30th June 2003 (Privacy Code), security regulations and the highest standards in the industry. More specifically, it ensures the protection of IT systems from cyber attacks, IT Incidents, data breaches and fraud that could infringe the rights of interested parties.

With regard to the acquisition and [treatment of personal data for commercial purposes](#), respect for the rights, fundamental freedoms and dignity of those concerned is always ensured in compliance with Legislative Decree No. 196 of 30th June 2003 (Privacy Code) on the protection of personal data.

Regulation EU No. 2016/679 (the General Data Protection Regulation, or GDPR, applicable in all countries of the European Union as of 25th May 2018) on the protection of natural persons with regard to the processing of personal data and also to the free circulation of that data, requires those concerned to further strengthen the protection of natural persons through the introduction of stringent new principles. In 2017 specific work groups, which remain operational, were established to adopt and implement the requirements of the GDPR that impact on the technological, organisational and process measures of the Group. With this in view, the UBI.S IT Security & Business Continuity Department, as part of the [FroG Security project](#) (FroG - Framework for organisation and governance), revised and issued a Security Policy, Logical security regulations and specific Rule books, taking into account the organisational and process changes within the Group and the aforementioned external regulations.

Finally, in November, the Parent UBI Banca appointed a [Data Protection Officer](#) (DPO), the new professional role required by the GDPR, and established a Data Protection service within the Compliance Area and on the Area staff. The service reporting to the Data Protection Officer takes an active part in the projects of the work groups mentioned above which, among other things, have started to update the corporate regulations to bring them into compliance with the requirements of the GDPR by issuing [Privacy Regulations](#) and updating the [Protection of privacy rule book](#).

Out of all the complaints received by UBI Banca in 2017⁷, only 47 related to privacy and almost all of them (34) regarded cases of mandatory reporting of personal data on credit to institutional data banks (central credit bureaux: Centrale dei rischi, CRIF, etc.). No formal irregularities were reported concerning data treatment and no events occurred which resulted in the theft or loss of customer data. The fall recorded is partly attributable to the fact that, since this year, some requests that were not classifiable as complaints have progressively and more correctly been reallocated to and processed by the Compliance Area as part of the project for compliance with the new Italian and European regulations, with the creation of the role of Data Protection Officer.

⁷ Reports and Accounts 2017, Consolidated Management Report - *Other information*, Complaint management.

Commitment to the local economy

UBI Banca pursues a growth path which must develop hand-in-hand with that of the local economies it serves. Its mission is to use household savings to finance their life projects as well as entrepreneurial projects - creating a virtuous circle between **savings, consumption and investment**, creating shared value, generating growth and well-being at the local level through the capacity to select and sustain confirmed economic realities and those that may be less robust but that entail a wealth of new opportunities and outlooks - and to provide households, social organisations and enterprises with **innovative services** to address constantly-changing demands through specialised distribution structures.

Considering the increasingly important role the civil economy plays in the country's economic and social development, with a considerable impact from the standpoint of employment and in meeting the requirements of the community, in 2011, UBI Banca created a service model available on an *ad hoc* basis to non-profit organizations with the brand of **UBI Comunità**. With UBI Banca's new organisational approach introduced in 2017, UBI Comunità became a commercial division under the Chief Commercial Officer, devoted to developing relations between public entities and the private social sector. Within UBI Comunità, the **Third Sector and Civil Economy Service** promotes and supports economic initiatives in partnership with the public, private and social private sectors, building on relationships and positive experiences, supporting high social impact investments and social entrepreneurship mechanisms to support development of local areas, communities and new supply chains, in which the Bank serves as a partner in the growth of both Church and non-Church non-profit organisations. In 2017, the Service was strengthened with the gradual introduction of a commercial force dedicated to the development and management of relations (the first 13 resources, specialised and adequately trained, were assigned to areas having higher concentrations of customers in the sector) and the commercial synergies cutting across different markets and sectors and involving relations with public players were reinforced.

In response to the public welfare crisis and leveraging on incentives in terms of taxes and contributions provided under the current regulatory texts, UBI Banca was the first in Italy to structure a supply of **corporate welfare** services under the brand of **UBI Welfare**. Corporate welfare instruments are designed to meet the needs of workers and their families by integrating public services in the fields of health, pensions, education, leisure time and protection and to more effectively reconcile work and family life. It provides a substantial opportunity to make enterprises more competitive and to strengthen the purchasing power of the workers **through improvements in productivity, the business climate, worker satisfaction**, and the company's capacity to **attract and retain talent**. Responsibility for UBI Welfare is incumbent on the commercial division responsible for Welfare and Protection, reporting to the Chief Wealth & Welfare Officer established in 2016, having the following broader mission:

- to adapt customer advisory services to planning of **financial well-being for persons and households** throughout the life cycle;
- meeting key **financial requirements** in different phases of the life cycle for persons and their families, helping protect the quality of life in old age through an integrated, innovative and broad spectrum in asset management and insurance coverage;
- incorporating an increasingly relevant supply of **social, health care and welfare services**.

The framework of **public entities** is subject to constantly changing rules and is affected by changes in progress in Italy's structural policies, as well as the national economic situation. Accordingly, UBI Banca, through services, products and consulting offered by the UBI Comunità area, targeting entities, municipalities, universities, academic institutions, hospitals, provinces, and a variety of different institutions, serves in its capacity as a local

bank, generating positive impacts, through support for efficient management of services carried out by general government targeting the socioeconomic fabric.

Local presence

[FS7]

The commitment to the local economy presumes the knowledge of the local economic realities that can only be gained through local presence. This factor is reflected in the features of the Group's commercial network, which is present in small centres,¹ in the organisation of the distribution of branches into Macro Territorial Areas, and in the decentralised levels responsible for lending.²

Indirect economic impacts

[GRI 203-1:2 FS7]

In connection with the value of local presence, business and credit policies must be applied to meet the real requirements of local economic transactors, and specifically small economic activities and small and medium-sized enterprises with the objective of promoting and sustaining the development of a sound economic and entrepreneurial fabric capable of generating economic and social value in the medium and long term.

The transposition of Ministerial Decree No. 57/2014, which introduces the [Legality Rating](#) for enterprises, is part of this context, in light of the need to address corruption and other illegal activities. This text requires banks to take these ratings into account in order to reduce the time and costs involved in assessments, in determining the enterprise's creditworthiness and relevant economic conditions for access to credit, when relevant in the credit reporting process. The rating is valid for two years and may be renewed on request by the enterprise involved. Ratings may range from a minimum of "one star" to a maximum of "three stars" on the basis of the requirements the enterprise meets. UBI Banca has introduced specific rules for considering Legality Ratings in regulating the processing and approval of credit lines. Depending on the time required in the process, the data on the business volume for agencies that have a Legality Rating will be published, as soon as they become available, in the Social Responsibility section of the Group's corporate website pursuant to the requirements under the regulatory texts governing transparency.

Finance for development

UBI Banca invests €97.2 billion, which directly exceeds direct funding by euro 2.8 billion. The additional funding needed was acquired as a result of the Group's ability to tap the financial market and public-sector funds, some of which on concessional terms, specifically targeting small and medium-size enterprises..

The Consolidated management report reflects all of the Group's commercial activities with enterprises, reflecting the dynamics of the different economic sectors, in support of those in which the outlook is more favourable for growth and innovation. This is true for: (i) the [Farm & Food](#) activities in the agriculture and agro-food sector, which contribute substantially to the country's GDP through increasing world interest in "Made in Italy" brands, (ii) the [UBI World](#) programme to support Italian enterprises on foreign markets with the required financial assistance and support services for the international expansion of their activities and (iii) [leveraged financing](#) operations in the framework of Corporate & Investment Banking for special operations in connection with business ownership to support growth processes and assist in managing discontinuity issues.

¹ Group profile

² Reports and Accounts 2017, Consolidated management Report - *Commercial activities*

Special loan pools are dedicated to support growth in new entrepreneurial ideas ([Start-up Loans](#)), female entrepreneurship ([Invest in Women](#) and [Women in start-ups](#)). In addition to these programmes, credit lines made available in collaboration with entities and institutions at the local, national and community levels, including [trade associations](#) and the [associated guarantee bodies](#), the [Guarantee Fund for SMEs](#) pursuant to Law No. 662/1996, the [European Investment Bank](#) (EIB) and the [European Central Bank](#) (ECB) through participation in the [TLTRO II](#) long-term financing programme.

LOANS TO SMALL MEDIUM ENTERPRISES Operations of the year	2017		2016	
	Number of loans	Disbursed (millions of euro)	Number of loans	Disbursed (millions of euro)
2015 Credit Accord	460	22.6	701	46.1
<i>Italy Investment Projects - CDP and developing businesses</i>	459	22.6	696	45.4
<i>Public Administration (PA) Credit - ABI and Businesses and PA</i>	1	0.0	5	0.7
Subsidised public sector funding	21,808	5,959.1	18,030	4,787.8
<i>European Central Bank TLTROs</i>	21,617	5,822.7	16,379	4,156.7
<i>European Investment Bank</i>	191	136.4	1,651	631.1
<i>Cassa Deposito e Prestiti</i>	-	-	-	-
Guarantee bodies and guarantee funds	17,208	1,522.9	15,358	1,472.8
<i>Loans backed by guarantee funds</i>	11,192	628.8	9,503	787.2
<i>SME guarantee fund - Law No.662</i>	5,747	888.2	5,600	679.5
<i>Anti-usury credit lines</i>	269	5.9	255	6.1
Group initiatives	25	0.7	127	3.7
<i>SME development</i>	8	0.4	56	1.8
<i>Start-ups</i>	17	0.4	71	1.9
Natural disasters	1,177	59.4	21	3.1
<i>ABI/CDP reconstruction agreement</i>	1,177	59.4	21	3.1
Female entrepreneurship	9	0.5	13	0.5
<i>Invest in women</i>	8	0.3	11	0.4
<i>Women in start-ups</i>	1	0.2	2	0.0
TOTAL	40,687	7,565.2	34,250	6,313.9

LOANS TO SMALL MEDIUM ENTERPRISES Total outstanding	2017		2016	
	Number of loans	Remaining debt (millions of euro)	Number of loans	Remaining debt (millions of euro)
2015 Credit Accord	2,673	77.0	3,602	126.0
<i>Italy Investment Projects - CDP and developing businesses</i>	2,672	77.0	3,597	125.3
<i>Public Administration (PA) Credit - ABI and Businesses and PA</i>	1	0.0	5	0.7
Subsidised public sector funding	49,176	10,695.1	36,812	8,367.1
<i>European Central Bank TLTROs</i>	44,167	9,465.7	30,513	6,916.6
<i>European Investment Bank</i>	3,295	1,199.4	3,534	1,399.0
<i>Cassa Deposito e Prestiti¹</i> <i>(CDP – state controlled fund and deposit institution)</i>	1,714	30.0	2,765	51.5
Guarantee bodies and guarantee funds	68,327	4,233.0	52,533	3,481.4
<i>Loans backed by guarantee funds</i>	50,546	2,620.3	37,759	2,089.7
<i>SME guarantee fund - Law No.662</i>	16,076	1,580.8	13,425	1,368.2
<i>Anti-usury credit lines</i>	1,705	31.9	1,349	23.4
Group initiatives	808	10.8	1,030	18.8
<i>SME development</i>	337	5.9	441	10.2
<i>Start-ups</i>	471	5.0	589	8.6
Natural disasters	1,349	74.3	33	4.4
<i>ABI/CDP reconstruction agreement</i>	1,349	74.3	33	4.4
Female entrepreneurship	40	1.1	37	1.2
<i>Invest in women</i>	28	0.6	23	0.7
<i>Women in start-ups</i>	12	0.5	14	0.5
TOTAL	122,373	15,091.3	94,047	11,998.8

¹ The figure for 2016 has been restated following an update of the method used to calculate it.

The Group's commitment to local economic development is embodied with operations to support households and enterprises in times of difficulty as a result of widespread economic crises and adverse natural events:

- **anti-crisis intervention** - based either on own or sector-wide initiatives - entailing the deferment of principal repayment instalments on mortgages, loans and leases and the extension of the repayment schedules for mortgages and maturities for short-term loans or for agricultural working capital credit arrangements, agreements for advances on Cassa Integrazione Guadagni Straordinaria (the extraordinary state redundancy/lay-off scheme) benefits and waivers;
- **the fight against usury**, with financing guaranteed in connection with arrangements with local foundations in support of persons at risk of usury (according to the criteria established under Article 15 of Law No. 108, as amended) and with pawn credit³ arrangements for valuable objects, to address temporary financing requirements for employees as well as small traders and businesspersons;
- operations in support of households and enterprises that have been hit by **natural disasters or extreme weather** through membership in system initiatives and with the application of the legislative measures providing allocations to dedicated financing pools; in light of the high social impact of these activities, UBI has joined the ABI-CDP **Central Italy 18/11/2016 Earthquake Facility** and the **Central Italy 03/07/2016 Earthquake Moratorium Facility**.

DEFERRAL/EXTENSION OF MORTGAGES TO HOUSEHOLDS	2017		2016	
	Operations of the year		Operations of the year	
	Number	Remaining debt	Number	Remaining debt
Initiatives bank	2,637	247.3	6,266	476.2
System initiatives (ABI)	731	58.3	48	5.2
TOTAL	3,368	305.6	6,314	481.4

DEFERRAL/EXTENSION OF MORTGAGES TO SMALL MEDIUM ENTERPRISES	2017		2016	
	Operations of the year		Operations of the year	
	Number	Remaining debt (millions of euro)	Number	Remaining debt (millions of euro)
Initiatives bank	1,882	507.3	3,469	801.0
System initiatives (ABI)	2,242	199.8	530	174.1
TOTAL	4,124	707.1	3,999	975.1

UBI Welfare for Labour

The broadest objective of UBI Banca is to build a "welfare ecosystem" that can meet new **needs of enterprises, persons, and local communities** with a true grassroots network, a well-being system with comprehensive coverage to supplement the State welfare system. A network that also creates interesting opportunities for organizations in the third sector such as corporate

³ Pawn credit is one of the most ancient forms of lending practiced by the "Monti di Pietà" banks created in the 15th Century by the Franciscans to combat usury, still today the last real resort in access to credit. This business is carried out in nine branches in the towns and cities of Milan, Pavia, Bergamo, Varese, Monza, Como, Brescia, Crema and Rome; and from 23rd October 2017, in Fossombrone, Pesaro e Macerata, three branches for pawn activities deriving from the former Ex Nuova Banca Marche. During 2017, the average volume of lending was equal to approximately €33.2 million with approximately 28,112 policies; the average loan granted was approximately €1,180.

welfare service and benefit providers (improved productivity, competitiveness, business climate, and ability to attract and keep talent), for workers and their families (higher satisfaction levels, enhanced purchasing power and a better work-life balance). Against this backdrop, confirming proven practices, UBI Banca intends to propose "return welfare" by combining individual economic objectives with those of general interest through support for initiatives providing high levels of social benefits in which this new service receives a share of the returns.

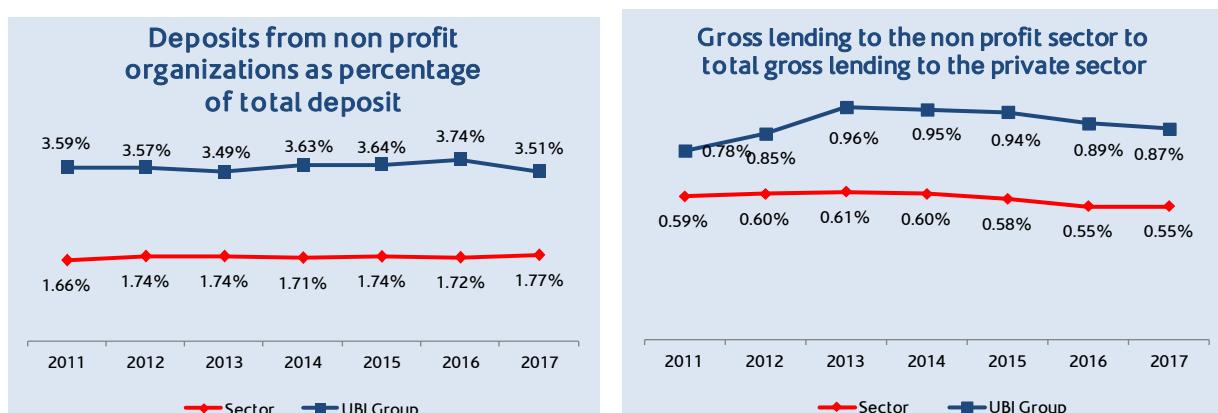
In partnership with DoubleYou Srl (a Zucchetti Group company), the first Italian software company in Europe, the UBI Welfare Service includes a computer platform and a package of services in connection with management of corporate welfare plans. These services provide an extremely simple approach to managing flexible benefits, alternative forms of compensation (tax-free goods and services and management of performance bonuses) that can be personalised and adapted to any business size and requirements. At December 2017, 291 corporate customers had joined the UBI Welfare Service, involving a total of 7,300 employees. Moreover, in this framework, liaison and development activities were undertaken with the key entrepreneurial associations, leading to the signing of a number of collaboration arrangements. The feedback has been very positive in terms of the appreciation of and interest in the proposal.

Similarly, **Cassa Assistance Azienda Italia** was established to provide assistance to non-profit organisations according to the principles of mutuality and solidarity. The Cassa provides direct disbursements and/or reimbursements for services, compensation, health benefits, assistance and social benefits, comprehensive health care, supplementary and/or replacement National Health Service benefits for registered persons and their beneficiaries, and through the execution of appropriate insurance policies.

UBI Banca has concurrently supported the establishment of an **Observatory** to monitor trends in corporate welfare and related topics, to promote knowledge and dissemination of instruments provided under Law No. 2016/2017 on Stability. These instruments are designed to improve industrial relations and the business climate in general, to increase productivity and wage purchasing power, while monitoring the spread of good practices and their repercussions on the local social and economic fabric.

UBI Comunità for growth in the third sector

UBI Comunità, which is dedicated to the realities of the third sector and the civil economy, strengthens and diversifies support for the activities of a number of different non-profit organizations, promoting and supporting investments in projects with the capacity to produce social impacts, and supporting initiatives with substantial social value to assist the weakest sectors with appropriately structured products and services. With deposits of €2.4 billion and €0.8 billion at end-June 2017, the Group holds a share of deposits and lending activities with non-profit organisations far outstripping the figures in the system.



BASTRA data on sub-group 51 (non-profit organisations). Deposits are comprised of current accounts, deposits and certificates of deposit. Lending to the private sector excluding general government.

To support the spread and strengthening of social entrepreneurship through credit instruments, in 2012-with the issue of a dedicated Social bond-UBI Banca launched collaboration with CGM and CGM Finance to promote and accelerate mechanisms of social innovation and economically sustainable growth of social cooperatives and consortiums in connection with banking instruments and services under concessional conditions; at end-2017, 27 loans were granted in a total amount of more than €6 million.

For that purpose, during the fourth quarter of 2017, UBI Banca was the first banking institution to join the ABI-CDP Convention of the Ministry of Economic Development⁴ of 8th July 2018 on the Revolving fund to support enterprises operating in social economic sectors. At the end of the year, the Bank obtained a new €50 million Social Activities MBIL financing facility from the European Investment Bank (EIB).⁵ The signing of the Convention with the MISE was made possible with a combination of the expertise of the Concessional Financing Unit, enabling the immediate transfer of established experience in other areas of UBI Communità in terms of internal measurements techniques and instruments to assess creditworthiness. In this context, social impact assessment (for which UBI Banca applies the social return on investment—SROI methodology to projects in connection with Social Bonds) becomes particularly relevant, as a proxy for value of social enterprises, and as a fundamental element to define their eligibility for access to concessional financing that banks are required to verify and measure.

UBI Banca has developed a specialised methodology for assessing creditworthiness, so that the specialised features of various third sector entities (ETS) can be most effectively understood and assessed, through the acquisition of qualitative and quantitative information useful in expanding the social nature and impact of their activities (intangible assets). During 2017, in connection with operators in the sector, the *Reporting form for third sector entities* and the *Detailed information form on loan applications from third-sector entities* were updated and implemented. These two instruments support the commercial network and provide feedback on internal assessments of business opportunities and evidence on creditworthiness and financial and economic sustainability, that can also be used to define conditions to be applied to financing, potentially with an “incentive” approach depending on the levels of autonomy defined in the business policies.

In banking services, during 2017, the marketing was launched for new Non-profit enterprise formula packages dedicated to third sector entities, divided into four lines with increasing fees and diversified services to reflect the size and various operational requirements of individual third sector entities. The new approach is designed to simplify the contractual, procedural and commercial proposal process by providing for each package a set number of products selected to meet the different levels of complexity in the customer's requirements.

In support of the funding requirements for non-profit organizations, UBI Banca has developed innovative investment instruments such as Social Bonds and Open-end investment company (SICAV)/UBI Pramerica Ethical Funds (see section on Commitment to the Community) and initiatives to involve employees and customers in dedicated instruments such as the Solidarity credit, UBI Pay and Payroll Giving.⁶

⁴ The Convention establishes the terms and mechanisms for submitting concessional financing applications provided under the Decree of 3rd July 2015 of the Minister of Economic Development on granting of concessional financing (70% at the concessional rate of 0.50% with CDP funds and 30% at market rates with bank funds) designed strictly for social enterprises, social cooperatives, and related consortiums, with total funding of €200 million from the Revolving fund to support enterprises and investments in research (FRI) managed by the Cassa Depositi e Prestiti. The Convention is applicable only to credit institutions meeting specific requirements in terms of the adoption of specific valuation methodologies and/or the volume of financing granted to the target in reference.

⁵ Medium and long-term financing under advantageous conditions with terms of up to 20 years supported with concessional funding of investments with social implications developed by public, private and private social entities. The formal establishment and start-up of the facility is planned during the first quarter of 2018.

⁶ The Solidarity credit enables clients having Qui UBI and Qui UBI Affari services to send transfers to third sector entities free of charge; UBI Pay is an application that makes it possible to send money free

Last, to improve the skills and knowledge of operators in the non-profit sector, during the latter half of the year, UBI Comunità promoted the organization of a number of local arrangements designed to enhance the most significant new features introduced under the Third Sector Reform, considering that the benefits of the reform may also lead to growth and development in the non-profit sector and in Italy's system in general.

Project finance for infrastructures

UBI Banca's [Corporate & Investment Banking Division](#), which operates in the Investment Banking instruments and services and Large Corporate Customer Management sectors, through specialised [Structured Finance units](#), contributes to support [infrastructure investments](#) in Italy, a vitally important sector in the development and growth of the local economic and social fabric, assessing the key projects submitted in both the public and private sectors of renewable energy, transportation (roads, metropolitan railways and airports), services (water and gas networks) and health (hospitals).

During 2017, UBI Banca's presence was particularly important in initiatives for the restructuring of existing financing and in support of the investment plans for a number of major airport infrastructures. UBI Banca has participated in financing from SAVE, which manages a number of airports in Northern Italy and in the financing of 21 Aeroporti SpAs and the subsidiary Gesac, which manages the Naples Capodichino Station, the first investment in the sector by F2i, which is the largest Italian infrastructure fund (the shareholders include Cassa Depositi e Prestiti—CDP), Intesa Sanpaolo and Unicredit Group).

PROJECT FINANCE ACTIVITIES	2017	2016
Financing granted during the year		
Numbers of contracts	5	6
Amount authorised (€ million)	164	178
Amount disbursed (€ million)	61	145
Financing outstanding at the end of the year		
Numbers of contracts	28	24
Amount authorised (€ million)	1,002	968
Amount disbursed (€ million)	741	726

INFRASTRUCTURES PROJECT FINANCE OPERATIONS IN PORTFOLIO	2017	2016
	Number	Number
Hospitals	5	5
Highways	6	6
Metropolitan railways	1	1
Gas transports networks	5	4
Airports	5	2
Other	6	6
TOTAL	28	24

General government services

During the year, activities designed to improve the Treasury and Cash Service for the managed entities by providing technical and specialised advice, promoting the adoption of efficient solutions and simplified operations, promoting the use of innovative platforms (SIOPE+ and PAGO PA) and supporting digitisation processes. There are three main areas of activity: The [Treasury and Cashier Service](#) that manages 2,132 entities, including municipalities, schools, hospitals, provinces and regions and universities;

of charge through the Jiffy interbank system using smart phones; Payroll giving is a function that UBI employees can use if they decide to donate designated amounts (such as €10) through payroll giving.

- The Treasury and Cashier Service that manages 2,132 entities, including municipalities, schools, hospitals, provinces and regions and universities;
- the Ordinativo Informatico [IT Ordinance], which enables entities to reduce operational risks and rationalize time required to execute services, saving useful time that can be devoted to functions of public utility (72% of all transactions are now managed using this procedure);
- the release of credits in connection with government suppliers, for which, in synergy with the competent units and resources of the Bank, a process designed to promote and simplify its used was developed and organised.

Enhancement and well-being of personnel

The digital transformation in progress in all economic sectors, particularly in the banking sector, entails a profound change in the business model, with a sharp acceleration in the digitisation of distribution processes and channels.

Against this backdrop, the optimisation of the work force and the reduction of labour costs are priority objectives, as investments and activities to increase and optimise human resources, by attracting better talent, which is increasingly dependent not only on economic aspects of labour relations, but also labour satisfaction in general, which requires shared values, opportunities for professional growth, conditions for well-being in the work place, and the reconciliation of private and professional life.

Accordingly, “**organisational well-being**” is a significant objective of the Group, particularly with policies and processes designed for substantial, and not merely formal, action in terms of regulatory texts governing labour health and safety. This is also pursued with the knowledge that a competitive advantage will be achieved as a result of higher productivity and improved worker performance (less absenteeism and staff turnover and greater customer satisfaction), and that society in general will save both tangible and intangible social costs deriving, for example, from accidents, operating errors, legal disputes, insurance claims, litigation, and care expenses. The scientific literature has shown that organisational well-being is closely associated with factors such as the corporate climate, the commitment of employees, labour satisfaction and work-life balance.

Personnel management is incumbent on the **Human Resources Area**, which reports to the Chief Operating Officer, based on established processes and practices aligned with best practices at the national and international levels, although without formally-established policies. The Top Employer Italia certification, confirmed for 2017, acknowledges UBI Banca's excellence in the working conditions it offers its employees, in training and development policies at all corporate levels and human resource management strategies.



On the regulatory level, conditions for employment and occupational health and safety are governed and treated specifically in the framework of the 231/2001 Model that provides special administrative formalities, controls and monitoring in connection with the hiring of personnel from third countries (in connection with the offense of employing irregular immigrants) and oversight of labour health and safety. With particular reference to the latter topic, UBI Banca (as the Italian legislator with Legislative Decree No. 81/2008 Art. 2 (o), draws from the definition of the World Health Organization (WHO) according to which “Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity”.

In the framework of the sustainability management process, during 2018, a comprehensive review is planned of the corporate texts (policies, regulations and rulebooks) so that any requirements to include formally established policies now based on rules under contractual arrangements or corporate policies at the implementing level can be identified.

Employment and turnover

[GRI 401-1 202-2]

During 2017, in a context characterised by persistent complex economic and market conditions, initiatives were carried on aiming to optimise efficiency and profitability and to reduce labour costs according to **social sustainability criteria applicable to organisational and management operations**. In fact, operations are consistently carried out under arrangements with the trade union organisations that provide oversight mechanisms for the redeployment of staff involved in reorganization plans and the use of voluntary flexible labour arrangements

and early retirement incentives combined with the implementation of generational turnover plans. The change of role and retraining processes are accompanied by special training programmed, with a view to enhancing human and professional resources.

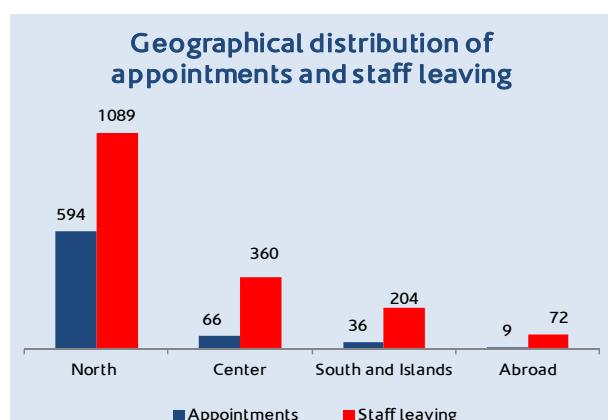
INTRAGROUP MOBILITY (Displacements with contract detachment or transfer)	2017		2016	
	TOTAL ¹	of which contract transfers	TOTAL	of which contract transfers
Men	10,390	5,641	2,239	1,949
Women	6,982	3,467	1,699	1,549
TOTAL	17,372	9,108	3,938	3,498

¹This information derives from the Single Bank Project on incorporation of the New Banks (infragroup movement) and ordinary infragroup mobility.

Operations impacting personnel dynamics are reflected in the [generational turnover](#) activities provided under the Business Plan that defines the integration of 1,100 new resources during the three-year period 2017-2019. In accordance with trends in the distribution model and the effort to simplify operations, the hiring of personnel from the external market mainly aims to incorporate young new graduates, and when required, those having distinctive specialised skill profiles not present in the Group to contribute to the development of new skills and professional capacities.

APPOINTMENTS	2017		2016	
	TOTAL	WOMEN	TOTAL	WOMEN
On temporary contracts	536	278	248	140
Permanent	169	65	254	119
TOTAL	705	343	502	259

CONTRACT TRANSFORMATIONS	2017		2016	
	TOTAL	WOMEN	TOTAL	WOMEN
From apprentices	0	0	3	2
Other	104	65	150	83
TOTAL	104	65	153	85



To enhance the attractiveness of the company, The Group's [Employer branding](#) strategy provides a constant presence in universities in the reference areas where hiring is concentrated, and effective use of digital communication channels in the form of notices that can be used to attract active candidates, and through targeted campaigns that are also effective in attracting passive candidates. Testimonials, guidelines and social media posts have also helped improve the spread of knowledge of UBI Banca as a valid employment option.

In terms of the hiring of professional and senior management personnel, the desirable profiles are predominantly local, in this case, in areas where the Group's offices, target activities and control operations are located. In 2017, 16 new senior managers were hired from the external market, of which 68.8% are residents in Lombardy.



STAFF LEAVING	2017		2016	
	TOTAL	WOMEN	TOTAL	WOMEN
Business Plan reductions ¹	1,326	444	435	111
<i>of which:</i>				
<i>"solidarity fund"</i>	1,254	426	403	102
<i>incentivised redundancies</i>	72	18	32	9
Voluntary resignations	144	44	98	33
End of contract	160	80	91	58
Retirement	4	0	18	6
Dismissal	9	1	7	2
Other	82	30	14	4
TOTAL	1,725	599	663	214

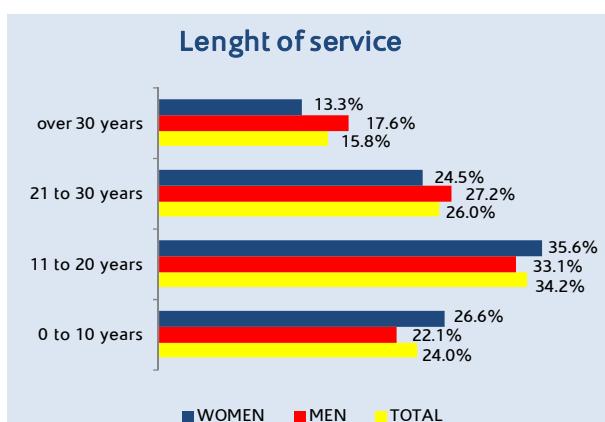
¹ The reductions of 1,326 positions during 2017 under the Business Plan do not reflect the 53 terminations in connection with the New Banks during the period 1st January until 31st March 2017.

Generational turnover activities primarily involved terminations (1,254) in connection with the early departure plan implemented under the trade union agreements signed on 11th December 2016 and subsequent arrangements. At the Group level, they include acquisitions and transfers of business sectors. The substitution index was equal to approximately 41 percent, corresponding to one incoming resource for every two departures. Women accounted for 34.70% of the personnel leaving and 63.13% of those leaving were working in locations in Northern Italy. Voluntary turnover was substantially unchanged at 0.8% as against 0.6% in 2016 and 0.7% in 2015.

RATE NEW EMPLOYEE HIRES RATE AND TURNOVER	2017		2016	
	NEW EMPLOYEE HIRES ¹	TURNOVER ²	NEW EMPLOYEE HIRES ¹	TURNOVER ²
By position				
Senior managers	4.3%	11.8%	2.6%	3.2%
Middle managers	0.9%	8.7%	0.5%	3.8%
Other personnel	4.9%	7.5%	4.7%	3.8%
By gender				
Men	2.9%	9.1%	2.3%	4.2%
Women	3.8%	6.6%	3.8%	3.1%
By age				
Under 30	48.1%	14.9%	41.0%	8.5%
30 to 50	1.2%	1.2%	1.3%	1.0%
50 to 60	0.4%	10.4%	0.2%	3.7%
over 60	0.1%	71.2%	0.2%	26.3%
By geographical area				
North	4.3%	7.9%	3.4%	3.9%
Central	1.2%	6.6%	0.4%	2.2%
South and Islands	1.7%	9.9%	1.0%	4.1%
Abroad	15.3%	122.0%	12.9%	10.5%
TOTAL	3.3%	8.1%	2.9%	3.8%

¹ Ratio appointments by category on total employees by category at the end of the year.

² Ratio staff leaving by category on total employees by category at the end of the year.



Average seniority is 19.94 years for men and 18.3 for women, while the overall average seniority is 19.3 years.

During 2018, operations to rationalise the organisation of the structures and strengthen the network continued with the optimisation of the work force defined in the organisational structure and the new distribution model: searches on the external market, in addition to a substantial investment to introduce a significant number of young "digital natives" into the business structures, will be targeting the new professions deriving from the digital transformation and the reinforcement of the

government structures that maintain relations with the market regulators and those who supervise the maintenance of and developments in ICT systems.

Benefit e work-life balance

[GRI 401-2:3]

In order to protect the health and well-being of the personnel, a number of contractually defined mechanisms are provided for all the employees of the group.

Benefit

All employees receive a package of benefits in connection with:

- collective welfare plans including pension, health and insurance coverage under the relevant regulations;
- child assistance and canteen benefits to provide meals as well as sports and recreational activities;

- preferential conditions for access to different products and services offered by the Bank/company.
- passenger transport services between the main management headquarters and financial support for geographical mobility

In the preparation of corporate welfare plans, UBI Banca aims to harmonize at the group level the various forms of supplementary pension and assistance benefits and existing staff insurance policies so that adequate levels of benefits are provided in the different companies of the Group.

In support of [younger colleagues](#) as they enter the work force, regulations were introduced to enhance the corporate contribution to supplementary pension schemes and first-home-purchase incentives. Additional welfare benefits are supported through the reimbursement of certain incurred household expenses (e.g. schools of all types and at all levels, campus expenses, textbooks, canteen services and care for elderly family members) or through education/recreation and sports services provided by the Bank.

SERVICES AND CONCESSIONS FOR EMPLOYEES	2017		2016	
	NO. USERS ¹	COSTS INCURRED (thousands of euro)	NO. USERS	COSTS INCURRED (thousands of euro)
Children's nurseries ² of which:	72	336	70	344
<i>Bergamo</i>	46		46	
<i>Brescia</i>	4		3	
<i>Milan</i>	10		10	
<i>Jesi</i>	12		11	
Summer recreational center for children of which	304	47	160	46
<i>Bergamo</i>	175	24	98	22
<i>Brescia</i>	129	22	62	24
Shuttle coach service		899		764
Company cultural and recreational clubs ³ of which for:	19,055	474	21,250	339
<i>sport</i>	3,485		2,956	
<i>tourist activities</i>	2,614		2,383	
<i>cultural activities</i>	6,126		5,031	
<i>recreational activities</i>	5,376		9,294	
<i>activities and services for children</i>	1,454		1,586	
Supplementary pensions and insurance		58,816		50,118
Study grants and contributions to families		4,410		4,797
TOTAL COSTS		64,982		56,409

¹ The New Banks are not included as a result of reporting problems

² Places available: 46 in Bergamo, 20 in Brescia, 12 in Milan and Jesi.

³ Cral BPA, Cral BPB, Cral BPCI, Cral CARIME, Circolo del Personale BRE and G.I.D UBI Banca, BVC, Cral Stiamo in contatto.

Work-life balance mechanisms

During the year, some aspects of social and corporate welfare policy were structurally regulated to promote an optimal balance between the Bank's technical, organizational and

productive requirements and personal, family and working time for employees, using **flexible** arrangements such as part-time, reduced or suspended working arrangements, time banking and smart working. With particular reference to the reduction or suspension of working hours with the objective of combining the requirements to curb staff costs and meet the needs of family and personal life, an agreement was reached with trade unions to allow recourse to partially paid "voluntary leave", which resulted in around 140,000 days of leave been taken during the course of the whole of 2017.

In particular, **smart working**, used by approximately 300 persons, represents an innovative labour solution that promotes the reconciliation of private and professional dimensions along with productivity and environmental sustainability.

With reference to part-time contracts, requests, durations and returning from maternity/pregnancy/postpartum leave and organisational mobility are covered definitively at the regulatory level. More specifically, priority is given to substantiated requests and, in particular, to those justified by the need to care for children or other minors in legal custody (within the age limits of the elementary school certificate) or when the applicants provide serious family and/or health reasons involving the health of the applicant, spouse, family members of the first degree, cohabitants and persons in legal custody.

Where work suspension for maternity/paternity is concerned, measures have been introduced to protect organizational mobility for workers and flexible hours compatible with the requirements of their jobs.

In 2017 approximately 7,000 employees (54.8% women) took leave for maternity reasons and to care for their children, for study or other personal needs.

LEAVE DAYS	2017			2016		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
Maternity and childcare	68,016	4,332	63,684	59,093	4,102	54,991
Study	898	439	459	878	469	409
Other personal needs	17,922	7,808	10,114	13,703	6,735	6,968
TOTAL	86,836	12,579	74,257	73,674	11,306	62,368

Particular attention has been devoted to the situations of employees directly or indirectly in **disability circumstances**, by introducing an experimental supplementary allowance in addition to the paid leave provided under Law No. 104. In addition, staff members certified to have disabilities of more than 70% are eligible for a corporate contribution in addition to their supplementary coverage.



Since 2002, households of active and retired employees who have disabled children who are not self-sufficient may be eligible for support from the Clematis Onlus Association (www.clematisonlus.org), established on the initiative of a group of employees and supported financially by the Group. The Association executed an insurance arrangement to cover disabled children in case of the death of both parents with a comprehensive income of €12,000 per annum subject to revaluation and providing families with "rehabilitative training" and assistance allowances. 70 households have subscribed to the insurance arrangement, including 35 families of retired staff members, benefiting 73 disabled children.

Parental leave

On the topic of leave for the birth or adoption of children, the Group complies with Italian law on parental leave, which provides a mandatory leave period for women employees for two

months prior to the estimated birth date and three months after the birth and an optional period of absence¹.

COMPULSORY PARENTAL LEAVE	2017	2016
Employees taking leave during the year	402	328
of which:		
<i>still on leave at the end of the year</i>	136	115
<i>returned from leave during the year</i>	266	213
<i>resigned on return from leave</i>	0	0
Employees in work 12 months after leave ended	218	231
Rate of return ¹	100.0%	100.0%
Retention rate ²	102.3%	98.7%

¹ At the end of the parental leave.

² One year after the end of the parental leave.

OPTIONAL PARENTAL LEAVE	2017	2016
Employees taking leave during the year	737	546
<i>of which women</i>	90.1%	88.3%

Occupational health and safety

[403-1:4]

UBI Group is not limited strictly to the formal observance of the regulatory texts. Instead, it aims for ongoing improvement, with the adoption of an [Occupational Health and Safety Management System \(SGSLS\)](#) drawing from the UNI-INAIL Guidelines and constituting the practical implementation of the guidelines provided under Model 231. The Health and Safety Management System (SGSL) provides, to supplement the mandatory regulatory content, further verification of the performance and efficacy of corporate processes in the correct implementation of the regulatory texts, coordinated by the designated SGSL Manager. This role is incumbent on the *pro tempore* manager of the parent company's Labour Prevention and Protection function.

Health and safety policies, governed by Legislative Decree No. 81/2008 and addressed more specifically under the [Health and Safety Management System Regulations \(SGSL\)](#), are applicable to all companies in the Group operating in Italy. The Regulations were approved in October 2014 and the policies, based on the positive and negative aspects of the health monitoring activities conducted by competent physicians, are still considered to be valid.

Responsibilities in this connection are concentrated with the UBI Banca's [Occupational Prevention and Protection Function](#) which operates directly on the staff of the Chief Operating Officer, who formally serves as the Employer's Health and Safety Officer.

The implementing regulations for corporate policies in this connection break down the tasks and responsibilities of the various players and corporate units of the Group involved in the implementation of policies and processes for staff involvement; communication flows between the various units and mechanisms to integrate the SGSL into the corporate processes; mechanisms for planning, monitoring, and periodic re-examination of the efficacy of the system provided in the UNI-INAIL Guidelines.

¹ Natural parents have the right to optional leave (if the employment relationship is continuous) up to the first 12 years of the life of a child, for a period of between two and not more than 10 months that can be increased to 11 if the working father takes leave from work for either a continuous or staggered period of not less than three months. That total period can be taken by the parents even simultaneously.

In accordance with Article 35 of Legislative Decree No. 81/2008, all companies have provisions for periodic meetings between company representatives (the Employer and its representatives), the manager and agents of the Prevention and Protection Service, the competent physician, and the Labour Representatives for Safety, when applicable. The Head of the Prevention and Protection Service is also periodically called to meet with the 231 Supervisory Bodies and participates in the activities of **Health and Safety Working Group** established within the framework of the Trade Union and Labour Directorate of the Italian Banking Association (ABI).

All activities carried out have the twofold objectives of ensuring the regulatory compliance while reducing operational risks, reflecting cost savings deriving from the reduction in accidents and the lower insurance rates that the INAIL grants to companies providing evidence that they have adopted proper prevention and protection practices for occupational risks.

First, prevention is guaranteed through ongoing **adequacy checks of the workplaces and equipment**, carried out periodically by personnel of the Prevention and Protection Service, through inspections of the various operating units throughout the country. More specifically, a checklist is used to identify the operational priorities based on “magnitude of risk” ratings assigned to individual situations of noncompliance identified during the inspections.

For the New Banks, prior to the finalization of their acquisition, the Labour Prevention and Protection function was subjected to off-site supervision to ensure that the essential compliance requirements were present in the area of prevention, notwithstanding the maintenance within each legal entity of responsibilities incumbent on the parties provided in each case by the preventative legislation (employers, any agents they may have, heads of prevention and protection units, and the competent physician). Following the formal integration of these banks, the management model in force with the UBI Group was extended to all of the operational units acquired. The alignment of information on the effective level of workplace compliance is ensured by a special on-site monitoring activity carried out by a specific task force coordinated by UBI's Labour Prevention and Protection function, which will prepare a report to be submitted to the employer with a view to the adoption of a specific improvement plan.

Given the importance in terms of prevention that the activities of the external suppliers (installation and maintenance workers), the relevant technical specifications have also been fine-tuned and the relevant contractors are required to provide more detailed documentation on the compliance of their activities and to adapt their IT procedures already available to staff of the Group so that any new risks and/or malfunctions can be reported. Projects to build new premises or to refurbish existing premises involve prior examination of documents by the Prevention and Protection Service, which programmed on-site conformity inspections on completion of the works and the entry into service of the premises.

The employers of the Group companies, based on the evidence collected by the Prevention and Protection Service inherent in both the conditions of the workplace and health and safety training requirements, will prepare an **Operational improvement plan** to be submitted to the corporate entities directly involved in its practical implementation, for which periodic, formal reporting is requested.

From the more specific viewpoint of **health**, the activities of corporate physicians provide continuous monitoring of the state of health of personnel and the healthiness of working environments both by means of the annual plan of periodic checkups for staff (compulsory health screening by law) and by on-site inspections of working environments. Staff may also report specific problems to the corporate physician by means of a dedicated and confidential email address.

Other important aspects include **work-related stress** assessment, conducted and monitored, amongst other things, by means of the subjective perceptions of employees by means of special questionnaires and the management of the **impacts of criminal events** to which distribution network staff in particular are exposed. The progressive emergence of a new type of aggression, mainly verbal, but also physical perpetrated by customers as a consequence of a deterioration in their socio-economic conditions and connected with more rigid rules for granting credit has resulted in the extension of psychological assistance to include these situations as well.

Fortunately, in 2017 as well, cases effectively observed were extremely insignificant in terms of numbers and severity.

Training (52,607 hours in 2017) is another essential component of prevention to ensure that the concept of " **Participatory security** " is as widespread as possible. The training programmed are prepared in co-operation with UBI Academy and the corporate physicians with account taken of the different levels of risk to which employees are exposed as a function of their individual roles. Their level of completion by each employee is monitored through an integrated information system that can be used to program and report on training activities in each business.

TRAINING ON HEALTH AND SAFETY	2017			2016		
	PARTICIPANTS	SESSIONS ¹	HOURS	PARTICIPANTS	SESSIONS ¹	HOURS
Video terminal workers	1,025	1	999	816	1	796
Emergency personnel	556	48	5,139	431	28	3,355
of which:						
fire prevention	230	20	1,200	245	17	1,148
first aid	326	28	3,939	186	11	2,207
New recruits	109	2	409	-	-	-
Safety figures ²	472	13	1,810	348	13	1,486
Robbery risk	1,895	71	10,056	2,048	86	12,121
Other (updates)	13,344	84	34,194	8,195	90	16,084
TOTAL³	17,401	219	52,607	11,838	218	33,842

¹ Data of FAD courses are calculated as 1 session.

² Training for senior managers, safety officers, company trade union representatives, etc.

³ The total number of participants is the sum of the different rows; however, the total persons trained is not represented as the same persons may have participated in more than one course in different contexts. A total of 14,014 persons were trained in 2017 (available from Table "401-1 to (5) - Detailed listing of regulatory training")

PREVENTION AND ASSISTANCE ACTIVITY	2017	2016
Medical visits	1,743	1,298
On site inspections	467	343
Training courses (number of participants)	17,401	11,838
Evacuation drills with assistance	35	34
Environment monitoring	177	16
Post-robbery psychological assistance	8	16

TECHNICAL INTERVENTION TO REDUCE RISKS	2017 ¹	2016
Fire prevention, emergency management, emergency exits	2,902	2,819
Plant (machinery, maintenance)	918	738
Premises (floors, walls, window ledges, staircases, architectural barriers)	699	615
Ergonomics (lighting, work stations, micro-climate)	491	462
Certificates and documents	738	91
TOTAL	5,748	4,725

¹ New Banks are not included.

COSTS INCURRED FOR OCCUPATIONAL HEALTH AND SAFETY (thousands of euro)	2017	2016
Intervention required by Law No. 81/08	594	469
Prevention and protection at the workplace consulting services	426	425
Occupational health and safety training	186	241
Corporate Physician services (medical visits to monitor health) and post robbery psychological assistance	165	139
TOTAL	1,371	1,273

The corporate Intranet - [UBI Digital Workspace](#) - includes a maintained and updated section devoted to health and safety, in which legal and corporate references are readily available along with news on the Group's safety scheme (such as contingency plans and escape routes to be followed in the various areas with real photographic images), didactic material used in the classroom during training initiatives, advice and useful information on proper lifestyles to maintain an effective psycho-physical balance.

In addition to the monitoring activities directly carried out on site by the Prevention and Protection Service, there are plans within the framework of the SGSL processes to conduct *ad hoc*, in-depth [monitoring activities](#) of the processes incumbent on the delegated units, conducted through interviews with staff at various levels of responsibility, in connection with the implementation of the law, the practical implementation of the delegated responsibilities, and through the examination of the legal texts. These monitoring activities are extended, under the most significant arrangements, to suppliers on their premises, through an independent external auditor from a leading consulting firm.

As provided by the management system protocols, all activities are reported and recorded and are subject to specific review meetings with the employers, so that the objectives achieved can be reviewed and future goals defined. In light of the role of "compliance specialist" attributed to UBI Banca's occupational prevention and protection function, there are also periodic information flows on compliance in connection with the central compliance unit and to the collegial bodies.

Occupational accidents and illnesses

In the examination of accidents, we do not observe any categories of workers that are more vulnerable than others to the risks of being involved in occupational accidents.

The largest percentage of accidents in 2017 as well continues to be events occurring when employees are traveling between home and work, which are risks to which all employees are exposed.² Accidents that have occurred while on the job are also quite limited, despite the significant number of personnel who use service cars on a daily basis in the course of their professional activities and the total number of kilometres travelled.

With regard to the risk of being subjected to psycho-physical damage as a result of robberies or being involved in aggression on the part of the customers, four events occurred during 2017, equivalent to 5.6% of the accidents occurring in the workplace and 1.6% of the total injuries reported.

In addition, in 2017, there were no fatal accidents either at work or while commuting.

² The INAIL has recently decided to include events as commuting accidents events that in previous years were not considered, such as alternative routes to work to take children to school.

ACCIDENTS BY GENDER	2017			2016		
	Total	Men	Women	Total	Men	Women
At work						
No. of events	72	38	34	49	28	21
Injury rate ¹	0.25	0.21	0.31	0.19	0.17	0.23
No. of days lost ³	1,154	529	625	953	449	504
Seriousness index ²	3.03	2.33	4.06	2.99	2.24	4.23
Commuting						
No. of events	173	96	77	137	82	55
Injury rate ¹	0.60	0.54	0.69	0.54	0.50	0.61
No. of days lost ³	3,933	2,228	1,705	2,396	1,517	879
Seriousness index ²	10.33	9.82	11.09	7.51	7.58	7.38
TOTAL NO. OF EVENTS	245	134	111	186	110	76
Injury rate ¹	0.84	0.75	1.00	0.74	0.68	0.84
TOTAL NO. OF DAYS LOST³	5,087	2,757	2,330	3,349	1,966	1,383
Seriousness index ²	13.36	12.15	15.15	10.49	9.83	11.61

¹ Number of accidents per 100,000 hours worked.

² Number of working days lost for every 100,000 working days.

³ Lost working days are counted from the day after the accident in question.

ACCIDENTS BY GEOGRAPHICAL AREA	2017			2016		
	North	Central	South and islands	North	Central	South and islands
At work						
No. of events	46	14	12	31	10	8
Injury rate ¹	0.25	0.22	0.29	0.16	0.40	0.21
No. of days lost ³	671	318	165	734	172	47
Seriousness index ²	2.89	3.23	3.31	3.05	5.24	1.02
Commuting						
No. of events	101	49	23	112	7	18
Injury rate ¹	0.55	0.77	0.55	0.59	0.28	0.48
No. of days lost ³	1,964	1,120	849	1,995	66	335
Seriousness index ²	8.45	11.37	17.02	8.30	2.01	7.28
TOTAL NO. OF EVENTS	147	63	35	143	17	26
Injury rate ¹	0.79	0.99	0.84	0.75	0.68	0.69
TOTAL NO. OF DAYS LOST³	2,635	1,438	1,014	2,729	238	382
Seriousness index ²	11.34	14.60	20.33	11.36	7.25	8.30

¹ Number of accidents per 100,000 hours worked.

² Number of working days lost for every 100,000 working days.

³ Lost working days are counted from the day after the accident in question.

ABSENCE BY GENDER (days/1,000)	2017			2016		
	Total	Men	Women	Total	Men	Women
Illness ¹	108.2	59.2	49.0	98.1	54.9	43.3
Accidents	5.1	2.8	2.3	3.3	2.0	1.4
of which:						
at work	1.2	0.5	0.6	1.0	0.4	0.5
commuting	3.9	2.2	1.7	2.4	1.5	0.9
Other absences	59.5	42.3	17.2	59.3	42.4	17.0
of which:						
public or elective positions	1.9	1.8	0.1	2.4	2.2	0.2
blood donations	1.9	1.6	0.3	1.7	1.5	0.3
assistance for disabled	23.0	12.1	10.9	22.0	11.5	10.6
union permits ²	31.1	26.0	5.1	32.0	26.6	5.4
strikes	0.0	0.0	0.0	0.0	0.0	0.0
other ³	1.6	0.9	0.8	1.2	0.7	0.5
TOTAL	172.9	104.3	68.6	160.8	99.2	61.6
Rate of absenteeism⁴	34.0	34.5	33.4	37.8	37.2	38.8

¹ As a consequence of laws on privacy, it is not possible to record illnesses and therefore the number of absences caused by occupational diseases.

² Permits recognized by sectoral agreements at national and local union leaders ("coupon" permits) are not included.

³ The figures include permits for thermal treatment and for union meetings.

⁴ Number of absences for every 1,000 working days.

ABSENCE BY GEOGRAPHICAL AREA (days/1,000)	2017			2016		
	North	Central	South and islands	North	Central	South and islands
Illness ¹	64.7	19.3	24.2	65.9	10.5	21.7
Accidents	2.6	1.4	1.0	2.7	0.2	0.4
of which:						
at work	0.7	0.3	0.2	0.7	0.2	0.0
commuting	2.0	1.1	0.8	2.0	0.1	0.3
Other absences	36.7	11.0	11.9	40.0	7.4	11.9
of which:						
public or elective positions	1.0	0.3	0.6	1.6	0.2	0.7
blood donations	1.3	0.4	0.2	1.4	0.2	0.1
assistance for disabled	13.2	4.7	5.1	14.0	2.9	5.1
union permits ²	20.4	4.9	5.8	22.1	4.1	5.8
strikes	0.0	0.0	0.0	0.0	0.0	0.0
other ³	0.8	0.5	0.3	0.9	0.1	0.2
TOTAL	104.0	31.7	37.1	108.7	18.1	34.1
Rate of absenteeism⁴	33.6	24.2	55.8	33.9	41.3	55.5

¹ As a consequence of laws on privacy, it is not possible to record illnesses and therefore the number of absences caused by occupational diseases.

² Permits recognized by sectoral agreements at national and local union leaders ("coupon" permits) are not included.

³ The figures include permits for thermal treatment and for union meetings.

⁴ Number of absences for every 1,000 working days.

Trade union agreements in the area of health and safety

in 2017, trade union activity focused primarily on finding mutually beneficial solutions to regulate the repercussions on personnel of substantial organizational changes deriving from the integration into UBI of the former network banks and the acquisition of the Nuove banks. This undertaking has in fact led to the need to postpone until 2018 the commitment between management and labour to implement, within the UBI Group, the agreement signed at national level in 2016 between the ABI and the trade union organisations in the credit sector to regulate the election of workers' safety representatives (number, appointment mechanism and election) and the instruments for the discharge of their functions. Pending the signing of this agreement at the Group level, the worker safety representatives previously elected in the individual banks and companies were kept in office, including those elected in the New Banks and related subsidiaries.

During 2017, an agreement was signed with the internal trade unions to regulate, as provided under Article of Law No. 300 on the remote supervision of workers, the adoption and use of various technological tools designed to ensure the safety of personnel and the protection of the company's assets (remote video surveillance, access control, telephone conversation recordings and call tracing), including new and additional robbery risk prevention tools identified as a result of the changes in the branch model.

Professional development

[GRI 404-2:3]

In "banking fairly and well", UBI Banca supports a corporate culture oriented towards customer service and simplicity, quality, innovation and ongoing improvement. These values are pursued even more vigorously in the framework of personnel management, where policies are constantly updated to ensure that they are consistent with the changing requirements of all stakeholders. In this context of evolving approaches and revision of processes, the objectives remain unchanged: optimisation of the Bank's human resources, consolidation of the culture of assessment, attention to professional development and acknowledgment of merit.

Programs to develop skills and provide assistance in transitions

The UBI Group adopts personnel management policies and systems designed to enhance the skills acquired, the benefits provided and the potential for individual growth throughout working life. In addition to the assessment component, the [Performance Management](#) process includes development activities, with the definition of targeted management and training activities designed to foster personalised growth tracks reflecting the areas of improvement, professional objectives and the potential of each employee.

In this framework, considering technical skills to be a strategic requirement to address the complex changes in progress and in compliance with the European MiFID II Standards, UBI Banca adopts [skill certification](#) courses, more specifically with reference to the perimeter of managers devoted to financial consultancy, for whom classroom and online training activities have been provided.

In 2017, the [Performance Management](#) process involved approximately 95.5% of the company's work force, with the exception of "essential staff", involved with specific management performance evaluation tools.

EMPLOYEE INVOLVED IN PERFORMANCE ASSESSMENT	2017 ¹		2016	
	TOTAL	WOMEN	TOTAL	WOMEN
Senior managers	232	62.2%	244	72.6%
<i>of which women</i>	23	59.0%	22	61.1%
Middle managers	8,465	98.2%	7,070	94.5%
<i>of which women</i>	2,367	97.5%	1,794	94.5%
Professional areas	11,744	95.0%	9,113	91.6%
<i>of which women</i>	6,171	93.9%	4,462	90.9%
TOTAL	20,441	95.5%	16,427	92.5%
 <i>of which women</i>	8,561	94.4%	6,278	91.7%

¹ In 2017, the following were excluded from the professional assessment perimeter: Newly-recruited personnel, those on leave, staff of minor companies in the Group, and personnel on external contracts. Of the total number of 2017 professional assessment cards, 24 cards were associated with employees classified as ND (external operations base) who have not been included in this table.

A new step in the process was introduced in 2017: [Self-assessment](#), which is the option for all employees to express their opinions on the components being evaluated by the relevant manager. All of the foregoing is consistent with the purpose of the instrument: awareness and ongoing discussion to promote development paths consistent with the professional objectives of the individuals and the requirements of the organization. This approach is also supported by the various [Assessment](#) activities (on an individual and group basis, with supervision and management focuses), differentiated to reflect the tools and processes in relation to the different company populations, consistent with the scope of the activity: to gather useful information to design a series of development activities. The 190 colleagues involved during 2017 in these initiatives have in fact benefited from individual feedback, making it possible to provide practical follow-up on the information.

To expand knowledge of the New Banks employees and to have data to support future management decisions, in September 2017, an online assessment activity focusing on Business and Private consultants and senior management of branches, designed to assess performance in this capacity in terms of technical knowledge and management skills.

Moreover, [Individual coaching](#) (20) and [Team coaching](#) (35) activities were intensified during 2017, with a view to the improved use of management skills in the Bank's specific organizational context. In addition, the group's commitment to policies focusing on planning appropriate generational turnover to cover prospective management roles has continued.

More specifically, management and development activities of personnel involved in the talent project drew from ongoing management and training activities with a high level of professional and managerial specialisation designed to promote personalised growth and functional courses to consolidate the skills the organization requires and to create reservoirs for the managerial turnover and continuity.

CAREER PROGRESSIONS	2017		2016	
	TOTAL	WOMEN	TOTAL	WOMEN
Within professional areas	737	49.7%	720	48.1%
From professional areas to middle management	237	38.4%	317	45.1%
Within middle management	305	26.9%	310	28.1%
From middle to senior management	3	33%	13	7.7%
TOTAL	1,282	42.1%	1,360	42.4%

Training and education

[GRI 404-1]

In 2017 the group delivered more than 135,000 training days, including 120,000 for ordinary activities and more than 17,000 for the project to integrate the Nuove banks. The set objectives were surpassed with an average of more than 6 training days per person.

TRAINING	2017	2016
Group		
Hours of training	1,031	668
<i>of which compulsory training¹</i>	392	290
Cost of training (million euro) ²	3.5	2.5
Employees involved ³	96%	96%
Average satisfaction in hundreds (objective 69/100)	76	79

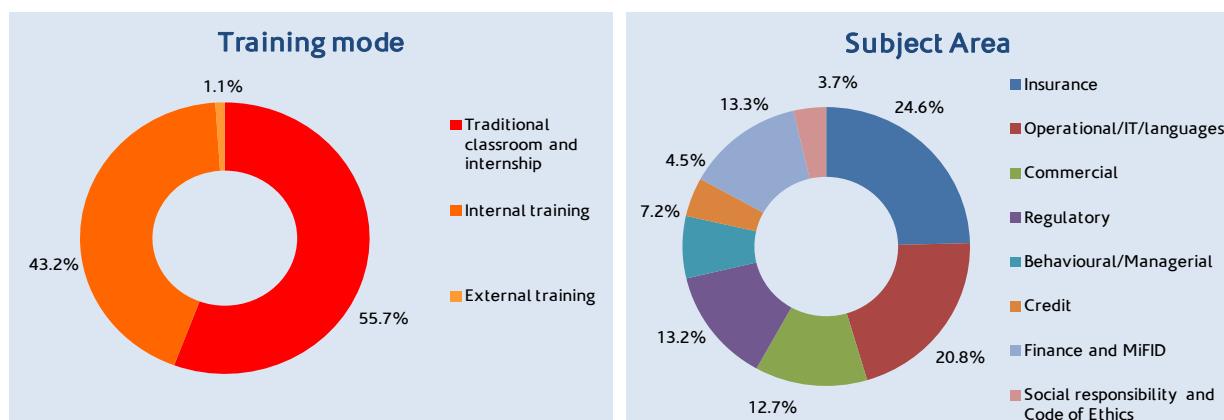
¹ Includes regulatory training on insurance required by IVASS (insurance authority).

² Total costs including the New Banks from 01.01.17 until 31.12.17.

³ Total active employees at 31/12 (excluding those on leave) with at least one training event to total active employees at 31/12 (excluding those on leave).

TRAINING BY POSITION AND GENDER	2017		2016	
	Employees	Average hours pro capite ¹	EMPLOYEES	AVERAGE HOURS PER CAPITA
Senior managers	380	36.2	331	40.7
of which women	35	29.6	36	34.3
Middle managers	8,828	52.5	7,256	43.4
of which women	2,463	54.0	1,900	43.2
Professional areas	11,992	46.2	8,758	38.8
of which women	6,361	46.4	4,394	38.2
TOTAL	21,200	48.6	16,345	40.9
of which women	8,859	48.4	6,330	39.7

¹ Average hours per capita are calculated on the total number of employees trained, including terminated employees.



DETAILS OF REGULATORY TRAINING ¹	2017				2016			
	Hours	Participants ²			Hours	Participants ²		
		Senior manager	Middle manager	Profess. Areas		Senior manager	Middle manager	Profess. Areas
Administrative liability of entities (Legislative Decree No. 231/2001)	12,200	109	4,170	5,311	2,547	11	214	332
Transparency and usury	9,352	15	1,278	2,576	6,009	65	1,821	2,705
Safety (Legislative Decree No. 81/2008)	52,607	177	6,203	7,634	33,842	107	3,465	4,711
Privacy	1,855	6	284	482	1,352	13	403	617
Anti Money-Laundering	18,748	62	3,250	4,532	17,545	113	3,814	4,744
Other regulatory subjects	43,827	149	5,474	8,048	14,438	93	3,185	5,197
TOTAL	138,589	229	7,552	10,425	75,734	199	5,970	7,728

¹ Does not include regulatory training on the MiFID Directive, which is included in the "Finance and MiFID".

² Total participants is not the sum of the participants in each subject area, because a given employee may have attended more than one course in different subject areas.

Training activities are managed by [UBI Academy](#), the Corporate University of the UBI Group, whose object is the study, planning, consultancy and provision of services for the training and the professional and managerial development of UBI Group Bank in support of its business objectives. The purpose of the training activities is to achieve an ongoing improvement in the professional level of all employees of the Group, which is tantamount to working in the best interest of our customers, with an operating approach that is increasingly focused on 360° consultancy, appropriateness of investor services and greater awareness and preparation in order to reduce risks of non-compliance and those in connection with transparency. All of these activities are designed for more widespread improvements in productivity.

From a management standpoint, all training initiatives are structured and planned to reflect the organizational and management requirements of the company business with the support of Human Resources; requirements are assessed and training plans are prepared on an annual basis with reference to the Business Plan and requirements identified by the heads of each of the parent company's operating areas. Special emphasis is placed on the preparation, in cooperation with the relevant reference units, of training activities to support continuous education on the current regulations and relevant developments. As an indication of the importance of compliance with the rules and the quality of the training content, the didactic material on technical banking, commercial, credit and financial topics to support the classroom activities is subject to approval from the Group's compliance authorities.

Intensive internal communication and training activities are designed to be an effective tool to spread and enhance the wealth of technical and professional knowledge, management experiences and skills, ethical and cultural behaviours of persons belonging to the UBI Banca Group, promoting the spread of a [unified corporate identity](#). People are at the centre of the training process, through motivation to take action with a view to the continuous improvement in the three basic components: [knowledge, can-do, and can-be](#): We offer examples of excellent performance drawing from best practices, persons of value representing professional examples and role models.

UBI Academy uses a [Quality Management System](#) as an additional guarantee for all stakeholders, formalising and instituting procedures aimed at continuous improvement in the services offered. UBI Academy periodically undergoes internal and external audits for the verification and confirmation of its ISO 9001 quality certification, and since the beginning of 2017, the transition to ISO 9001. In 2015, risks in business processes and the appropriate measures to be adopted to manage them were identified, along with opportunities, possible solutions and measures to address them. On an annual basis, the [Quality Manager](#) uses the information received as a basis to record the verified cases of noncompliance. On that basis, he or she identifies the actions required to prevent them and/or to eliminate the underlying causes. The head of the Quality unit is also the point of reference for receiving and managing any complaints or grievances received from different stakeholders.

UBI Academy plans initiatives for the development of managerial capacities dedicated to all network business functions and central structures to address the five managerial dimensions according to the UBI Banca model: relational, managerial, intellectual, innovative and emotional. Under each initiative, training is provided to address the company's complex functions and provides traditional teaching methods, individual coaching and the use of new tools such as Skype for business. With the aim of spreading the [Quality Culture](#), certificate courses are available in specialised areas such as Compliance, Audit and Risk, as well as specialised financial certifications. To support persons in professional integration and growth, "network business role qualification" training is provided to develop the required knowledge and skills required for these positions, to perform these functions required for the position itself, combined with which knowledge reporting (used to assess competence for network commercial functions).

Some training activities are related to specific projects to support the adaptation of company processes to new regulations. The most important training activities for 2017 involve the following:

- The [MiFID II Project](#) on implementation of the European system to increase the level of investor protection entailing verification of the level of knowledge and skills personnel require to provide financial advisory service; UBI Academy has established dedicated training programme to provide a high level of training in the area of finance, to operate in the best interest of customers and to avoid errors in assessment and the resulting economic damages to savers;
- [Organizational well-being](#), according to the results of an internal study on assessment of risk in connection with occupational stress factors, UBI Academy has provided training activities for employees of the central organisational units and for those of the branches, designed to enhance capacities for corporate communication and collaboration.

To monitor the efficacy and quality of the training process, UBI Academy uses internal and external mechanisms. The training activities developed using different mechanisms entail the compilation by the users of a learning questionnaire, primarily for the technical and professional courses, that are used to assess the acquisition of training content and perceived quality. UBI Academy's annual objectives include achieving levels of quality perception above satisfactory. A monthly report is produced for senior management on perceived quality performance for each training initiative. Appropriate remedial actions are taken for courses assessed to fall short of the target level.

Depending on the identified requirements, the target for [2018](#) is to deliver approximately [140,000 days of training](#) (43% traditional classroom training, 42% distance learning and 15% other mechanisms: internships, on-the-job training, etc). The purpose of the training plan is to support execution of the 2019/2020 Business Plan and to support implementation of the new Distribution Model through the strengthening of skills and the spread of good practices and effective commercial performance; support of revenue challenges for the sales network; spread of the digital approach throughout the Group; development of the role of managers, which is essential in change and management of performance; support for professional development and assessment of all employees within the new business model, fostering development in the talents of all employees to ensure adequate levels of productivity.

Dialogue with trade unions

The scenario in Italy is one of a high level of attention toward workers which UBI Banca considers its commitment to maintain both on a daily basis and with regard to the management of large organisational changes; it is a commitment which goes beyond mere compliance with regulations. The quality of trade union relations in fact makes it possible to maintain a positive business environment and to find adequate solutions to meet demands for optimised, flexible labour, that are and will continue in the near future to be key driving factors in meeting the Group's objectives of efficiency and profitability.

The Human Resources Area, which reports to the Chief Operating Officer, is responsible for negotiations between management and labour. It has been UBI Banca's longstanding practice to use a policy of cooperation, while observing the respective roles of each party, to find mutually beneficial solutions whenever possible through a transparent, practical, and ongoing dialogue, going beyond the minimum requirements provided under the institutional procedures. Policies and measures to protect workers from the social and occupational repercussions of company reorganizations are central issues in this connection. Professional retraining and mobility processes are used to optimise human and professional resources and assist in proposing specific training and mobility plans, while staff downsizing plans rely on a voluntary approach through redundancy incentive programmes and recourse to the income support "solidarity fund" for the sector.

Freedom of association and collective bargaining

[GRI 102-41 407-1]

All of the banks' staff (including personnel from the three new banks acquired in 2017) and other companies with registered offices in Italy (more than 99% of the Group's total workforce) are covered under national collective bargaining agreements and are not subject to any restrictions to the freedom of association and participation in trade unions.

There are six trade union organizations in the Group, to which 82% of the staff belong. All Trade Union Organizations operate freely within their own prerogatives, and the Group makes adequate operational means available to them to conduct trade union activities. Trade union representatives used approximately 247 thousand hours of trade union leave, in the exercise of their relative trade union rights.

TRADE UNION MEMBERS	2017	2016
No. Group's trade union	6	7
Total members (No.)	17,793	14,370
% members	82.3%	81.8%

ABSENCES FOR TRADE UNION BUSINESS(No. hours)	2017	2016
Strikes of business disputes	-	-
Strikes of category disputes	-	-
Other strikes (national policy, etc)	-	-
TOTAL	0	0
Trade unions leaves	247,018	239,715
TOTAL ABSENCES	247,018	239,715

Management of industrial relations

[GRI 402-1]

Under national collective bargaining agreements, processing steps and a minimum period of 45 days is established for negotiations with the Trade Union Organizations to make substantial organizational changes. During 2017, 104 meetings with trade union representatives were held, entailing a total of 780 hours, leading to the execution of important agreements designed to management of reflexes on the personnel affected by operations to optimise the Group's structure.

The 2017-2020 update of the Group's business plan, in the wake of the acquisition of three new Banks from the Resolution Fund, led to the October 2017 signing of the [Framework Agreement](#) governing the merger of these Banks with the Group, providing flexible mechanisms to enable to pursue the efficiency and productivity objectives provided under the Plan, - as voluntary recourse to part-time and flexible arrangements as well as in the approval of extraordinary leave- and confirming the work on staff through early and incentivized exodus initiatives.

In 2017, the Group also undertook agreements with the trade union organizations to establish a single system for all UBI staff, to optimise costs, facilitate the gradual departure of workers nearing retirement age, and promote generational turnover. Below is a summary of the key areas in which negotiations were undertaken with trade union representatives during 2017:

- On [29th April 2017](#), agreement of a further 14 voluntary departures under the December 2015 Framework Agreement;
- On [24th May 2017](#), signing of the agreement on the migration from the National Collective bargain agreement for administrative, management, distribution, and service personnel to the agreement applicable to credit, financial and business enterprises, which involved Prestitalia;
- On [15th June 2017](#), issue of the report to the Trade Union Organizations on the update of the 2017-2020 Business Plan on the merger of the new banks and subsequent triggering of the procedure with the meeting of 6 July 2017. These activities led to the signing of the Framework Agreement of 26 October 2017 governing the merger of the New Banks with UBI Banca Group, the repercussions on the status of staff, and relevant changes to the workforce (early severance plan, individual incentive plan, extraordinary leave periods, part-time, etc.);
- On [26th July 2017](#), signing of the Agreement, pursuant to the Trade Union Memorandum of Intent of 11 December 2016, on harmonization of different contractual arrangements for subsidiaries within the Group, providing a single company collective bargaining agreement of second level, entailing 638 further redundancies, as against the 600 provided under the Memorandum;
- From the [latter half of July](#), meetings were undertaken with the trade union organizations, resulting, during the period October 2017 until January 2018, in the signing of agreements to confirm the company bonus (VAP), that still provide a "welfare plan" option offering a broad selection of services;
- On [21st November 2017](#), signing of the Statement of Agreement pursuant to Art. 4 of Law No. 300/1970 governing, also in light of the amendments to the Jobs Act, the use of labour facilities and mechanisms potentially leading to the option of remote supervision of workers;
- On [22nd December 2017](#), signing of a Statement of Agreement to identify forms of supplementary health benefits as a reference for UBI Banca and UBIS deriving from the simplification of the existing insurance and mutual systems.

Equal opportunity and non-discrimination

Diversity management, a matter of ethics in observing the principle of non-discrimination enshrined in the Group's Code of Ethics and one of the 10 universal principles of the Global Compact, is also a mechanism to enhance company performance through personnel selection processes designed to acquire the resources most suited to the vacancies involved and management processes to optimise employees' individual capacities and skills.

Diversity is addressed in the framework of human resource management processes in general, in which respect for equity and transparency are key features, with a view to utilising differences in culture, age, gender, and abilities to the greatest advantage. More specifically, from the management and organizational standpoint, the Group has adopted initiatives to promote a balance between professional and private life and to support employees returning from maternity/paternity leave and lengthy absences. Where compensation is concerned, UBI Group has formalised remuneration and incentive policies under which compensation is based on merit and fairness, through equitable, consistent remuneration for comparable roles and responsibilities, offering equal career development opportunities for everyone.

Special attention is devoted to the management of disciplinary proceedings. In this connection, UBI Banca has adopted specialised guidelines applicable throughout the Group designed to ensure a proper, transparent approach through formally-established investigation, decision-making and judgment processes and through periodic reporting on the measures taken.

Diversity and equal opportunity

[GRI 405-1:2]

Diversity management in the Group primarily involves gender diversity.

Composition of the Group's personnel

The data confirm the increase in the share of women in the work force, including in management positions. Appointments are balanced between men (51.3%) and women (48.7%) while promotions involved 42.1% women and 57.9% men. These figures are consistent with the overall distribution of the work force. The Group complies with compulsory legislation and regulations on the subject of the employment of disabled persons, creating working conditions suitable for the best expression of work and professional skills.

DIVERSITY INDICATORS OF EMPLOYEES (BY GENDER)	2017			2016		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Minority groups						
Foreign national (EU and non-EU)	0.2%	0.2%	0.2%	0.7%	0.8%	0.7%
Protected categories	6.9%	6.4%	6.7%	6.8%	6.3%	6.6%
of which:						
disabled	5.5%	4.4%	5.0%	5.5%	4.5%	5.1%
widows and orphans	1.2%	1.5%	1.3%	1.3%	1.7%	1.5%
others	0.3%	0.5%	0.4%	0.1%	0.1%	0.1%
Age						
Under 30	3.9%	6.8%	5.1%	3.6%	6.9%	4.9%
30 to 50	52.9%	62.8%	57.1%	51.8%	61.3%	55.5%
50 to 60	37.2%	28.1%	33.4%	36.8%	29.2%	33.8%
Over 60	6.0%	2.3%	4.4%	7.8%	2.6%	5.8%
Average age (year)	47	45	46	48	45	46.73
TOTAL	57.7%	42.3%	100.0%	60.9%	39.1%	100.0%
Degree	55.0%	49.0%	52.4%	59.6%	53.6%	57.3%
University degree	39.3%	48.0%	43.0%	34.1%	42.6%	37.4%
Other	5.7%	3.0%	4.6%	6.3%	3.8%	5.3%

DIVERSITY INDICATORS OF EMPLOYEES (BY CATEGORY)	2017			2016		
	SENIOR MANAGERS	MIDDLE MANAGERS	PROFESS. AREAS	SENIOR MANAGERS	MIDDLE MANAGERS	PROFESS. AREAS
Gender						
men	2.7%	50.2%	47.1%	2.9%	51.7%	45.4%
women	0.4%	26.7%	72.9%	0.5%	29.1%	70.4%
Minority groups						
Foreign national (EU and non-EU)	1.9%	0.1%	0.3%	2.0%	0.1%	1.1%
Protected categories						
of which:						
disabled	0.3%	2.9%	6.7%	0.6%	2.9%	7.0%
widows and orphans	0.3%	1.2%	1.4%	0.3%	1.2%	1.7%
others	0.1%	0.5%		0.1%	0.1%	0.1%
Age						
Under 30		0.1%	8.7%		0.1%	8.9%
30 to 50	28.7%	49.4%	63.3%	29.5%	49.8%	60.9%
50 to 60	62.7%	44.7%	24.7%	65.0%	42.7%	25.8%
Over 60	8.6%	5.8%	3.3%	5.5%	7.4%	4.4%
Average age (year)	53	50	43	53	50	44
TOTAL	1.7%	40.2%	57.9%	2.0%	42.9%	55.1%
Degree	34.3%	58.1%	49.2%	41.6%	62.7%	53.6%
University degree	61.7%	39.7%	44.6%	55.2%	35.4%	38.4%
Other	4.0%	2.2%	6.2%	3.2%	1.9%	8.0%

To promote equal gender opportunities, management and smart working activities have been supplemented with training activities designed to support employees returning from maternity/paternity leave: 47 employees participated in five editions of the "Family Work Balance" course entailing a review of labour organisation in connection with sensitive issues of transition and change in family, social, and labour roles.

Specific training activities targeted the generational confrontation: "Generational change: Experience and Energy", in seven editions, involved 158 participants from a variety of generational settings, in an active discussion on relevant, current issues for the Group, to attempt to exchange and learn from different experiences and to enhance communication skills and collaboration.

Remuneration

In general, the male/female wage gap was reduced and substantially aligned in senior management and professional areas.

AVERAGE GROSS SALARY ¹ (thousands of euro)	2017				2016			
	FIXED	VARIABLE ²	TOTAL	VARIABLE TO TOTAL	FIXED	VARIABLE ²	TOTAL	VARIABLE TO TOTAL
Senior managers								
Men	154.6	2.2	156.8	1.4%	150.8	4.6	155.4	3.1%
Women	160.4	1.2	161.6	0.7%	158.6	3.0	161.7	1.9%
Middle managers								
Men	63.0	1.4	64.4	2.2%	63.0	1.7	64.7	2.7%
Women	55.9	1.3	57.2	2.3%	55.5	1.7	57.2	3.1%
Professional areas								
Men	39.4	0.9	40.3	2.3%	39.9	1.2	41.1	3.0%
Women	38.8	0.8	39.6	2.1%	39.2	1.1	40.3	2.8%

¹ Data relating to 99% of employees, employees with foreign and extra-group contracts are excluded.

² The figures are inclusive of: Incentive Schemes, One-off Bonuses, Company Bonuses and Commercial Contests.

AVERAGE GROSS SALARIES OF WOMEN TO MEN	2017		2016	
	TOTAL	FIXED	TOTAL	FIXED
Senior managers	103.0%	103.8%	104.0%	105.2%
Middle managers	88.8%	88.7%	88.4%	88.1%
Professional areas	98.1%	98.4%	98.1%	98.2%

Data relating to 99% of employees, employees with foreign and extra-group contracts are excluded.

Non-discrimination

[GRI 406-1]

No violations of the principle of non-discrimination were observed in the Group, with reference to 61 disciplinary proceedings during the year, in observance of established procedures. These proceedings involve operational irregularities and negligence of various kinds (48), irregularities in the disbursement and management of loans (10) and undue appropriation/diversion of administrative funds (2).

DISCIPLINARY MEASURES	2017	2016
Verbal or written reprimand	33	49
Suspension from work and pay (from 1 to 10 days)	23	23
Dismissal for just cause or on justified grounds	5	3
TOTAL	61	75
Actions taken against employees	29	7
TOTAL	90	82

CASES PENDING AT THE END OF THE YEAR CONCERNING EMPLOYMENT RELATIONS	2017	2016
Pension and social security	3	9
Remuneration	12	37
Termination of contract of employment	30	28
Duties and job descriptions	19	21
Job appointments and performance of work	23	15
Anti trade union conduct pursuant to Art. 28	1	1
Other	59	10
TOTAL	147	121

Commitment to the community

It is important for a bank with the mission to be a local community bank to be perceived as present and nearby, attentive to the economic and social needs of the communities where it operates. Acting as a driver not only for the economy but also for the social well-being of local communities, it promotes the creation of strong relationships with authorities, institutions and social organisations. In this context the support provided by the Group to families in difficulty, the attention it pays to poorer groups in society and its contribution to important social causes and projects are part of its overall business strategy.

In particular, the socio-economic context caused by the prolonged period of crisis has strengthened the perception that businesses and nonprofit organisations should act in synergy with public institutions in order to support the development of new responses to meet the needs of society. Current changes (such as the falling birth rate, ageing population, new forms of poverty, growing number of care-dependent older people, migrants in need of help to integrate and youth unemployment) have revealed new categories of need with a high social content relating to an ever-increasing number of people. UBI Banca contributes to the response to these new needs both commercially, as the banking partner of nonprofit organisations that provide public goods and services, and by supporting social initiatives and projects.

The development of **business activities with social aims** is a heritage shared by the entire Group, reflected in particular by **UBI Comunità**, which acts as an incubator for new ideas and initiatives.

Strategic philanthropy activities - charitable donations and sponsorships - are managed on the basis of internal regulations that formalise delegations of responsibilities and processes. Most of this consists of donations made using specific allocations of retained earnings pursuant to Art. 44.3 of the Articles of Association of UBI Banca amounting to 2% of the distributable part of the net profit resulting from the annual financial statements after the minimum amount prescribed by law for the statutory reserve has been deducted together with any amounts decided by a General Meeting to create or increase reserves, including extraordinary or other reserves, with a maximum of €12 million (the “Board’s Fund”).

In November 2016, as part of the revision of the Group’s organisational model at the time of the implementation of the Single Bank Project, the Supervisory Board drew up specific guidelines for the centralised management of the **Board’s Fund** and criteria for distributing funds among the Macro Geographical Areas (MGAs). On 14th February 2017, on the basis of these guidelines and following prior examination by the Management Board, the Supervisory Board approved the **Regulations for the process to manage UBI Banca’s charitable donations**. Each year, on the basis of the Regulations, the Supervisory Board approves an **Annual Intervention Plan for UBI Banca**, establishing general guidelines for the efficient allocation of the available resources to the initiatives with the greatest potential for impact and change. The Supervisory Board decides on the most far-reaching initiatives (usually inter-regional), while local interventions are referred to the MGAs. In order to ensure more effective relations with local communities, a Local Operational Team (LOT) has been formed for every MGA where each MGA Manager is accompanied by a specially designated Member of the Supervisory Board with experience of the relative local area. The LOTs are supported by the UBI Comunità Area manager and the Head of the Corporate Social Responsibility Function. The Supervisory Board examines the Annual Intervention Plans of the Macro Geographical Areas, verifies that they are in substantial compliance with the annual guidelines and expresses its prior opinion on the initiatives for which the MGAs are responsible that are defined as “major” (amounting to €20,000.00 or more) and/or extend over several years.

Contributions from the **donation of part of the income from products and services** are defined as part of the process for structuring them and specified in the prospectuses for the placement of financial products.

All [sponsorships](#), including those of social value, are managed as part of an annual budget by the Sponsorships Function created within the Communication Area, with a selection process using a [dedicated software application](#) (Optimy) to ensure that this is done in a transparent and traceable way. The adoption of a specific set of regulations is scheduled for 2018.

Dialogue with local institutions

[GRI 413-1]

UBI Banca contributes to the promotion and dissemination of skills, mainly in the field of economics, through its constant collaboration with local institutions: [training institutes](#), [universities¹](#), and economic organisations such as Confindustria (Confederation of Italian Industry).

UBI Banca is involved with [Alternating School Work](#) programmes with secondary schools, working with students to increase their knowledge of the working world and acquire the basic elements of economic citizenship and financial culture. In 2017 the Group hosted over 500 students from 26 schools in local communities.

The Group built on its well-established relations with the economics, law and computer science faculties of public and private sector universities and business schools. In 2017, working with them to fund scholarships, offering services to students and providing internship opportunities for final year students and recent graduates. [Employer branding](#) activities are also intense, with the aim of enhancing the Group's profile as an employer of choice, partly to support the ongoing and substantial generation turnover plan. As a result of its employer branding, the Group has made a slight improvement to its ranking among ideal potential employers, even in a context where the financial sector is becoming less attractive. Overall, there were approximately 30 initiatives for guiding students and graduates in their career choices in 2017, mainly in the geographical areas where the Group has the greatest recruitment needs. Over 140 young people had work placements in the company, 81 of them as paid work experience that was not part of a university course, mainly in the policy, governance and control units that are most involved in significant processes of change and digital evolution. Twenty-five of them were recruited at the end of their work placement.

Further investments are planned for 2018 to increase awareness of UBI Banca as an ideal workplace, intensifying employer branding activities in universities that have until now provided fewer recruits at a junior level and extending Alternating School Work programmes to offer work experience to school students in the main centres in which the Group is present. This is also consistent with the formalisation of a specific memorandum of understanding with the Ministry of Education, Universities and Research (MIUR).

The co-operation between the Macro Geographical Areas and universities has also given rise to major initiatives such as the [UBI Banca, why not?](#) project with the University of Bergamo in the context of the "Know and interpret to control the market" business laboratory with the aim of looking into the reasons for customer retention among customers of the Bank and the reasons why the customers of other banks consider switching to UBI Banca and the "[From information to strategic and financial stability](#)" training programme that aims to show economics students how a bank evaluates the credit rating of a business in practice.

Actions taken for social initiatives

[GRI 201-1 415-1]

Social interventions, whether occasional or part of agreements lasting several years, are intended to promote and enhance the identity of the Group and reinforce its brand. The choice of initiatives to support takes into account the positive impacts they can generate for

¹ the Bocconi, Cattolica, Bicocca and state universities of Milan, the universities of Bergamo, Brescia, Pavia, Turin, Trento and Bologna, the Insubria University of Varese, the Carlo Cattaneo University of Castellanza, the Polytechnic University of the Marches, the University of Verona, the LUISS and Tor Vergata universities of Rome, the Bocconi SDA and the Sole 24 Ore Business School.

stakeholders as a whole, in terms of reducing social costs and/or increasing the economic development of the community. In order to achieve the maximum economic and social return from the amounts paid out, it is important to identify and support the best initiatives in terms of how well they match the areas where the Bank operates and their visibility/impact in the area. This leads to “collaborative growth”, aligning social intervention with business strategies by acting on three fronts:

- **enabling growth**, involving factors such as professional training, high-quality education, improved quality of life and a reduction in the problems that lead to costs for the community and social hardship
- **strengthening demand**, involving factors such as the size and quality of the relevant markets (e.g. social housing initiatives, with actions that can support the demand for mortgages);
- **strengthening the competitiveness of communities**, by encouraging investments and development activities.

No payments, whether direct or indirect, are permitted to: political parties, movements, political committees and other political organisations, their representatives and candidates, congresses or festivals with political propaganda purposes².

Donations are made through both the **Board's Fund** (reserves of profits required for this purpose by the Articles of Association, some of which contribute to the assets of the Group's Foundations) and part of the income from the placement of financial products, particularly as part of **UBI Comunità** initiatives. In addition to this, **sponsorships³** with **social aims**, associating the UBI Banca brand with organisations and events, are often an expression of their history and tradition in their respective local communities.

RESERVES AVAILABLE TO UBI MANAGEMENT BODIES FOR SOCIAL PURPOSES (thousands of euro)	2017	2016 ²
Brought forward from the previous year	0	5,121
Donations made during the year ¹	4,189	7,139
YEAR-END BALANCE	4,583	8,772

¹ Including contributions to the UBI Banca Group's Foundations

² The values for 2016 have been adjusted to include the amount in the Board's Fund that were omitted in error in the 2016 report

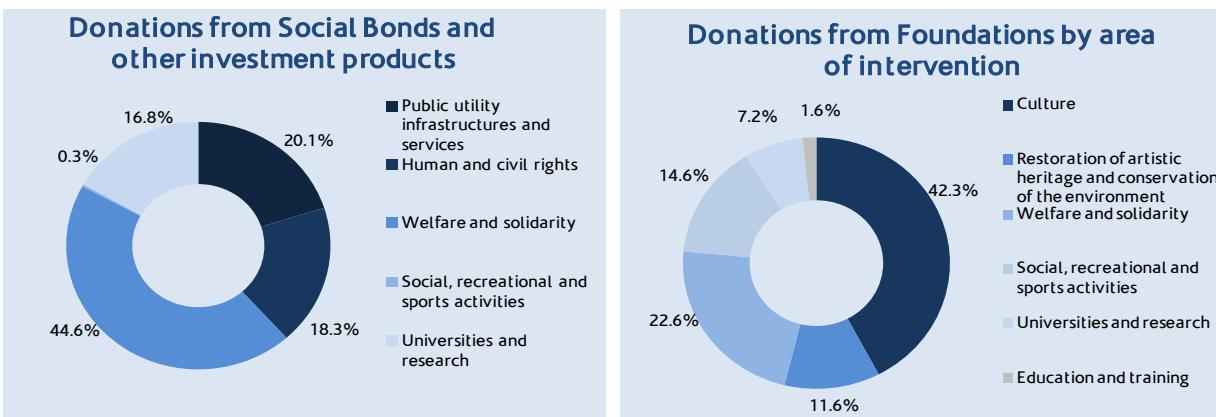
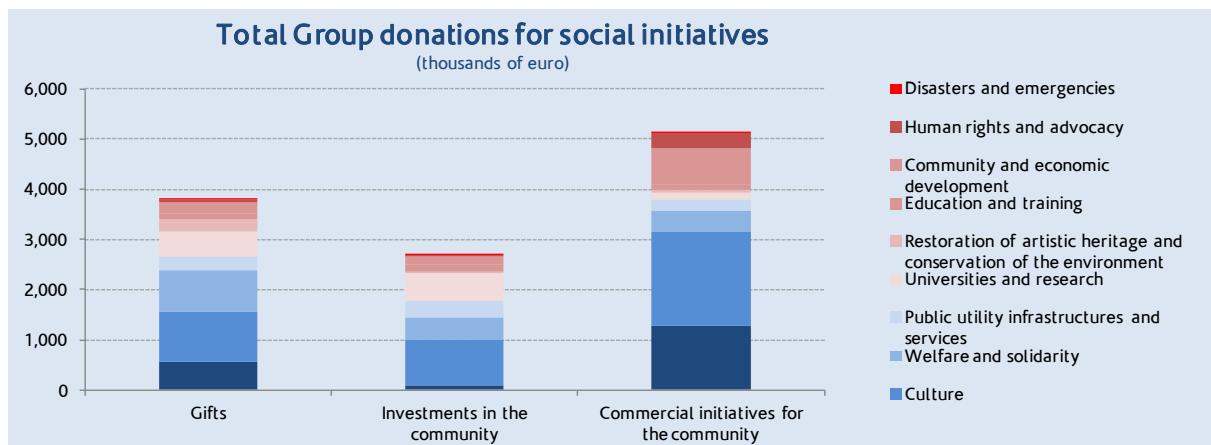
In 2017 the Group made donations for social initiatives in the areas where it operates totalling €13.7 million⁴ (compared to €13.9 million in 2016), including:

- €3.0 million drawn from Articles of Association-related retained earnings reserves of UBI Banca available to management bodies for social purposes, net of sums paid to Group Foundations (€1.1 million);
- €8.9 million as operating expenses, including donations resulting from financial products with a donation element (e.g. Social Bonds, Sicav Social4Future) and contributions to local authorities as part of treasury and collection services;
- €1.8 million by the Foundations, which are not included within the consolidation scope of the Group, but are an offshoot of it. They are legally autonomous and use the resources they receive from the Group to contribute to the achievement of its social responsibility objectives in the communities where it operates.

² Code of Ethics, paragraph 6.6

³ These are sponsorships with aims of a social nature. Sponsorships of professional sporting organisations are only included in the report if they are directed to activities to promote the moral education of young people through sport.

⁴ This excludes the contributions made to the Group's Foundations (€1.6 million) and contributions in kind (€183 million).



Donations from the Board's Fund

Under the 2017 Annual Intervention Plan approved by the Supervisory Board, the Parent directs new interventions towards welfare and solidarity, culture, universities and research, restoration of artistic heritage, disasters and emergencies, in order to support the development of young people and social integration, with particular regard to migrants and refugees. The Macro Geographical Areas have a particular responsibility for social, recreational and sports activities, education and training for young people, protecting the environment and the development of the local economy. The main interventions are listed below:

- for the Parent (interventions managed directly by the Supervisory Board): contributions to the Spedali Civili [Children's Hospital](#) in Brescia for the refurbishment of the paediatric outpatient clinic (the last tranche of the commitment made), the [Ospedale Maggiore di Bergamo hospital research foundation \(FROM\)](#) to finance socially relevant scientific research (last year of a donation over several years), the [CESVI Onlus Foundation](#) for the "Happy childhood: a listening, protection and inclusion pathway for children and families" project, the [Banco dell'energia Onlus](#) (energy bank) for the social project "A year of energy" for families with temporary financial difficulties, the [Caritas Diocese of Brescia Counselling Centres](#) and the [Don Lorenzo Milani Community Association](#);
- for the Bergamo and West Lombardy MGA: contributions to the [Donizetti Foundation](#) for the 2017 opera season (a regular donation), the City of Bergamo for the restoration of the chapels of the former church of St Augustine as the Great Hall of Bergamo University, the "Bergamo fare la pace" International Cultural Festival, Bergamo University for the "Campus Entrepreneurship" project for developing and facilitating an entrepreneurial approach (the second of three years);
- for the Brescia and North East MGA: contributions to the [Teatro Grande of Brescia Foundation](#) for the GrandeUBI project and for training activities provided by [Digital Universitas](#) in Brescia;

- for the Milan-Emilia Romagna MGA: contributions to the [Poldi Pezzoli Onlus Foundation](#) as a Main Supporter of the Museum (the last of three years), [Padua University](#) for graduation prizes for the best graduates of the year in twelve university departments (regular donation), the [Cisalpino Istituto Editoriale Universitario](#) academic publisher for the final volume of the “Almum Studium Papiense” history of Padua University project on the 650th anniversary of its foundation (the last of five years);
- for the North West MGA: contributions to the [tourist information centres](#) for the [Cuneo area](#) and [Alba, Bra, Langhe and Roero area](#) for cultural events and art exhibitions, the [Alba Truffle Fair organisation](#): “Bocuse d’Or” Academy, the [Giannina Gaslini Institute](#) in Genoa to buy a vehicle for transporting patients and their relatives and travel between different hospital departments;
- for the Central and Southern MGA: contributions to the [Colocci Foundation](#) in Jesi (co-founded by UBI Banca) to support the activities of the University of Macerata (long-term contributor), to the [Friends for Health Onlus](#) in Rome for the “Tennis for Friends” event to promote preventive healthcare by buying a latest generation ultrasound scanner, the [ISTAO Adriano Olivetti Institute](#) in Ancona for three scholarships (regular donation), the [San Pietro Fatebenefratelli Hospital](#) in Rome to buy a DC Advantage ultrasound scanner for the Radiotherapy Department, the [G. Pascale Foundation](#) in Naples to buy an operating microscope to increase the early diagnosis of cancer, the [Premio Sila Foundation](#) in Cosenza for the new Premio Sila ‘49 literary prize for socially significant writing that is concerned with real life (regular donation).

Sponsorships with social aims

The main areas supported through sponsorships from the Parent and the Macro Geographical Areas are social, recreational and sports activities, culture and local economic development. In 2017 the main interventions in the field of sports and recreation were:

- the [Mille Miglia](#), a historical re-enactment of the vintage car race from Brescia to Roma and back, as a Trophy Sponsor;
- season sponsorship of the [Junior Rugby Brescia A.S.D.](#) and [Aurora Basket Jesi](#) teams with the rebranding of the indoor stadium as the UBI BANCA Sport Center "Ezio Triccoli";
- [Scherma Scuola](#) projects providing free fencing tuition in primary schools and [Scherma per Disabili](#) disability fencing project for the Jesi Fencing Club;
- the [Cuneo Granda Volley](#) women’s team for championships in the various categories, supporting sport for young people;
- the [PalaUBIBanca branding](#) of the Cuneo indoor stadium, to enable local sports clubs to access the facilities;
- [FISIP](#), the Paralympic Sports association that manages the organisation and development of alpine and nordic skiing, the biathlon and snowboarding;
- [Orio Center Winter Park](#) in Bergamo, an amusement park with artificial slopes for practising the most popular winter sports, which hosts many attractions and Christmas events;
- the [Christmas Village](#) ice rink in the centre of Milan, contributing to the [Io Tifo Positivo](#) project, that has been promoting the fundamental values of sport in schools, sports and youth clubs for many years;
- the [Christmas tree in Piazza Castello](#) in Turin, which was donated to the city once more this year as a symbol of the Christmas festivities.

In the cultural field:

- the [54th Brescia and Bergamo International Pianoforte Festival](#), as part of a long-standing partnership;
- The Pavia Barocca Christmas festival of Baroque music, a cultural event organised by the [Ghislieri Music Association](#);
- the [Uovokids](#) project/event (21st-22nd October) supporting the [MED Association](#) (the Italian Association for Media and Communications Education): Italy's major festival of contemporary creativity for children (0-12) and families, this innovative and

multidisciplinary event is held at the Leonardo da Vinci National Museum of Science and Technology in Milan;;

- the [2017 Musicultura Festival](#) of folk music and contemporary singer-songwriters, held each year in Macerata;
- the “[Lombards: a people who changed history](#)” exhibition at the Castello Visconteo in Pavia from 1st September to 3rd December;
- the [International Jazz Festival](#) held in Villa Litta in Lainate at the end of June with the best Italian and international artists;
- the Pergolesi Theatre [season of plays](#) in Jesi, as part of an established partnership as the main sponsor.

For local economic development, in addition to various trade fairs and exhibitions:

- the [Agriculture and Right to Food Week](#) project/event held in Bergamo from 7th to 15th October with a series of side events associated with the G7 Agriculture meeting;
- the [Il Sentierino](#) initiative, a botanical and visitor trail in the company of historical figures to help visitors gain a better appreciation for the history of the centre of modern Bergamo and reinforce a sense of belonging among a new generation of citizens;
- the [DimoreDesign](#) cultural and tourism development project, with tours of historic houses in Bergamo enriched by meetings with the artists who have designed installations in them;
- the [2017 Collisioni Festival](#), a music, food and wine festival held in Barolo where writers, journalists, actors, singers and Nobel prize winners take part in meetings and debates;
- the [Tipicità](#) series of events celebrating the excellent foods and wines of the Marches with three initiatives: “Tipicità Made in Marche Festival” (4th-6th March in Fermo), “Tipicità in blu” (25th-28th May in Ancona) and the “Grand Tour delle Marche” (30 events held in various places throughout the Marches from 13th May to 26th November);
- the [Alba Truffle Fair organisation](#) which hosted the [Italian final of the Bocuse d'Or](#), the most important gastronomic competition in the world.

Donations of goods

UBI Sistemi e Servizi – the Group’s service consortium company – which again in 2017 donated retired [electronic equipment](#), which nevertheless still functions well, to 12 schools, institutions and nonprofit organisations with an estimated value of €4,749.00 (75 notebooks/desktop computers).

The Banca Popolare di Bergamo Onlus Foundation donated some [volumes of the “Pittori Bergamaschi” \(Painters from Bergamo\) series](#) to the principal libraries and universities in Italy, for a value (at historical cost) of €178 thousand.

Employee involvement

Group employees were also involved in charitable initiatives through fundraising projects and a corporate voluntary programme.

Each employee may contribute a sum of six euros per year deducted directly from salary, against which the company pays in an equal amount, to [ProSolidar](#), a national fund in the credit sector for solidarity and charitable initiatives consisting of a bilateral entity managed by the Italian Banking Association and the national secretariats of the banking trade unions. ProSolidar is the first body in the world formed by a national trade union agreement and it is funded on an equal basis by workers and companies. Donations made to it by Group employees in 2017 amounted to over €231 thousand.

[Donate one day](#) is the corporate voluntary programme of the Group, now in its fourth year. It is designed to consolidate the presence of UBI in the areas where it operates at the same time as strengthening shared values of solidarity and team spirit among colleagues. Each employee can use a day's holiday to volunteer for a nonprofit organisation chosen by them from those selected by UBI Banca and the Bank adds a donation of €100.00. In 2017 1,099 employees

took part, amounting to 6.4% of the workforce, volunteering at 70 nonprofit organisations spread over 34 towns and cities in 14 regions. The volunteers were able to choose between 150 activities with many different areas of social hardship: assisting children, the elderly, families in difficulty, or disabled people, or helping with cultural activities. UBI Banca donated a total of €110 thousand to nonprofit organisations.

Enjoy Special Edition an account card specially for Group employees, who help to support social projects by simply using the card. UBI Banca waives its interbank commissions on POS terminal transactions⁵ using these cards, which are donated entirely to the social project chosen each year by employees themselves by means of a survey carried out on the corporate Digital Workspace portal. In 2017 over €16 thousand was collected and donated to the BLUE Diary charity project run by the GAUDIO Onlus Association, which came first out of the five projects selected for the 2017 Sodalitas Social Innovation Prize. The project involves building a customisable visual diary using Alternative and Augmentative Communication (AAC) for children and young people who find it difficult to understand verbal language and need a visual support.

UBI Comunità initiatives

As part of UBI Comunità, consistent with the [Agenda 2030 Sustainable Development Goals \(SDGs\)](#)⁶, particularly Goal 17 which is about developing partnerships to achieve social objectives, important strategic partnerships were created or confirmed with leading nonprofit bodies and organisations in 2017, including the following:

- [Local archdioceses, dioceses and religious organisations](#), as part of the business unit which co-ordinates commercial initiatives for ecclesiastical and religious bodies;
- [Associazione Italiana per la Ricerca sul Cancro - the Italian Association for Cancer Research \(AIRC\)](#) for which UBI Banca has been an institutional partner since 2013 for the November fundraising campaign entitled [I Giorni della Ricerca - Research Days](#), through various initiatives⁷ for current and potential customers and their employees. In 2017 the partnership, which was extended to include the [Oranges of Health](#) campaign at the end of January, the [AIRC-Giunti School](#)⁸ and the [Mille Miglia](#) drew great attention on both national and local media and allowed the AIRC to collect [almost €5 million](#), over €660 thousand of which was attributable to the various initiatives activated by the Group (since 2013 UBI Banca has contributed almost €4 million in support of cancer research);
- [the San Patrignano Community](#), with fundraising activities directly involving branches for the [Let's put our heart into it](#) initiative; in exchange for a minimum donation of ten euros at a branch supporters were given a packet containing chilli pepper and a recipe specially created by an award-winning chef for the campaign. All branches were involved in this activity from 26th June to 2nd July 2017;
- [AISM](#)(Italian Multiple Sclerosis association), [WeWorld](#) (charity working with women and children), [Fondazione Albero della Vita](#) (children's charity), [Associazione CasAmica](#) (accommodation for hospital patients and their relatives), [Lega del Filo d'Oro](#) (charity for

⁵ As a result of Regulation EU 2015/751, from December 2015 the percentage commission on POS transactions was reduced by about one third compared with before, which affected the amount donated to the winning project.

⁶ the SDGs are 17 goals set by the General Assembly of the UN in "Transforming our World: the 2030 Agenda for Sustainable Development", on 25th September 2015. Goal 17 is: "Strengthen the means of implementation and revitalise the global partnership for sustainable development".

⁷ Initiatives for 2017 include: fundraising in branches and through internet banking, the UBI Comunità EnjoyCard customised for the AIRC, the proposal to use SDD direct debits for recurring donations and innovative functions for sending money using the UBI Pay app, which allows customers to make a donation using their smart phones with the Jiffy network.

⁸ This was an educational programme, sponsored by the MIUR (Ministry of Education, Universities and Research) and targeted at primary school classes IV and V in which over 800 schools and approximately 75,000 children/families were involved.

deafblind people), and **FOCSIV** (international Christian voluntary work organisation), to support the following initiatives: **La Gardenia di AISIM**, **#Timeout: Let's end violence against women**, **Cross the threshold**, **Close to those who cannot see or hear**, **Always closer to patients away from home and their families** and **We smiled for something serious**, by making numerous fundraising instruments and channels available and increasing awareness among the Group's customers and employees;

- **Accenture Foundation** and **Bracco Foundation** for the second **Welfare what a business!** competition aimed at social start-ups in the community welfare field, which has involved new partners this year: **Golinelli Foundation and Snam Foundation** as promoters, **Polimi Hub, Socialfare** and **Campania Newsteel** as enterprise incubators or accelerators and **Milan Polytechnic and Aicon** as scientific partners;
- **Anffas Onlus** (national association for families of persons with mental and/or relational difficulties) and the **GCM Co-operative Group** with which UBI Banca, co-operation with its trust company UBI Trustee promoted the **Trust in Life** project. The project provides services and financial support for people with severe disabilities and their families, using the legal instrument of a trust as a multi-beneficiary mutual tool to manage all the financial resources associated with the **Life Project** personalised support programme. This project is also intended to organise interventions to support the social inclusion of people with severe disabilities, by activating local networks and the specific expertise of partners, with an approach that is open to all those in the area with an interest in working together to share experiences and skills. To that end, meetings involving the key public and private stakeholders were held in local communities in 2017 to present and investigate the content of the legislation and the project. In 2018 it will continue to organise information events in local communities and launch a completion to bring together initiatives and best practice selected by operators belonging to the Anffas and GCM network in accordance with the "After Us" law (Law No. 112/2016). The projects selected will be supported by UBI Banca, which will forgo part of its income from the new Hybrid credit card.

Investment products play an important role in supporting social projects that create value for the community: **UBI Comunità Social Bonds**, **Sicavs** and **Ethical funds** with a donation of part of the income. Social Bonds are bond instruments which, in addition to providing remuneration at a market interest rate for the investment made by subscribers, allocate part of the funding acquired (normally 0.50%) to support projects of high social value undertaken by nonprofit organisations, or use it for form a pool for the disbursement of finance to third sector initiatives. Again in 2017, UBI Banca was the confirmed sector leader, in terms of both volumes and impact generated, placing **six new bonds amounting to a total of €95 million**, which resulted in donations totalling €355 thousand, in addition to a further €203 thousand donated for two social bonds placed in 2015 and 2016 (for the Progetto Arca Foundation and the Confederation of the Misericordie d'Italia voluntary associations). From its launch in 2012 to the end of 2017, the Group has placed 88 social bonds, collecting approximately €973 million, and resulting in charitable donations of over €4.6 million and in approximately 20.5 million in available loan pools or loans granted.

In order to allocate resources more effectively and efficiently to the initiatives that have the greatest impact on change and increase accountability to customers who subscribe bonds and to Group stakeholders more generally, as part of the structuring process for social bonds and the upfront placement of Sicavs or ethical funds, UBI Banca **measures the social impact** to evaluate the projects to be supported. The tool used is Social Return on Investment (**SROI**), which converts an estimate of the expected social impacts of the project into monetary terms (*ex ante valuation*) and the impacts achieved on its completion (*ex post valuation*). An outside independent company with professionals of high standing assists UBI Banca with the application of SROI. It verifies the compliance of the methodology used for data collection and the relative sources, the monetisation of the expected and achieved impacts of the project and the calculation of social value and verification of the underlying assumptions, as well as checking that the results of the project are consistent with its aims. Normally, 30% of the donation is disbursed on completion of a project, once it has passed the independent *ex post* check and has been found to have met expectations and complied with social and environmental requirements.

SROI was applied ex ante to the three projects shown in the following table in 2017, with very positive results in terms of the expected social impact. Only the ex post SROI calculation will be performed for the Lega del Filo d'Oro "Close to those who cannot see or hear" project (approximately 2,000 disabled beneficiaries), while the [Impact Factor](#) tool will be used for the AIRC "My First AIRC Grant" project (scholarships awarded to 22 researchers).

Promoter	Project	Direct beneficiaries	SROI Index ⁽¹⁾ (ex ante)
AISM (Italian Multiple Sclerosis association)	Rehabilitation and support activities for people with secondary progressive multiple sclerosis	24 disabled people	1.85
L'Albero della Vita Foundation	"Cross the threshold" to compare the economic and relational poverty of families with children in the outer districts of some major cities	120 families in social hardship	5.16
Casa Amica	Always closer to patients away from home and their relatives	1,916 patients and their relatives	2.89

⁽¹⁾ Amount in euros in terms of the Social Return on Investment for each euro invested in the project

In the commercial area, the [UBI Comunità Social Edition](#) initiative continued. This involves the issue of an [Enjoy UBI Comunità](#) prepaid card, customised with the logo of the nonprofit organisations for which they are issued. UBI Banca waives its right to part of the commission on these cards and donates it to the nonprofit organisation. Customised cards for six organisations were issued in 2017, including [AIDO Lombardia](#) and [AIRC](#), for a total of around 13 cards, of which approximately 10,000 are active, generating a donation of approximately €21 thousand. As part of the partnership with the National Basketball Association (NBA), which involves the marketing of the prepaid [Enjoy NBA](#) card, UBI Banca has decided to donate five euros to [FIPIC](#) (the Italian Wheelchair Basketball Federation) for each card issued to a Group employee (approximately €1,300 in 2017).

Also in the commercial area, €2.3 million were donated to local authorities as part of [treasury and collection services](#), to support the achievement of their social aims.

Actions taken by the Foundations

Over the years the Group has formed a series of foundations and acquired others as part of merger projects, which act autonomously in their own local communities, in compliance with the provisions of the respective Articles of Association. The most significant initiatives in 2017 are:

- for the [Banca Popolare Bergamo Foundation](#), a donation to the [Bergamo in History Onlus](#) Foundation museum on the occasion of its 100th anniversary, the purchase of a Gran Coda piano for the students of the [Gaetano Donizetti Conservatoire](#) in Bergamo, support over two years for the activities of the [Bergamo Modern and Contemporary Art Gallery](#) (GAMeC) and support for the [Intercultura Onlus Foundation](#) for a competition to fund students for a period of study abroad;
- for the [Banca San Paolo di Brescia Foundation](#) support to carry out the activities of the [Opera per l'Educazione Cristiana](#) (more specifically for scientific research purposes, a donation to the [Università Cattolica del Sacro Cuore](#) for improvements to physics laboratories and actions to benefit students with disabilities), a payment to the [Diocese of Brescia](#) Pastoral Office of the Brescia Caritas for running the [Madre Eugenia Menni community canteen](#) for the needy;

- for the [CAB Foundation – Giovanni Folonari Institute of Culture](#) donations to the [Ugo da Como Foundation](#) for the “Arnaldo Ritrovato” (Arnaldo rediscovered) exhibition at the Museum of Santa Giulia in Brescia and the [Friends of Palazzo Martinengo Association](#) for the exhibition “Da Hayez a Boldini. Anime e volti della pittura italiana dell’Ottocento” (from Hayez to Boldini: spirits and faces of Italian 19th-century painting) at Palazzo Martinengo in Brescia and support to Brescia University for the publication of volume V of the [Annali di Storia Bresciana](#);
- for the [Banca Popolare Commercio Industria Foundation Onlus](#) the purchase of equipment for the [Friends of the Ospedale San Raffaele Multiple Sclerosis Centre Association \(ACeSM Onlus\)](#), for the sensory stimulation of patients with relapsing remitting MS, and support for the [Dynamo Camp Association Onlus](#) for the Dynamo Off Camp project to bring recreational therapy away from the Camp to sick children in hospital or at home using a specially-equipped vehicle;
- for the [Banca Popolare di Vigevano Foundation](#) a donation to the [Pozzoli Charitable “After Us” Foundation](#) for the “Pathways to independence for living in my own home”, a donation to the [Vigevano committee of the Italian Red Cross](#) for the “Pedi Care” project to provide new medical equipment on ambulances for the treatment of injured patients and support to the [Vigevano branch of Caritas - Pianzola Olivelli Association Onlus](#) to operate the Emmaus community canteen service;
- for the [UBI Foundation for Varese Onlus](#) a contribution to the [University of Insubria](#) for research on the immune system and donations for the purchase of a vehicle for disabled people for [Unitalsi Varese](#), to the [Varese Gulliver Centre](#) for the Keep Moving (Non restare immobile) project and for the restoration of the organ in [Castello Cabiaglio parish church](#)

Financial education

[FS16]

UBI Banca aims to contribute to the effort that all institutions need to make to respond to current social and economic changes by starting an open dialogue with the local community. The actions undertaken by UBI Banca with this in view include raising awareness about using financial resources responsibly and promoting the propensity to save that has always been characteristic of Italian households, with the objective of training economically-aware citizens and directing financial activities towards values of legality and transparency, partly as a result of the involvement of banks at a local level.

To achieve this the Group has, over the years, developed a structured financial education programme throughout the areas where it operates: a project involving many units working in synergy to promote financial education together with the contribution of the [Foundation for Financial and Savings Education \(FEDUF\)](#).

[Young people](#) are the segment that benefits most from an adequate level of *financial literacy*; it is an essential tool for entering the labour market, developing skills that allow them to act with awareness and teaching entrepreneurship to give them a better chance of success in the world of work. The following educational programmes are designed for schools:

- [Kids Programme](#) for primary schools, to explain the economy to the very young while they have fun;
- [Junior Programme](#), an educational resource for children in the first year of secondary school that introduces them to economic citizenship issues by encouraging them to reflect on the principal functions of finance and their impact on people's everyday lives;
- [Teens Programme](#), for older secondary school pupils, which introduces the basic notions needed for a real knowledge of economic rules, preparing the young people to become join and actively participate in the social, cultural, professional and economic reality that surrounds them.



FONDAZIONE
EDUCAZIONE
FINANZIARIA
RISPARMIO

Following the mandatory introduction of [Alternating School Work](#) programmes as part of the Good School Reform (Law 107 of 13th July 2015), UBI Banca has developed a 40 hour project to meet the needs of schools and students who increasingly ask the Bank to become their educational partner and in this way contribute to the development of economic and financial skills among young people. The programme consists of three training days taught in the classroom by internal teaching staff that alternates traditional lessons and short workshops using group work, role play, exercises and a second workshop part in which the young people work in a team to deliver an enterprise project under the guidance of a teacher. In the current youth unemployment situation, offering programmes that stimulate an entrepreneurial spirit can be a value-added strategy for young people. That is why the theme of [entrepreneurship education](#) was addressed during the year by taking part in the Ministry of Education, Universities and Research National Coalition for Entrepreneurship Education and supporting the [Start Cup](#) competition and the national FEDUF [Che Impresa Ragazzi](#) ("What a business kids!") competition. Start Cup is a competition organised by universities and university incubators to promote the creation of new high-potential enterprises whether they start in a university, are hosted by it, or are associated through a partnership. [Che Impresa Ragazzi](#), now in its tenth year, is awarded to the best business plan delivered by upper secondary school pupils: the objective of the initiative is to develop the capacity to look at work with an entrepreneurial mindset. This year the first and second places in the national final in Rome, in the presence of the MIUR and ABI, were awarded to two enterprise projects from the UBI Banca Alternating School Work programme, out of the 60 participants in the national programme in the 2016-2017 school year.

Many events were organised during the year to promote financial education. They include [Risparmiamo il Pianeta](#) (Let's save the planet) and [Diventare Cittadini Sostenibili](#), (Becoming sustainable citizens) which were held during Energy Week and involved a great many students with the objective of promoting reflection on the concepts of sustainable development, a sustainable economy, protecting and saving resources, cutting food waste and ethical finance. In the 2018/2019 school year, UBI Banca will also support the Osservatorio Permanente Giovani-Editori [Young Factor](#) project to promote financial and economic education for young people, together with Intesa Sanpaolo, Unicredit and Banca Monte dei Paschi di Siena. Various lecture-performances have been organised throughout Italy co-operation with FEDUF, such as [Scegli cosa voglio](#) (Choose what I want) in Ancona, [Fate il nostro gioco](#) (Play our game) in Arezzo and [Play Economy](#) in Varese and Bergamo.

The offer for students has been enriched in terms of people as well as content: a team of [70 colleagues/teachers](#) from across Italy who interface directly with Italian schools to promote financial literacy has been created. They are fellow professionals who dedicate time and energy to contribute to providing our young people with the necessary means to become aware, active and well-informed citizens.

COMMITMENT IN FINANCIAL EDUCATION INITIATIVES	SCHOOLS	CLASSES	PARTECIPANTS	BANK TEACHERS	TEACHING HOURS
Programs Kids, Junior and Teens	80	282	7,050	67	364
Other initiatives and events	67	182	5,137	44	117
TOTAL	147	464	12,187	111	481

Important initiatives were also organised at a local level by the Macro Geographical Areas:

- the [Milan and Emilia Romagna MGA](#) developed training activities for students in line with the Alternating School Work programme: in co-operation with the Liceo Giuseppe Parini and Liceo Berchet high schools in Milan and the Istituto Taramelli high school in Pavia, they created the "Invito a Palazzo" initiative to show art and history in the major buildings of banks and banking foundations. In 2017, the [Vo.La.Re.](#) (Volunteering Work Responsibility) pilot project was launched in order to build a programme of content and services that could be used to support those returning to the workplace and support new start-ups, aimed at young unemployed people and those looking for a first job;
- the [Marches and Abruzzo MGA](#), as well as taking part in FEDUF programmes, promoted the [Economix Festival](#) for the Marches, offering a varied and innovative range of educational experiences. It also organised the [EDU FIN GAME](#) educational quiz about the economy and finance for schools in the Marches; the best class in each school took part in

the Regional Final in Jesi to win the “Best School in the Marches for Financial Education” prize.

IW Bank also promoted various initiatives, including the **Trading Road Show** with the aim of promoting the responsible use of trading platforms and risk management processes.

Access to financial services

[FS14 FS7]

The Group is striving to facilitate **access to financial services** for disadvantaged people on the basis of the needs identified, with regard to both physical and sensory disabilities (ability to access Group branches and offices autonomously and use telephone and digital banking services) and situations of social and economic marginalisation.

Elimination of physical and sensory barriers

In particular, over 1,000 ATMs, amounting to approximately 50% of those installed, have been equipped with audio assistance. Recently-installed ATMs and those scheduled for installation are also equipped with audio assistance. All the Group's Bancomat ATMs are also designed to use specific graphics for partially-sighted people, with significantly larger fonts than usual. These supports are activated by simply pressing the “5” key on the ATM number pad, which can be identified by touch.

In 2017 nine new ramps, five stair lifts or elevators and fifteen conveniences accessible to disabled persons were installed at Group buildings and branches.

The IT platforms for the Qui UBI and Qui UBI Affari internet banking services are continuously updated to comply with the main navigation requirements for partially-sighted people (e.g. through pages with strong colour contrast and alternative texts to accompany images) and 969 Bancomat ATMs (38.4% of the total) are accessible for use by partially or non-sighted people.

Financial inclusion

UBI Banca has identified a series of important social causes and specific expectations of stakeholder groups, particularly in terms of **access to financial services for vulnerable groups**, **support for nonprofit third sector organisations to carry out activities with a high social impact** and a **cautious attitude to ethically controversial sectors** due to their potential negative social impact. This commitment to provide adequate responses is mainly put into practice in the commercial and credit policies and range of products and services of the Commercial Retail Area.

In order to promote **access to financial services for economically vulnerable groups** as a necessary condition for their social inclusion, UBI Banca has joined the initiatives originating from the collaboration between the Ministry of the Economy and Finance, the Bank of Italy, the Italian Post Office, and payment services associations to offer low-cost basic services: the **Ordinary Basic Account**, **Free Basic Account** for socially disadvantaged groups and the **Basic Account for Pensioners**.

UBI Banca has created two products to support **access to credit**, particularly for home buyers, the **Flexible Mortgage**, with which repayments can be rescheduled or the repayment schedule can be changed if certain extraordinary events occur and the **Young Couples' Mortgage** which is designed to include those who do not have a permanent employment contract. In particular, over **26,719 mortgages** were granted in 2017 for a total disbursement of **over €3 billion** (392,111 mortgages with remaining principal debt of approximately €40.5 billion outstanding at the end of the year) inclusive of mortgages for young couples and “atypical” workers (such as those without a permanent employment contract), in addition to ordinary mortgages.

Additionally, for employees affected by the economic crisis and company reorganisations and restructuring, specific agreements have been signed with **Finlombarda** and the **Foundazione Welfare Ambrosiano** for advances on Cassa Integrazione Guadagni in deroga (the exceptional state redundancy/lay-off scheme), Cassa Integrazione Guadagni Straordinaria (the

extraordinary state redundancy/lay-off scheme) and Contratti di Solidarietà (trade union agreements to reduce working hours).

LOANS TO HOUSEHOLDS operations of the year	2017		2016	
	Number	Disbursed (millions of euro)	Number	Disbursed (millions of euro)
Home mortgages	26,372	2,980.0	14,374	2,343.3
"Ordinary" mortgages ⁷	26,108	2,953.0	13,674	2,271.3
Mortgages for young couples and "atypical" workers	264	27.0	700	72.0
Solidarity credit	235	6.7	62	4.7
Loans for natural disasters (real estate/unsecured)	235	6.7	62	4.7
Support for studies	206	1.4	264	1.7
Under 30 Small Expenses	46	0.1	77	0.2
Under 30 Large Projects	54	0.7	93	1.0
ABI/PCDM "Give them a future"	106	0.6	94	0.5
Anti-usury	17,637	19.6	16,749	19.6
Pawn credit	17,637	19.6	16,749	19.6
TOTAL	44,450	3,007.7	31,449	2,369.4

LOANS TO HOUSEHOLDS Total outstanding	2017		2016	
	Number	Remaining debt (millions of euro)	Number	Remaining debt (millions of euro)
Home mortgages	388,203	40,252.0	216,180	19,942.6
"Ordinary" mortgages ⁷	384,607	39,869.0	212,550	19,545.3
Mortgages for young couples and "atypical" workers	3,596	383.0	3,630	397.3
Solidarity credit	612	53.9	137	10.9
Loans for natural disasters (real estate/unsecured)	612	53.9	137	10.9
Support for studies	633	4.2	595	3.9
Under 30 Small Expenses	108	0.2	132	0.3
Under 30 Large Projects	211	1.7	190	1.7
ABI/PCDM "Give them a future"	314	2.3	273	1.9
Anti-usury	28,112	33.2	28,737	32.4
Pawn credit	28,112	33.2	28,737	32.4
TOTAL	417,560	40,343.2	245,649	19,989.8

Particular attention is paid to [young people](#), with special [current accounts](#) for different age groups ([Clubino](#), for children aged up to 12 with [over 137 thousand accounts opened](#), over 9 thousand of which in 2017; [I WANT TUBÌ](#) for 13 to 18 year-olds with [over 21 thousand accounts opened](#) of which over 5,700 during the year, and [QUBÌ <30](#) for the under 30s) and subsidised loans for studies or for developing new projects ([Diamogli Futuro](#) (Let's give them a future), unsecured loans in co-operation with the Italian Banking Association and the Youth Department at the President of the Council of Ministers Office, and personal loans entitled [Piccole Spese e Grandi Progetti - Small Expenses and Large Projects](#)). Co-operation with the Accademia Teatro alla Scala ([La Scala Theatre Academy](#)) of Milan, together with the Welfare Ambrosiano Foundation, also continued; unsecured loans were granted under special terms and conditions (termed "loans of honour") to facilitate and support the personal and professional growth of students at the Accademia. Fourteen loan applications were received in 2017 for a total amount of €80,400.00 of which 13 have already been granted for a total of €76,700.00.

In order to [encourage saving](#), above all among the less well-off, UBI Banca has created [Fund-based savings plans](#), which allow even small sums to be saved.

Socially responsible investments

[FS7]

Following the launch of the [UBI Sicav Social 4 Future](#) fund in 2016, UBI Pramerica and UBI Banca have confirmed their commitment to social responsibility and environmental concern by

placing the [UBI Pramerica Bilanciato Etico](#) fund : a new fund investing in financial instruments that are mainly denominated in euros and listed on regulated markets in the euro area and meet ethical and social responsibility requirements.

The new fund, with a total of [€218 million](#) placed within a time frame (October/November 2017), aims to broaden the range of ethical funds offered by the Group's asset management company UBI Pramerica in order to highlight the growing propensity and need for investors, including private individuals, to combine the traditional objective of financial returns with ethical and social principles when making their investment choices. In this way the UBI Pramerica Bilanciato Etico fund, categorised as a balanced bond product, is a combination of the typical exclusion criteria of the main [socially responsible investments \(SRIs\)](#). The fund aims at a balanced portfolio, investing mainly in bond-type and monetary financial instruments most of which are issued by companies with investment grade credit assets and up to a maximum of 30% in equity instruments and other securities that represent risk capital.

All the instruments are mainly denominated in euros and listed on regulated markets in the euro area and meet ethical and social responsibility requirements.

An additional feature of the fund is the commitment made by UBI and the Group's asset management company to support nonprofit and social purpose organisations, by means of a one-off donation by UBI Banca of 4% of the placement commissions at the end of the placement period and a donation by the asset management company of 4% of the recurring management fees.

A donation of 4% of the placement commissions and 4% of the management fees from the launch (November 2017) until 31st December 2018, will be made to support the [CasAmica Onlus](#) : "*Always closer to patients away from home and their relatives: CasAmica opens new doors of welcome in Rome and Lecco*". The project is designed to support the opening of two new houses in Rome and Lecco, to accommodate patients and their relatives who travel to hospitals that are far from home, enabling them to stay in a family environment while they are ill; more specifically 2,000 more patients and their relatives in addition to the 4,000 a year hosted by CasAmica at its houses in Milan. More specifically, UBI Banca will grant a total donation amounting to [€200 thousand](#) against the placement of this fund, of which [€140 thousand](#) in the current year.

During 2017, UBI Banca has also donated [€159 thousand](#) attributable to previous placements; to [UNICEF](#) for the Sicav Social 4 Future Class A fund and the [Astalli Centre](#) Association for the Sicav Social 4 Future Class 1 fund.

In addition to the UBI Sicav Social 4 Future fund (launched in 2016) and the UBI Pramerica Bilanciato Etico fund (launched in 2017), UBI Pramerica offers two further Italian-registered products: the [UBI Pramerica Azionario Etico](#) fund (launched in 2005) and the [UBI Pramerica Obbligazionario Euro Corporate Etico](#) fund (launched in 2015), which donate 5% of the management commission received each year. The 2017 beneficiary is [FAI - the National Trust for Italy](#).

UBI PRAMERICA AZIONARIO ETICO	2017	2016
Assets under management (million of euro)	23.2	19.2
<i>as a percentage of the total assets under management in funds</i>	0.14%	0.13%
<i>as a percentage of the total assets under management</i>	0.04%	0.04%
UBI PRAMERICA OBBLIGAZIONARIO EURO CORPORATE ETICO	2017	2016
Assets under management (million of euro)	46.2	36.4
<i>as a percentage of the total assets under management in funds</i>	0.28%	0.24%
<i>as a percentage of the total assets under management</i>	0.08%	0.07%
UBI PRAMERICA BILANCIATO ETICO	2017	
Assets under management (million of euro)	218.5	
<i>as a percentage of the total assets under management in funds</i>	1.31%	
<i>as a percentage of the total assets under management</i>	0.36%	
ETHICAL FUNDS	2017	2016
Assets under management (million of euro)	287.9	55.6
<i>as a percentage of the total assets under management in funds</i>	1.73%	0.36%
<i>as a percentage of the total assets under management</i>	0.48%	0.10%
UBI SICAV SOCIAL 4 FUTURE	2017	2016
Assets under management (million of euro)	370.9	387.7
<i>as a percentage of the total assets under management in SICAV¹</i>	2.26%	3.03%
<i>as a percentage of the total assets under management in SICAV</i>	2.14%	2.59%

¹ Delegated to Pramerica

Commitment to the environment

Protecting and respecting the environment have become global priorities in terms of the need to reduce the impact of human activities from the viewpoints of both pollution and the consumption of natural resources, with particular reference to waste production and the emission of greenhouse and ozone-depleting gases.

For UBI Group, managing the direct environmental impacts of our own activities, particularly energy consumption, is significant as both a contribution to the fight against climate change and a way of optimising the operating costs of the Group, while the development of green investment and financing products not only promotes eco-friendly economic development but also enables us to take advantage of new commercial opportunities and gain reputational advantage.

In the context of the model of organisation, management and control pursuant to Legislative Decree No. 231/2001, UBI Banca has identified some sensitive activities in terms of the environmental crimes specified by the Decree: waste disposal, the selection of suppliers and management of relationships with them and the use and operation of heating and cooling systems. The model includes special protocols and assigns specific roles and responsibilities for these sensitive activities.

The Group does not restrict itself to mere compliance with rules and regulations relating to the potential commission of crimes, but adopts a proactive approach to environmental protection, mainly in relation to the management of energy consumption. This is the responsibility of:

- the **Energy Manager** and the operational Energy Management Unit at UBI Sistemi e Servizi, which is allocated a specific budget. The Energy Manager is responsible for analysing the energy requirement of the Group member companies for which it acts as a service provider, drawing up policies and actions to optimise consumption (including the improvement of the energy efficiency of buildings and systems) and monitoring their application and the results achieved;
- the **Mobility Manager**, for activities relating to the sustainable mobility of employees (commuting to and from work and business travel).

The Environmental policy is scheduled for revision in 2018, as part of which the specific objectives to be achieved over the period of the 2020 business plan will be defined.

Materials used

[GRI 301-1:2]

The Purchasing Department of UBI Sistemi e Servizi manages the purchasing cycle for Group companies.

The main raw materials used are **paper** and **toner** for printouts for internal use and also those for customers. The undertaking made by the Group to reduce consumption has continued, with benefits for the Bank (reduced costs), the customer (streamlined operations) and the environment (reduced paper consumption and travel) through:

- the efficient management of printing, using **remote monitoring** of office printers, configuring them for **double-sided printing** and, recently, introducing **printing on demand** using personal ID cards;

- the dematerialisation of documents using the [Advanced Electronic Signature](#) service for online operations and a [signature on a tablet¹](#) for bank counters, making it possible to eliminate the printing of paper forms;
- the development and spread of [Digital Bank](#) consultation and payment services.

CONSUMPTION RAW MATERIALS Data in KG	2017	2016
Paper purchased ¹	2,408	2,377
of which:		
outsource ²	882	816
Origin of the fibres		
FSC/PEFC	49.7%	72.1%
Ecological bleaching methods		
ECF	57.6%	67.3%
Ecological brands		
Ecolabel	0.5%	59.6%
Other	9.6%	5.9%
Recycled	0.0%	0.0%
Toner	30.1	30
of which:		
outsource ³	30.1	30

¹ The 2017 paper consumption of Banca Tirrenica and Banca Federico del Vecchio was not included due to data collection difficulties.

² Paper used by outside printing firms to send periodic reports (e.g. bank statements) and publicity.

³ Toner purchased and used by outside companies that operate printing equipment for Group offices, branches and printing centres.

Increases in consumption are mainly due to the extension of the area reported on to include the New Banks.

Energy consumption

[GRI 302-1:4]

UBI Banca is a multi-site concern. It operates in properties generally classifiable as for service use and it is subject to specific regulations on energy and energy efficiency, including:

- Law No. 10/1991 "Implementing provisions for the National Energy Plan as regards energy efficiency, energy savings and the development of renewable energy sources" and the related Presidential Decree 412/93 "Regulation containing rules for the design, installation, use and maintenance of the heating systems in buildings for containing energy consumption, in implementation of Art. 4, paragraph 4 of Law No. 10 of 9th January 1991";
- European Directive No. 2002/91/EC: "On the energy performance of buildings", implemented by Legislative Decree 192/2005 as subsequently amended by Legislative Decree 311/2006;
- Legislative Decree 102/2014 "Implementation of EU Directive 2012/27/EU On energy efficiency".

Energy is mainly used to ensure the functioning of the branches, offices and data processing centres of the whole Group. The energy supply is managed with the aim of containing operating costs while at the same time reducing risks associated with supply disruptions, using suppliers selected on the basis of cost, service quality and technical, commercial and financial reliability. From the environmental point of view, the objectives are a rational use of

¹ Using signatures written onto a tablet computer makes it possible to conclude transactions in branches without the use of paper forms, leading to advantages in terms of environmental sustainability.

resources, the elimination of waste and the use of renewable and/or low-emission energy sources.

Consumption is monitored using monthly [consumption progress charts](#) drawn up for the UBI Sistemi e Servizi Real Estate Department (a summary of electricity consumption only is also submitted to the UBI Sistemi e Servizi Management Committee) and the annual reporting cycle of the [Sustainability Report](#) and [Carbon Disclosure Project \(CDP\)](#).

To reduce energy consumption and the risks associated with potential increases in energy costs and the introduction of more restrictive legislation governing the energy efficiency of buildings and installations, UBI Sistemi e Servizi has:

- improved its design system for the construction and refurbishment of offices and branches bringing them into line with technological advances available on the market in three areas of intervention: electricity and lighting, mechanics and installations, and architecture and construction;
- completed the first stage of installing the monitoring and feedback system enabling the continuous measurement and control of consumption, programmed load management and remote verification to check that installations are working;
- replaced the air conditioning in the Brescia data processing centre with a new very high performance system, which save a significant amount of electricity by using a free cooling pump to air condition the rooms;
- started the implementation of a monitoring and feedback system at a large building in Brescia to evaluate the benefits that can be achieved by using this technology in this type of site.

In the context of installing monitoring systems with a view to [energy efficiency](#), [low environmental impact](#) and [reducing emissions](#), following the adoption of a vademecum for energy efficiency in 2014, UBI Banca was the first bank in Italy to invest in the installation of [intelligent domotics](#) in its branches. The project has the two-fold aim of increasing awareness of energy consumption and reducing it by switching systems off intelligently. The use of domotics is particularly innovative because it is not limited solely to monitoring power lines, but also uses its own intelligence to store events, manage the loads of the main users of electricity in the branch using energy-saving rules and report problems in real time so that the immediate action can be taken.

Installation in the first 772 branches was completed in 2017, while in 2018 the system will be implemented in a further 628 operating units. Once the installations are complete, domotics systems will be installed in all the banking Group's branches that use a significant amount of electricity and connected to one of the largest cloud systems ever created, so it will be possible to control them remotely. The installations will also involve the branches of the New Banks. As well as saving energy, there are also indirect advantages from using this innovative system, such as for example higher safety standards at the workplace. The control centres will be able to recognise overloads and faults automatically outside office hours, which increases safety and efficiency.

The monitoring system is currently being installed in a large building in Brescia, in order to evaluate the impact of this technology on energy consumption in management departments. As part of the periodic renewal of IT equipment, 5,056 desktops with monitors, 834 notebooks, 135 mini desktops and 2,144 latest generation monitors were purchased that are generally more energy efficient than those replaced.

Initiatives were undertaken to reduce the number of vehicles in circulation in the [company car fleet](#) and renew it with vehicles with lower consumption and emissions.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION		2017	2016
Heating	GJ	226,239	113,074
of which:	natural gas	215,975	104,657
	gas oil	9,452	7,964
	LPG	812	453
District heating	GJ	27,905	30,343
	KWh	7,751,295	8,542,614
Electricity	GJ	410,301	356,095
	KWh	113,972,604	98,915,224
from renewable sources	%	97.3%	95.5%
of which:	purchased	407,926	355,373
	KWh	113,312,792	98,714,607
	from renewable sources	%	97.3%
	Self-produced electricity	GJ	2,375
	KWh	659,812	200,617
	from renewable sources	%	100%
Fuel car fleet	GJ	37,116	29,230
of which:	petrol	GJ	1,337
	gas oil	GJ	35,761
	LPG	GJ	18
			112
TOTAL	GJ	701,561	528,742
OF WHICH:	NON-RENEWABLE FUELS	GJ	263,355
			142,304
	ELECTRICITY AND DISTRICT HEATING	GJ	438,206
		KWh	386,438
			121,723,899
	FROM RENEWABLE SOURCES	GJ	399,355
		OF TOTAL	340,017
		%	56.9%
			64.3%

THE PRINCIPAL MEASURES UNDERTAKEN TO REDUCE ENERGY CONSUMPTION WITHIN THE ORGANISATION	2017		2016	
	Estimated energy savings for 2018 (GJ)	Estimated financial savings	Estimated energy savings for 2017 (GJ)	Estimated financial savings
Replacement of heat generators in branches	331	6,083	522	10,943
Replacement of heat pumps/air conditioners in branches	147	7,431	879	51,029
Replacement of UPS (2016)	0	0	4,209	244,365
Replacement of conditioning systems in Brescia data-processing centre (2016-2017)	1,385	70,043	1,737	100,815
Installation of consumption monitoring system in 772 branches (2016-2017)	6,625	334,942	8,100	470,250
Installation of consumption monitoring system in 628 branches (2017-2018)	2,868	144,986		
2015-2016-2017 rationalisation of the distribution network	14,365	726,249	4,320	250,800
Monitoring at the large New Management Centre building in Brescia	542	27,377		
Replacement of UPS OF Teatina Bank (2017)	55	2,768		
TOTAL	26,318	1,319,878	19,767	1,128,201

The main external source of energy consumption is business travel, which the Group is constantly seeking to reduce through the increasing use of video conferencing and make more sustainable by means of a travel policy which provides for the use, whenever possible, of public and/or collective transport.

ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION Data in GJ	2017	2016
Production of paper purchased ¹	30,942.5	30,259.4
Business travel ²	44,804.8	37,682.8
of which:		
<i>private cars</i>	33,275.2	27,561.8
<i>train</i>	3,728.6	2,458.2
<i>air</i>	7,801.0	7,662.8
Shuttle coach ³	2,978.1	2,978.1
TOTAL	78,725.4	70,920.3

¹ The 2017 energy consumption of Banca Tirrenica and Banca Federico del Vecchio is not included due to data collection difficulties.

² The 2016 figure for business travel has been restated following an update of the method used to calculate with reference to railway travel.

³ The 2017 energy consumption of the New Banks is not included due to data collection difficulties

ENERGY INTENSITY	2017	2016
Total energy consumption (GJ)	701,561	528,742
Energy intensity per employee (GJ/employees)	32.68	30.18
Energy intensity by surface area (GJ/Sq.m)	0.55	0.55

Increases in energy consumption are mainly due to heating and are caused partly by a winter that was colder than the previous one and above all by the extension of the area reported on to include the New Banks. These banks operate in areas where there is a greater dependence on heating systems that use fossil fuels.

Emissions

[GRI 305-1:7]

The emissions produced by the Group mainly relate to greenhouse gases and the other pollutants produced by the use of energy from fossil fuels, whereas emissions of ozone-depleting gases were not found to be significant.

Emissions are monitored using the annual reporting cycle of the [Sustainability Report](#) and [Carbon Disclosure Project \(CDP\)](#).

A major contribution to the overall reduction of emissions is also made by reducing the amount of commuting to and from work and the increasing use of sustainable transport. This reduction in mobility is influenced by [smart working](#) (from home or the nearest Group office), which started in 2015 and has significantly increased in 2017 with 4,560 days worked, saving an average of approximately 428,502 kilometres and avoiding the emission of at least 66,047 tons of CO₂. Another contribution to more sustainable mobility is made by providing [sheltered bicycle parking](#) at some of the Bank's main premises and a [coach shuttle service](#) running between our Bergamo, Varese, Brescia and Milan offices (and also around the city of Milan). The shuttle coaches transported an average of 310 passengers per day in 2017 which prevented at least 1,000 tons of CO₂ emissions compared with the use of cars.

DIRECT GHG EMISSIONS (Scope 1) Data in Tons	2017		2016	
	CO ₂	CO _{2e}	CO ₂	CO _{2e}
From heating systems of which:				
<i>Gas oil</i>	13,603.8	13,686.4	6,576.9	6,618.0
<i>LPG</i>	695.5	702.4	586.0	591.8
<i>Natural gas</i>	53.3	53.7	29.7	30.0
	12,855.1	12,930.3	5,961.2	5,996.2
Company car fleet fuel of which:				
<i>Petrol</i>	2,733.3	2,759.8	2,152.0	2,172.7
<i>Gas oil</i>	98.1	99.1	16.9	17.1
<i>LPG</i>	2,634.0	2,659.5	2,127.8	2,148.2
	1.2	1.2	7.3	7.4
TOTAL	16,337.1	16,446.1	8,728.9	8,790.7

ENERGY INDIRECT GHG EMISSIONS (scope 2)	2017		2016	
	CO ₂	CO _{2e}	CO ₂	CO _{2e}
Location Based ¹	37,619.8	37,790.0	31,983.5	32,144.0
Market Based ²	1,414.3	1,432.2	1,940.9	1,969.6

¹ Emissions that would have resulted from the use of energy produced on the basis of the average national energy mix (data published by Gestore dei Servizi Energetici – electricity services administrator).

² Residual emissions attributable to energy purchased from non-renewable sources.

OTHER INDIRECT GHG EMISSIONS (scope 3) Data in Tons	2017		2016	
	CO ₂	CO _{2e}	CO ₂	CO _{2e}
Paper purchased ¹	1,035.4	n.a.	1,022.1	n.a.
Business travel	3,111.8	2387.6	2,641.7	1985.9
of which:				
<i>private cars</i>	2,363.5	2,387.6	1,965.1	1,985.9
<i>train</i>	195.2	n.a.	128.7	n.a.
<i>air</i>	553.1	n.a.	547.9	n.a.
Shuttle coach ²	208.3	209.9	209.3	210.9
TOTAL	4,355.5	n.a.	3,873.1	n.a.

¹ The 2017 emissions of the New Banks are not included due to data collection difficulties

² The figure for 2016 has been restated following an update of the method used to calculate it.

GHG EMISSIONS INTENSITY in Tons	Data	2017		2016 ¹	
		CO ₂	CO _{2e}	CO ₂	CO _{2e}
Total residual emissions		17,751.3	17,878.3	10,669.8	10,760.2
Emissions intensity per employee		0.83	0.83	0.61	0.61
Emissions intensity per surface area (Sq.m)		0.01	0.01	0.01	0.01

¹ The figure for 2016 has been restated following an update of the method used to calculate it.

THE PRINCIPAL MEASURES UNDERTAKEN TO REDUCE THE GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2)	2017	2016
	Estimated savings in terms of Tons CO ₂ equivalent in 2017	Estimated savings in terms of Tons CO ₂ equivalent in 2017
Replacement of heat generators in branches	19	30
Replacement of heat pumps/air conditioners in branches	14	80
Replacement of UPS	0	381
Replacement of conditioning systems in Brescia data-processing centre	128	157
Installation of consumption monitoring system in 772 branches (2016-2017)	614	733
Installation of consumption monitoring system in 628 branches (2017-2018)	266	
2016-2017 rationalisation of the distribution network	1,331	391
Monitoring at the large New Management Centre Building in Brescia	100	
Replacement of UPS of Teatina Bank	5	
TOTAL	2,477	1,771

VIDEO-CONFERENCES	2017	2016
	Number of video-conferences	Average number of participants
Offices equipped	2,345	2,138
Video rooms	516	458
Number of video-conferences	36,251	31,740
Number of participants	173,388	115,807
Average number of participants	5	4
Total duration (hours)	80,341	63,318

NOx and SOx Data in Tons	2017		2016	
	NO _x	SO _x	NO _x	SO _x
From heating of which:				
Gas oil	7.39	0.44	4.08	0.37
LPG	0.47	0.44	0.40	0.37
Natural gas	0.04	0.00	0.02	0.00
6.88	0.00	3.66	0.00	0.00
Electricity purchased of which: covered by certificates GO	17.45	8.39	16.49	8.49
not covered by certificates GO	16.98	8.16	15.74	8.11
0.47	0.23	0.75	0.38	
Company car fleet fuel of which:	10.69	0.13	8.58	0.10
Petrol	0.09	0.00	0.02	0.00
Gas oil	10.60	0.13	8.56	0.10
LPG	0.00	0.00	0.00	0.00
TOTAL RESIDUAL EMISSIONS	18.55	0.79	13.41	0.86

As with consumption, increases in emissions are mainly due to the extension of the area reported on to include the New Banks.

Waste

[GRI 306-2 306-4]

Solid urban waste is managed by the public collection service and we are therefore unable to measure the quantity and methods of disposal. With reference to other types of waste, the

Group is committed not only to reducing them, but also to disposing of them correctly through separate collection, various forms of recycling and sending only what remains to incineration or landfill. The Bank is subject to specific regulations on waste treatment procedures, in particular:

- those concerning the management of records, forms and SISTRI (the traceability decree): Legislative Decree No. 152 of 3/04/2006 "Environmental regulations - Part four: Regulations on waste management and the cleanup of polluted sites"; Ministerial Decree No. 78 of 30/03/2016, the "Consolidated SISTRI Law"; Ministerial Decree No. 148 of 1/04/1998 on "Regulations on the approval of the waste loading and unloading record form"; Ministerial Decree No. 145 of 1/04/1998 "Regulations on the definition and contents of the waste accompaniment form" and Law No. 70 of 25/01/1994 (establishment of the environmental declaration form MUD);
- Presidential Decree No. 254 of 15/07/2003, containing regulations on the management of medical waste.

The UBI Sistemi e Servizi Facility Management operating unit manages relations with suppliers engaged for the collection and treatment of special waste and verifies (by using the fourth copy of the accompaniment form²) that waste has been treated in compliance with the applicable regulations in force. Hazardous waste is handled by authorised local waste disposal companies.

WASTE	2017	2016
Hazardous¹(Ton)	6.2	3.7
Reused	-	-
Recycled	-	3.6
composted	-	-
Recovered	6.2	0.1
Incinerated	-	0.1
Deep injection	-	-
Landfill	-	-
On-site storage	-	-
Non hazardous (Ton)	2,074.5	1,489.5
Reused	-	-
Recycled	1,908.1	1,489.5
composted	-	-
Recovered	166.5	-
Incinerated	-	0.0
Deep injection	-	-
Landfill	-	-
On-site storage	-	-
TOTAL	2,080.7	1,493.2
per employee (Kg)	96.9	85.2
by floor area² (Kg/Mq)	1.6	1.5

¹ Hazardous waste as defined by Legislative Decree 152/2006 "Environmental regulations" and subsequent amendments and additions.

² Net internal area

² This form, which accompanies transported waste, is a compulsory waste identification document, which must be drawn up in four copies, filled in, dated and signed by the producer or by the holder of the waste and countersigned by the shipper. One copy of the accompaniment form remains with the producer or holder, while the other three, countersigned and dated on arrival at the recipient consist of one acquired by the recipient and two by the shipper, who sends one to the holder/producer. The receipt of the fourth copy of the accompaniment form by the producer/holder is necessary for the release of that party from responsibility for the proper disposal or recovery of the waste. The copies of the accompaniment form must be kept for five years.

Hazardous waste accounts for 0.30% of total separated waste and consists of retired electronic equipment (92.7% of hazardous waste), fluorescent tubes (5.4%) and medical waste (1.9%). All of this waste is entrusted to authorised local companies and none of it is imported or exported.

Products and services with environmental aims

[GRI 413-2 FS8]

The Group contributes to the development of a more eco-friendly economic system in various ways, in line with our commitment to adopt commercial and credit policies intended to maximise our capacity to assess the businesses and projects we finance, including assessment of their environmental risks and benefits³.

Loans backed by resources made available by the EIB may not be granted for activities whose environmental impact is not substantially reduced and/or compensated for in compliance with EU and Italian law. With particular reference to project finance activities, on the other hand, projects to be financed must pass authorisation procedures required by the current Italian regulatory framework, including an environmental impact assessment, and are also subject to technical, legal, administrative and insurance assessments carried out on behalf of the Bank by major international independent consultants. The product range includes banking, financial and risk management products and services designed to help customers to manage their activities in a sustainable way:

- for individuals, **Forza Sole** (Sun Strength) for the installation of domestic photovoltaic systems and **Creditopplà Home Refurbishment** for the refurbishment and energy-efficient retrofitting of homes⁴;
- for businesses, **Nuova Energia Fotovoltaico** (New Photovoltaic Energy) for the installation of photovoltaic systems, **Energie rinnovabili** (Renewable Energy) for the installation of systems for generating electricity and/or heat from wind, biogas and biomass and **Full Power** leasing for investments in renewable energy.

PRODUCTS WITH ENVIRONMENTAL AIMS	2017			2016		
	Operations		Total outstanding	Operations		Total outstanding
	No.	Disbursed (millions of euro)	Remaining principal (millions of euro)	No.	Disbursed (millions of euro)	Remaining principal (millions of euro)
INDIVIDUALS						
Renewable energies						
Forza Sole (Sun Strength)	8	0.13	1.5	7	0.09	2.0
Home refurbishment and energy upgrades						
Creditopplà Home Refurbishment	4,135	78.0	186.7	4,610	85.7	159.4
BUSINESSES						
Renewable energies						
New Photovoltaic Energy	23	22.0	241.7	28	32.8	257.2
Renewable energies	2	0.2	9.1	2	1.0	7.2
Full Power ¹	2	6.0	494.7	1	2.7	538.8
TOTAL	4,170	106.2	933.8	4,648	122.3	964.6
OF WHICH:						
RENEWABLE ENERGIES	35	28.2	747.1	38	36.6	805.2

¹ The amount disbursed in 2017 includes a repossessed asset that was then leased again (transaction worth €5.5 million).

³ Code of Ethics, par. 6.2, *Relations with customers*

⁴ In addition to the tax incentives provided for energy-efficient retrofitting and refurbishment work (65% tax deduction for energy-efficiency and earthquake proofing work on buildings and 50% tax deduction for refurbishments - Law No. 208 of 28th December 2015, known as the 2016 Legge di stabilità ("stability" annual finance law) extended until 31/12/2016), they can take advantage of fee-free financing at a particularly competitive interest rate.

With regard to major project finance investments, the consolidation process of the ownership and management of photovoltaic installations and to refinance many operations became stronger in 2017, following the entry into force of the "spalma incentivivi" (spread the incentives) decree at the end of 2015.

The sector has attracted the attention of major investors because expansionary monetary policies have always made the guaranteed returns on investments in renewables more attractive and UBI Banca has continued to play a significant role in supporting Italian investors, participating in some of the most interesting inter-bank transactions at a national level. In particular, this involves the acquisition of clusters of installations (PV, wind etc.) that have been managed using structured finance matched to output, guarantees and market pricing. The construction of new installations has decreased.

PROJECT FINANCE OPERATIONS IN PORTFOLIO FOR RENEWABLE ENERGIES AND THE ENVIRONMENT	2017			2016		
	NO.	POWER INSTALLED (MW)	POWER FINANCED (MW)	NO.	POWER INSTALLED (MW)	POWER FINANCED (MW)
Energy of <i>wind farms</i>	141	2,699	733	127	2,326	676
<i>photovoltaic plants</i>	25	1,846	286	19	1,617	236
<i>other renewable energy</i>	97	743	386	93	644	399
	19	110	61	15	65	41
Environment of <i>waste treatment plants</i>	6			7		
<i>water supplies and treatment plants</i>	1			2		
<i>district heating systems</i>	4			4		
	1			1		
TOTAL	147	2,699	733	134	2,326	676

PROJECT FINANCE ACTIVITIES FOR RENEWABLE ENERGY AND THE ENVIRONMENT	2017	2016
Financing granted during the year		
Numbers of contracts	14	10
<i>of which for renewable energy</i>	14	9
Amount authorised (€ million)	329	191
<i>of which for renewable energy</i>	329	150
Amount disbursed (€ million)	206	132
<i>of which for renewable energy</i>	206	132
Financing outstanding at the end of the year		
Numbers of contracts	147	134
<i>of which for renewable energy</i>	141	127
Amount authorised (€ million)	1,528	1,321
<i>of which for renewable energy</i>	1,435	1,204
Amount disbursed (€ million)	1,264	1,120
<i>of which for renewable energy</i>	1,177	1,050

In total, at the end of 2017 UBI Banca had a portfolio of renewable energy operations amounting to €1.9 billion (of which €1.2 billion in project finance). The transactions concluded during the year in the renewable energy field numbered 49, to give a total amount disbursed of €234.2 million. It is estimated that the power output financed in project finance by UBI Banca amounts to 1.4 million MWh of electricity per year, equal to the domestic electricity requirement of an entire region such as Liguria, with savings on emissions of over 452 thousand tons of CO₂.

Attachment: calculation method

ENERGY CONSUMPTION WITHIN THE ORGANIZATION	Source	Unit of measure	Coefficients
Heating			
Natural gas	Italian Banking Association Guidelines	GJ/Mc	0.0343
Gasoil (density 0,84 Kg/L)	Italian Banking Association Guidelines	GJ/Ton	42.88
LPG (density 0,56 Kg/L)	Italian Banking Association Guidelines	GJ/Ton	46.1
District Heating	Italian Banking Association Guidelines	GJ/KWh	0.0036
Electricity			
Purchased	Italian Banking Association Guidelines	GJ/KWh	0.0036
Photovoltaic	Italian Banking Association Guidelines	GJ/KWh	0.0036
Transport			
Petrol (density 0,74 Kg/L)	Italian Banking Association Guidelines	GJ/Ton	42.82
Gasoil (density 0,84 Kg/L)	Italian Banking Association Guidelines	GJ/Ton	42.78
LPG (density 0,56 Kg/L)	Italian Banking Association Guidelines	GJ/Ton	46.10

Calculation method

Data calculated on the basis of final figures by source of energy provided by the SAP corporate accounting system. Average prices given in the invoices available or recommended by Italian Banking Association guidelines were used to calculate the quantities of fuel. The consumption included in condominium expenses not reported in the table above are estimated as 70% of the condominium expenses themselves which were: approximately € 6.43 million for 2017; € 6.83 million for 2016.

THE PRINCIPAL MEASURES UNDERTAKEN TO REDUCE ENERGY CONSUMPTION WITHIN THE ORGANISATION

Calculation methodology

Energy savings were calculated using the coefficients reported for disclosure 302-1. For the calculation of savings for boilers and air conditioning systems the different outputs of new machines compared with those replaced were used mainly, while for electricity reference was made to specific design ratios or invoice figures for the years 2016 and 2017.

ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION	Source	Unit of measure	Coefficients
Paper	CEPI	GJ/Ton	12.85
Personal vehicles			
Petrol	Italian Banking Association Guidelines	GJ/Ton	42.82
Gasoil	Italian Banking Association Guidelines	GJ/Ton	42.78
Train			
High speed	Italian Banking Association Guidelines/Ecopassenger	GJ/Km	0.000762
Other	Italian Banking Association Guidelines/Ecopassenger	GJ/Km	0.000801
Air (Kerosene jet 71,5 KgCO2/GJ)			
Domestic	Italian Banking Association Guidelines/ICAO	GJ/Km	0.002007
International	Italian Banking Association Guidelines/ICAO	GJ/Km	0.001764
Intercontinental	Italian Banking Association Guidelines/ICAO	GJ/Km	0.000746
Shuttle coach			
Gasoil (density 0,84 Kg/L)	Italian Banking Association Guidelines	GJ/Ton	42.78

Calculation method

Paper: consumption is multiplied by the underlying CEPI coefficient which refers to energy consumed for the production of pulp, paper and cardboard in firms/paper mills. The Confederation of European Paper Industries (CEPI) is a nonprofit organisation which represents approximately 495 companies that produce pulp, paper and cardboard and 900 paper mills for an overall total that accounts for approximately 22% of world production.

Business travel: energy consumption by the company car fleet already reported under disclosure 302-1 is excluded. The kilometres travelled by air were retrieved from the IATA certified management app provided by the travel agency. The International Air Transport Association (IATA) is a trade association to which airlines from all over the world belong and it represents approximately 280 airlines (83% of total air traffic). On the basis of the method provided by the Italian Banking Association, the kilometres travelled for domestic, international and intercontinental trips were multiplied by the respective coefficients calculated as the weighted average of the main routes (number of trips and distances). The kilometres travelled by high-speed train and other types of train were retrieved from the management app provided by the travel agency. On the basis of the method provided by the Italian Banking Association, the kilometres travelled by train were multiplied by the respective coefficients calculated as the weighted average of the main routes (number of trips and distances) using the app Ecopassenger. For business travel using personal cars, the CO₂ emissions (see 305-3) were divided by the following "ISPRA - Database of average road transport emission factors in Italy" coefficients: 3,127944 tons CO₂/tons petrol and 2,992202 tons CO₂/tons gas oil. The tons of fuel obtained were multiplied by the underlying coefficients.

Shuttle coach: the tons of gas oil were multiplied by the underlying coefficient.

ENERGY INTENSITY

Calculation method

Energy intensity does not include energy consumption outside the organisation (302-2) and was calculated by dividing total energy consumption within the organisation (302-1) by the number of employees and associate workers (21.465 amounting to 100 % of the Group total) and by the net internal floor area of properties (1.267.931 sq m) of the Group companies within the relative scope.

DIRECT GHG EMISSIONS (Scope 1)	Source	Coeff.CO ₂	Unit of measure	Coeff.CH ₄	Unit of measure	Coeff. N ₂ O	Unit of measure
Heating							
Natural gas	Italian Banking Association Guidelines	1.96	Kg/Mc	0.0857	G/Mc	0.03427	G/Mc
Gas oil	Italian Banking Association Guidelines	3.16	Kg/Ton	300.2	G/Ton	85.76	G/Ton
LPG	Italian Banking Association Guidelines	3,024	Kg/Ton	46.1	G/Ton	92.20	G/Ton
Transport							
Petrol	Italian Banking Association Guidelines	3,140	Kg/Ton	730.0	G/Ton	50.0	G/Ton
Gas oil	Italian Banking Association Guidelines	3,151	Kg/Ton	46.2	G/Ton	110.0	G/Ton
LPG	Italian Banking Association Guidelines	3,024	Kg/Ton	0.3807	Kg/Ton	0.0469	Kg/Ton

Calculation method

CO₂ equivalent emissions include CO₂, CH₄ and N₂O and have been calculated using the IPCC 100 year GWPs for CH₄ (28) and N₂O (265)

ENERGY INDIRECT GHG EMISSIONS (scope 2)	Source	Unit of measure	CO ₂	CO _{2e}	CH ₄	N ₂ O
Electricity - Location Based	ABI Guidelines	G/kWh	332.00	-	0.02	0.00
Electricity - Market Based	European Residual Mix	G/kWh	465.11	471.00	-	-

Calculation method

Emissions resulting from district heating have not been included in the calculation, because the heat used is a thermal by-product of power generation.

OTHER INDIRECT GHG EMISSIONS (scope3)	Source	Unit of measure	Coefficients CO ₂	Coefficients CO ₂ e
Paper	CEPI	Ton/Ton	0.43	n.a.
Private cars				
Petrol	ISPRA - Database of average road transport emission factors	G/Km	181.276202	182.662889
Gasoil	ISPRA - Database of average road transport emission factors	G/Km	155.612290	157.419381
Train				
High speed	ABI Guidelines/Ecopassenger	Kg/Km	0.039883	n.a.
Other	ABI Guidelines/Ecopassenger	Kg/Km	0.041963	n.a.
Air				
Domestic	ABI Guidelines/ICAO	Kg/Km	0.143499	n.a.
International	ABI Guidelines/ICAO	Kg/Km	0.118859	n.a.
Intercontinental	ABI Guidelines/ICAO	Kg/Km	0.051614	n.a.
Shuttle coach				
Gasoil (density 0,84Kg/L)	ISPRA - Database of average road transport emission factors	Ton/Ton	2.992202	3.015214

Calculation method

Paper: consumption is multiplied by the underlying CEPI emissions coefficient which refers solely to emissions generated for the production of pulp, paper and cardboard in firms/paper mills. The Confederation of European Paper Industries (CEPI) is a nonprofit organisation which represents approximately 495 companies that produce pulp, paper and cardboard and 900 paper mills for an overall total that accounts for approximately 22% of world production.

Business travel: emissions of the company car fleet already reported under indicator 305-1 are excluded. The kilometres travelled by air were retrieved from the IATA certified management app provided by the travel agency. The International Air Transport Association (IATA) is a trade association to which airlines from all over the world belong and it represents approximately 280 airlines, i.e. 83% of total air traffic. On the basis of the method provided by the Italian Banking Association, the kilometres travelled for domestic, international and intercontinental trips were multiplied by the respective emissions coefficients calculated as the weighted average of the main routes (in terms of the number of trips and distances), using the ICAO Carbon Emissions Calculator app. The kilometres travelled by train were retrieved from the management app provided by the travel agency. On the basis of the method provided by the Italian Banking Association, the kilometres travelled by train were multiplied by the respective emissions coefficients calculated as the weighted average of the main routes (number of trips and distances) using the app Ecopassenger. The kilometres travelled by employees in their own petrol or diesel powered cars have been multiplying by the underlying emissions coefficients.

Shuttle coach: the tons of gas oil have been multiplied by the emissions factors taken from the ISPRA database of average road transport emission factors. CO₂ equivalent emissions include CO₂, CH₄ and N₂O and have been calculated using the IPCC 100 year GWPs for CH₄ (28) and N₂O (265).

GHG EMISSIONS INTENSITY

Calculation method

Total emissions do not include Scope 3 emissions (305-3) and include scope 1 emissions (305-1) and the residual emissions of the scope 2 (305-2) not covered by GO certificates. Total emissions were divided by the number of employees and associate workers (21,495 amounting to 100% of the Group total) and by the net internal floor area of the properties (1,267.931 sq m) of the Group companies within the relative scope.

THE PRINCIPAL MEASURES UNDERTAKEN TO REDUCE THE GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2)

Calculation method

Emission savings were calculated using the emission coefficients reported for the disclosures 305-1 and 305-2, multiplied by the fuel and/or energy savings (302-4).

NOx e SOx	Source	Unit of measures	Coefficients No _x	Unit of measures	Coefficients So _x
Heating					
Naturale gas	ABI Guidelines	Kg/Mc	0.00		n.a.
Gas oil	ABI Guidelines	Kg/Ton	2.14	G/Kg	2.010
LPG		Kg/Ton	2.31		n.a.
Electricity	ABI Guidelines	G/kWh	0.15	G/kWh	0.075
Transport					
Petrol	ISPRA - Database of average road transport emission factors in Italy	Ton/Ton	0.002965	Ton/Ton	0.000011
Gas oil	ISPRA - Database of average road transport emission factors in Italy	Ton/Ton	0.012680	Ton/Ton	0.000015
LPG	ISPRA - Database of average road transport emission factors in Italy	Ton/Ton	0.001799		n.a.

WASTE

Calculation method

Waste by employee and by surface area was calculated by dividing total separated waste by the number of employees and associate workers (21.465, amounting to 100% of the Group total) and by the net internal floor area of the properties (1.267.931 sq.m) of the Group companies within the relative scope.

Methodological note

Approval of the document

[GRI 102-32]

This Report is an integral part of the Consolidated management report pursuant to Legislative Decree No. 254/2016. Accordingly, it was approved by the Management Board of UBI Banca on 19th February 2018, made available to the Supervisory Board (in its capacity as an oversight body) and the auditor, filed with the Company Registrar, published at UBI Banca's corporate website¹ and distributed to shareholders at the Shareholders' meeting as part of the documentation for the Consolidated financial statements.

Reporting contents and boundaries

[GRI 102-45 102-48:49]

This Report provides information pursuant to Article 3 (1) and (2) of Legislative Decree No. 254/2016 and further information provided in the reference standards, as required to provide a fair view of the activities of the Group, its operations, results and impact².

The methodologies and principles provided in the 2016 GRI Standards were used in drafting the Report, reflecting changes in the GRI G4 Guidelines as previously adopted. Accordingly, this document also serves as UBI Banca Group's Sustainability Report. With the publication of this Report, UBI Banca also meets the obligation under the periodic "Communication on Progress" requirement incumbent on the signatories as provided under the Global Compact of the United Nations.

The topics to be addressed, and therefore the GRI indicators to be used are defined through materiality analyses³. When required, in addition to the indicators provided under the 2016 GRI Standards, selected indicators from the 2013 Financial Services Sector Disclosures, reflecting the GRI G4 Guidelines, were used. The calculation of environmental indicators also reflected the relevant guidelines issued by the Italian Banking Association, which reflect the GRI instructions in areas where insufficient details are provided, to ensure that the data provided by different banks are more comparable.

In the introduction of the individual sections, the managerial approach was used in addressing the relevant topics, indicating the policies used and organizational procedures adopted. In the framework of the Group's sustainability strategy and the process of alignment to Legislative Decree No. 254/2016, for 2018, UBI Banca is committed to conducting an activity designed to integrate into the corporate regulations the policies applied in connection with different material topics, with particular reference to social topics, involving personnel management, human rights and anticorruption activity.

The information is provided with the comparative data from the previous financial year. When not specifically indicated, the latter have not been subject to recalculation or restatement. For that purpose, the comparison reflects the change in the reporting perimeter: the 2017 data includes the figures for the New Banks⁴ from 1st April 2017. The quantitative indicators derive

¹ <https://www.ubibanca.it/pagine/Responsabilita-sociale-IT.aspx>

² There is no information regarding the use of water resources, as they are considered not relevant for the activity of a financial intermediary.

³ Strategy, Material topics

⁴ Reports and Accounts 2017, Consolidated Management Report- *Significant events taking place in 2017*

directly from the company databases, and only partially from the environmental data on energy consumption and relevant emissions of pollution, which are estimated.

For all of UBI Banca Group's consolidated companies, this report does not include the companies listed in the table below. These companies have no significant impact from the standpoint of sustainability issues for the reasons listed in the table.

Company	Activity	Reason for exclusion
UBI Management Company Sa	Asset management company	Small foreign company
UBI Trustee Sa	Trust management consultancy	Small foreign company
24-7 Finance Srl	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
UBI Finance Srl	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
UBI Finance 2 Srl in liquidazione	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
UBI Finance CB 2 Srl	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
UBI SPV BBS 2012 Srl in liquidazione	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
UBI SPV BPCI 2012 Srl in liquidazione	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
UBI SPV BAN 2012 Srl in liquidazione	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
UBI SPV GROUP 2016 Srl	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
UBI SPV LEASE 2016 Srl	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation Company in liquidation. Activities integrated into UBI Banca
Oro Italia Trading Spa – in liquidation	Gold, silver and other precious metal brokering bank	
Mecenate SPV Srl	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
Marche Mutui 2 Società per la Cartolarizzazione a r.l.	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
Marche Mutui 6	Special purpose entity pursuant to Law No. 130/1999	Company without its own organisation
Focus Impresa	Closed-end fund, reserved for "qualified investors" recognised within AFS financial assets (Balance Sheet Item 40)	Fund with no company organisation
Assieme Srl	Multi-mandate insurance agency	Small company

Any limits to the reporting perimeter in connection with individual topics or indicators are explained in the relative paragraphs

Reporting frequency

[GRI 102-50:52]

This report refers to the period between 1st January 2017 and 31st December 2017 and represents the first Consolidated non-financial declaration published by UBI Banca pursuant to Legislative Decree No. 254/2016. As it has been drafted in compliance with the GRI Standards, this document also constitutes the Group's Sustainability Report and, accordingly, it represents the eleventh consecutive edition since UBI Banca was established in 2007. This is an annual publication. The previous edition covers the financial year 2016 and was published in July 2017.

Contact for questions in connection with the Report

[GRI 102-53]

The address for information on this Report is:

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 Corporate Social Responsibility
 Piazza V. Veneto, 8
 24122 Bergamo
 Tel. 035-392925
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Copies of the Report (in both Italian and English) may be requested from the above address or by using the "toolbox" on the website www.ubibanca.it..

Summary of GRI indicators

[GRI 102-54:55]

This Report has been drafted in accordance with the Comprehensive Option of the GRI Standards. The summary of GRI indicators is provided below with the relevant references and the indicators considered not to be applicable or material, with the reason for that decision.

GRI STANDARDS 2016	DESCRIPTION	PAGE OR REASON OF OMISSION	GLOBAL COMPACT
102 - GENERAL DISCLOSURES			
ORGANIZATIONAL PROFILE			
102-1	Name of the organization	3	
102-2	Activities, brands, products, and services	8-9	
102-3	Location of headquarters	3	
102-4	Location of operations	3-4	
102-5	Ownership and legal form	4-8	
102-6	Markets served	8-9	
102-7	Scale of the organization	4-8	
102-8	Information on employees and other workers	4-8	
102-9	Supply chain	4-8	1-10
102-10	Significant changes to the organization and its supply chain	10	
102-11	Precautionary Principle or approach	36	7
102-12	External initiatives	10-12	1-10
102-13	Membership of associations	10-12	1-10
STRATEGY			
102-14	Statement from senior decision-maker	13-15	1-10
102-15	Key impacts, risks, and opportunities	15	1-10
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behavior	27-28	1-10
102-17	Mechanisms for advice and concerns about ethics	27-28	1-10
GOVERNANCE			
102-18	Governance structure	33-34	1-10
102-19	Delegating authority	33-34	
102-20	Executive-level responsibility for economic, environmental, and social topics	34-36	1-10
102-21	Consulting stakeholders on economic, environmental, and social topics	33-34	1-10
102-22	Composition of the highest governance body and its committees	33-34	1-10
102-23	Chair of the highest governance body	33-34	1-10
102-24	Nominating and selecting the highest governance body	33-34	1-10
102-25	Conflicts of interest	33-34	1-10
102-26	Role of highest governance body in setting purpose, values, and strategy	33-34	1-10
102-27	Collective knowledge of highest governance body	33-34	
102-28	Evaluating the highest governance body's performance	33-34	1-10
102-29	Identifying and managing economic, environmental, and social impacts	33-34	1-10
102-30	Effectiveness of risk management processes	36	
102-31	Review of economic, environmental, and social topics	36	
102-32	Highest governance body's role in sustainability reporting	101	1-10
102-33	Communicating critical concerns	33-34	1-10
102-34	Nature and total number of critical concerns	33-34	1-10
102-35	Remuneration policies	34	6
102-36	Process for determining remuneration	34	6
102-37	Stakeholders' involvement in remuneration	34	6
102-38	Annual total compensation ratio	34	6
102-39	Percentage increase in annual total compensation ratio	34	6
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	34-36	
102-41	Collective bargaining agreements	67	1,3
102-42	Identifying and selecting stakeholders	34-36	
102-43	Approach to stakeholder engagement	34-36	
102-44	Key topics and concerns raised	34-36	

GRI STANDARDS 2016	DESCRIPTION	PAGE OR REASON OF OMISSION	GLOBAL COMPACT
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	101-102	
102-46	Defining report content and topic Boundaries	15-19	
102-47	List of material topics	15-19	1-10
102-48	Restatements of information	101-102	
102-49	Changes in reporting	101-102	
102-50	Reporting period	102	
102-51	Date of most recent report	102	
102-52	Reporting cycle	102	
102-53	Contact point for questions regarding the report	102	
102-54	Claims of reporting in accordance with the GRI Standards	103-106	
102-55	GRI content index	103-106	
102-56	External assurance	107-110	
200 - ECONOMIC			
201 - ECONOMIC PERFORMANCE			
103 - Management approach			
201-1	Direct economic value generated and distributed	22-25, 73-81	
201-2	Financial implications and other risks and opportunities due to climate change	15	7
201-3	Defined benefit plan obligations and other retirement plans	22-25	
201-4	Financial assistance received from government	22-25	
202 - MARKET PRESENCE			
103 - Management approach			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	24	1
202-2	Proportion of senior management hired from the local community	51	
203 - INDIRECT ECONOMIC IMPACTS			
103 - Management approach			
203-1	Infrastructure investments and services supported	43-49	7,8
203-2	Significant indirect economic impacts	43-49	
204 - PROCUREMENT PRACTICES			
103 - Management approach			
204-1	Proportion of spending on local suppliers	22-25	
205 - ANTI-CORRUPTION			
103 - Management approach			
205-1	Operations assessed for risks related to corruption	28-29	10
205-2	Communication and training about anti-corruption policies and procedures	28-29	10
205-3	Confirmed incidents of corruption and actions taken	28-29	10
206 - ANTI-COMPETITIVE BEHAVIOR			
103 - Management approach			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	29	
300 ENVIRONMENTAL			
301 - MATERIAL			
103 - Management approach			
301-1	Materials used by weight or volume	87-88	7,8,9
301-2	Recycled input materials used	87-88	8,9
301-3	Reclaimed products and their packaging materials	Not applicable to banks	7,8
302 - ENERGY			
103 - Management approach			
302-1	Energy consumption within the organization	88-91	7,8
302-2	Energy consumption outside of the organization	88-91	7,8
302-3	Energy intensity	88-91	7,8
302-4	Reduction of energy consumption	88-91	7,8
302-5	Reductions in energy requirements of products and services	Not applicable to banks	7,8
303 - WATER			
304 - BIODIVERSITY			
305 - EMISSIONS			
103 - Management approach			
305-1	Direct (Scope 1) GHG emissions	87, 91	7,8,9
305-2	Energy indirect (Scope 2) GHG emissions	91-93	7,8
305-3	Other indirect (Scope 3) GHG emissions	91-93	7,8
305-4	GHG emissions intensity	91-93	7,8

GRI STANDARDS 2016	DESCRIPTION	PAGE OR REASON OF OMISSION	GLOBAL COMPACT
305-5	Reduction of GHG emissions	91-93	7,8,9
305-6	Emissions of ozone-depleting substances (ODS)	91-93	7,8
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	91-93	7,8
306 - EFFLUENTS AND WASTE			
103 - Management approach		93-94	
306-1	Water discharge by quality and destination	Not applicable to banks	7
306-2	Waste by type and disposal method	93-94	7
306-3	Significant spills	Not applicable to banks	7
306-4	Transport of hazardous waste	93-94	7
306-5	Water bodies affected by water discharges and/or runoff	Not applicable to banks	7
307 - ENVIRONMENTAL COMPLIANCE			
103 - Management approach		26	7,8
307-1	Non-compliance with environmental laws and regulations	27-28	7,8
308 - SUPPLIER ENVIRONMENTAL ASSESSMENT		Non material	
400 - SOCIAL			
401 - EMPLOYMENT			
103 - Management approach		50	6
401-1	New employee hires and employee turnover	50-53	6
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	53-56	6
401-3	Parental leave	53-56	6
402 - LABOR/MANAGEMENT RELATIONS			
103 - Management approach		67	3
402-1	Minimum notice periods regarding operational changes	68	3
403 - OCCUPATIONAL HEALTH AND SAFETY			
103 - Management approach		50	1,3
403-1	Workers representation in formal joint management-worker health and safety committees	53-62	1
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	56-62	1
403-3	Workers with high incidence or high risk of diseases related to their occupation	56-62	1
403-4	Health and safety topics covered in formal agreements with trade unions	56-62	1,3
404 - TRAINING AND EDUCATION			
103 - Management approach		50	6
404-1	Average hours of training per year per employee	64-66	6
404-2	Programs for upgrading employee skills and transition assistance programs	62-63	6
404-3	Percentage of employees receiving regular performance and career development	62-63	6
405 - DIVERSITY AND EQUAL OPPORTUNITY			
103 - Management approach		69	1,6
405-1	Diversity of governance bodies and employees	33-34, 69-70	1,6
405-2	Ratio of basic salary and remuneration of women to men	70-71	1,6
406 - NON-DISCRIMINATION			
103 - Management approach		69	1,2,6
406-1	Incidents of discrimination and corrective actions taken	71	1,2,6
407 - FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
103 - Management approach		67	1-3
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	67	1-3
408 - CHILD LABOR			
103 - Management approach		26	5
408-1	Operations and suppliers at significant risk for incidents of child labor	29-32	5
409 - FORCED OR COMPULSORY LABOR			
103 - Management approach		26	4
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	29-32	4
410 - SECURITY PRACTICES		Non material	1,2
411 - RIGHTS OF INDIGENOUS PEOPLE		Non material	1,2

GRI STANDARDS 2016	DESCRIPTION	PAGE OR REASON OF OMISSION	GLOBAL COMPACT
412 - HUMAN RIGHTS ASSESSMENT			
103 - Management approach		26	1,2
412-1	Operations that have been subject to human rights reviews or impact assessments	29-32	1,2
412-2	Employee training on human rights policies or procedures	29-32	1,2
412-3	Significant investment agreements and contracts that include human rights clauses or	29-32	1,2
413 - LOCAL COMMUNITIES			
103 - Management approach		72	
413-1	Operations with local community engagement, impact assessments, and development programs	73	
413-2	Operations with significant actual and potential negative impacts on local communities	95-96	
414 - SUPPLIER SOCIAL ASSESSMENT			
415 - PUBLIC POLICY			
103 - Management approach		72	
415-1	Political contributions	74	
416 - CUSTOMER HEALTH AND SAFETY			
103 - Management approach		37, 38	1
416-1	Assessment of the health and safety impacts of product and service categories	38	1
416-2	Incidents of non-compliance concerning the health and safety impacts of products	27-28	1
417 - MARKETING AND LABELING			
103 - Management approach		37	
417-1	Requirements for product and service information and labeling	38-40	
417-2	Incidents of non-compliance concerning product and service information and labeling	27-28	
417-3	Incidents of non-compliance concerning marketing com	27-28	
418 - CUSTOMER PRIVACY			
103 - Management approach		37, 40	1
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	40-41	1
419 - SOCIOECONOMIC COMPLIANCE			
103 - Management approach		26	
419-1	Non-compliance with laws and regulations in the social and economic area	27-28	

G4 SECTOR DISCLOSURES FINANCIAL SERVICES	DESCRIPTION	PAGE OR REASON OF OMISSION	GLOBAL COMPACT
FS6	Portfolio for business lines by specific regions, size and sector	8-9; 29-32	
FS7	Products and services with social benefits (UBI Comunità, Products and services for the disadvantaged, support for households and businesses in difficulty)	43-49; 84-86	
FS8	Products and services with specific environmental benefits	95-96	7,8,9
FS13	Presence in low-populated or economically disadvantaged areas	3	
FS14	Access to financial services for disadvantaged people	83-85	
FS15	Policies for the fair design and sale of financial products and services	38-40	
FS16	Initiatives to enhance financial literacy	81-83	

External assurance

[GRI 102-56]

This Report was deemed to be compliant by the Auditor, Deloitte & Touche SpA. The audit was conducted according to the procedures indicated in the Independent Auditor's Report below. The opinion expressed by the Auditor applies to compliance with Legislative Decree No. 254/2016 and the GRI Standards

The quantitative information reported in this Non-Financial Declaration, relating to the social impact of projects supported as part of UBI Comunità initiatives (SROI Indicator)^[1] have not been subject to audit by the Independent Auditors Deloitte & Touche S.p.A. This information has been reported voluntarily in addition that required for compliance of this document with the requirements of the Decree and those of the reporting standards adopted by the Group

As provided under Legislative Decree No. 254/2016, this Report, approved by the Management Board in its capacity as the management body, along with the proposed Consolidated Financial Statements is made available to the Supervisory Board, which, in its capacity as an oversight body, is required to oversee compliance with the foregoing Decree and to report its findings in the Report of the Supervisory Board to the Shareholders' Meeting, provided in the Reports and Accounts 2017.

^[1] Commitment to the community, Measures taken for social initiatives - The initiatives of UBI Comunità.

**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267**

**To the Management Board of
Unione di Banche Italiane S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter the "Decree") and to article 5 of the CONSOB Regulation n. 20267, we have carried out a limited assurance engagement on the sustainability information which constitutes the Consolidated Non-Financial Statement of Unione di Banche Italiane S.p.A. and its subsidiaries (hereinafter the "Group") as of December 31, 2017 prepared on the basis of art. 4 of the Decree, and approved by the Management Board on February 19, 2018 (hereinafter the "NFS").

Management and Supervisory Board's Responsibility for the NFS

The Management Board is responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "*Global Reporting Initiative Sustainability Reporting Standards*" (hereinafter "GRI Standards"), including the "*Financial Services Sector Disclosures*", established in 2016 and in 2013 by GRI - *Global Reporting Initiative*, which they have identified as reporting framework.

The Management Board is also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Management Board is moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Management Board is responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Supervisory Board is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and with the GRI Standards, including the "Financial Services Sector Disclosures", established in 2016 and 2013 by GRI – *Global Reporting Initiative*. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Group.
4. Understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report.

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Unione di Banche Italiane S.p.A. and with the employees of UBI Sistemi e Servizi S.C.p.A., UBI Academy SCRL, Banca Teatina S.p.A. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following subsidiaries, Unione di Banche Italiane S.p.A., UBI Sistemi e Servizi S.C.p.A., UBI Academy SCRL, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Group as of December 31, 2017 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and with the GRI *Standards*, including the "Financial Services Sector Disclosures", established in 2016 and 2013 by GRI – Global Reporting Initiative.

Other Matter

With reference to the year ended December 31, 2016, the Group prepared a Sustainability Report, whose sustainability information were used for comparative purposes within the NFS. This sustainability information was voluntarily examined by us with a limited assurance engagement in accordance with ISAE 3000 revised and we expressed an unmodified conclusion.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
March 2, 2018

This report has been translated into the English language solely for the convenience of international readers.