



Social Report 2012

“Fare banca
per bene”

UBI  **Banca**
UNIONE DI BANCHE ITALIANE

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1. Strategy and analysis

1.1 STATEMENT FROM THE CHAIRMEN

The letter to the registered and non-registered shareholders, published in the Annual Report entitled Reports and Accounts 2012, opens with a tribute to the memory of the Chairman of the Supervisory Board Corrado Faissola, who passed away on 20th December 2013: "Corrado Faissola was an unwavering follower of a strict personal code, fundamentally geared towards espousing an overall ethical position that governed both life and work based on the principle that the common good should never be supplanted by the possibility of delivering a result, no matter how desirable."

We have always looked to those same ethics and ideals that we recognise in Corrado Faissola in guiding and managing this Group of which he was one of the most convinced founders who confirmed the value of the principles in the Code of Ethics, which we have adopted, and the universal principles of the UN Global Compact, which we have signed. Once again we are renewing our commitment to observe them in all our strategic and operating decisions.

As part of this commitment, even at this time of continuing difficulty in the economic environment, we have sought to combine the essential corporate goals of profitability, financial balance and capital strength with satisfaction of the needs and social and environmental aspirations of all our stakeholders.

Consequently, while on the one hand, following on from what we have already achieved in previous years, we have paid particular attention to the reorganisation of the Group to reduce overheads and streamline operations, on the other hand we have continued to invest to strengthen our identity and the perception of UBI Banca as a high quality bank that is present and active in the community.

This means for example that we have maintained high levels of training and welfare for our staff and also that the necessary action to optimise the work force has been accompanied by a programme for generation turnover, which means new permanent employment opportunities for young people in the context of great insecurity on the labour market.

This also means that we have addressed the reorganisation of the distribution model and the branch network in order to improve service levels in all customer segments and not just to increase efficiency. And again it means we have maintained commercial and lending policies that have never been compromised by profit goals and we have always been attentive to the needs of the weaker groups in society.

In this respect, in addition to trying to offer maximum support for those families and businesses hit by the economic crisis and the natural disasters that have had a severe impact on various communities, we have also sought to invest in the development of our service model and our range of products and services for the third sector. The launch of "social bonds" in particular met with great success, a sign of just how much the bank is in tune with the values of local communities in its markets.

The attentive and active participation of Bank in community life does not end with its commercial activities, but is broader in order to implement the mutual objects implicit in its co-operative status to support charitable, social, cultural and sports activities and initiatives in a philanthropic spirit. This is an investment in the community to which we continuously dedicate significant financial resources each year to support longstanding partnerships and to develop new projects.

This year the Annual General Meeting of the Shareholders is called upon to elect a new Supervisory Board, which will in turn appoint a new Management Board. We will be handing an important national concern over to these bodies that is at the same time solid with strong local roots, which must continue to find within its heritage of history, values, principles and expertise the ability to compete successfully on the market in order to create sustainable value for all our stakeholders.

The Chairman of the Management Board

Emilio Zanetti



The Senior Deputy Chairman of the Supervisory Board

Giuseppe Calvi



UBI Banca's Code of Ethics identifies the significant stakeholders of the Group, which are those "groups and individuals who are holders of specific interests on which UBI's activities have effects and/or which contribute in various ways to UBI's activity and its very existence." Important issues and the relative risks and opportunities in the different areas of sustainability are considered for each category of stakeholder, account of which is taken in formulating policies and setting operating objectives.

The evolving context and the performance of operations in relation to social responsibility and sustainability strategies and objectives are monitored over time as part of the following: strategic planning processes; consultation and dialogue activities (e.g. customer satisfaction surveys); analysis of agency ratings and analysts and CSR investors' opinions; and also monitoring of indicators calculated as part of the CSR reporting process in the Social Report.

In the particularly difficult current economic environment, it is essential to give priority to financial and operating figures with a particular focus on controlling costs and levels of liquidity and capital. In order to support this commitment, the lines of action identified in the 2011-2013/15 Business Plan, summarised in the table below, have been confirmed, especially in relation to the prevention of reputational risk, which is particularly in evidence in the financial sector, and in relation to grasping opportunities arising from the emergence of new demands and concerns of a social and environmental nature.

Some objectives have been affected, and in the near future will probably continue to be affected by the availability of financial resources, which means that careful planning must be carried out with priority given to initiatives with the best cost/benefit ratios.

PERSONNEL COHESION AND MOTIVATION	
The training and internal communication to support quality and to share strategic objectives	Initiatives and results on pages 73-76
High level of social services and monitoring and prevention for health and safety at the workplace risks	Initiatives and results on pages 66-67, 69-73
Work life balance and diversity management	Initiatives and results on pages 78-79
INTEGRATION IN LOCAL ECONOMIC AND SOCIAL COMMUNITIES	
Support for socially useful organisations and initiatives and the development of partnerships with local non-economic entities	Initiatives and results on pages 45-53, 89-91 Improvement objectives in the development of partnerships and measurement of the social repercussions of initiatives
Growth in high social and environmental value and economic potential commercial activities	Initiatives and results on pages 33-39, 84-85
REPUTATION AND RISK MONITORING	
Attention to ethics in commercial activity	Initiatives and results on pages 29-31, 80-81, 85-87
Inclusion of governance, social and environmental criteria in assessing the creditworthiness of businesses	Initiatives and results on pages 30-31, 38. Improvement objectives for experimentation launched by the Italian Banking Association
Monitoring involvement in "controversial" economic sectors	Initiatives and results on pages 29-30 Improvement objectives for the development of specific policies and guidelines
Responsible lending in relation to risks of over indebtedness for households and businesses	Initiatives and results on page 80
ENVIRONMENTAL POLICIES	
Optimisation of resource consumption – energy, paper and toner in particular – and sustainable mobility	Initiatives and results on pages 55-58, 60 Improvement objectives for the reduction of consumption and emissions and for reporting
Use of renewable energy and/or lower emission levels	Initiatives and results on page 59
Reduction or waste that is not recycled or recovered	Initiatives and results on page 61 Improvement objectives for separate waste collection
Green financing for individuals and businesses	Initiatives and results on pages 37-39 Improvement objectives for purchase management and the range of commercial services and products

2. Group profile

2.1 NAME OF THE ORGANISATION

Unione di Banche Italiane (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.

2.2 PRIMARY BRANDS, PRODUCTS AND SERVICES

The UBI Banca Group is mainly a retail group, at the service of families and businesses in local communities. Its business is divided into two main segments termed markets as follows:

- the **retail market**, which comprises 97.5% of customers, consisting of private individuals (“mass market” and the “affluent market” on the basis of the financial wealth owned, up to €50 thousand and €500 thousand respectively), “small economic operators” (POEs) and small to medium-size enterprises (SMEs) with turnover of less than €15 million;
- the **private-corporate banking market**, which includes private individual customers with financial wealth of greater than €500 thousand and businesses with turnover of over €15 million.

Our products and services differ according to market segment and for the small business segment they differ according to business sector with a wide range of investment, credit and insurance services.

New products for private individuals were launched in the retail market in 2012 such as a **basic account** for the socially disadvantaged [☞ FS7], the modular **QUBi** account, the **Blufamily xl** health and the **Blucasa** home non-life insurance policies and the **UBI Gold** investment advisory service for top affluent customers. For the small business segment, the specialisation of the range of advisory services for subsidised loans and the development of specific products for the farming sector (e.g. loans for the purchase of livestock supplies) continued. The **UBI Community** brand [☞ FS7] is the name given to the service model and to the new products and services provided for nonprofit organisations (both Church and non-Church affiliated) in what is termed the “third sector”.

☞ [Reports and Accounts 2012 pages 41-51](#)

The range of advisory services for the **Private-Corporate Banking** market comprises the **Pro-Active Wealth Advisory**, **Corporate Advisory** and **Pro-Active Wealth Advisory Institutional** services depending on the particular customer segments. For **private banking** customers the process to develop a **planning and financial consulting platform** continued, the range of UBI Pramerica asset management services was broadened and the *banc assurance* line of products was reviewed.

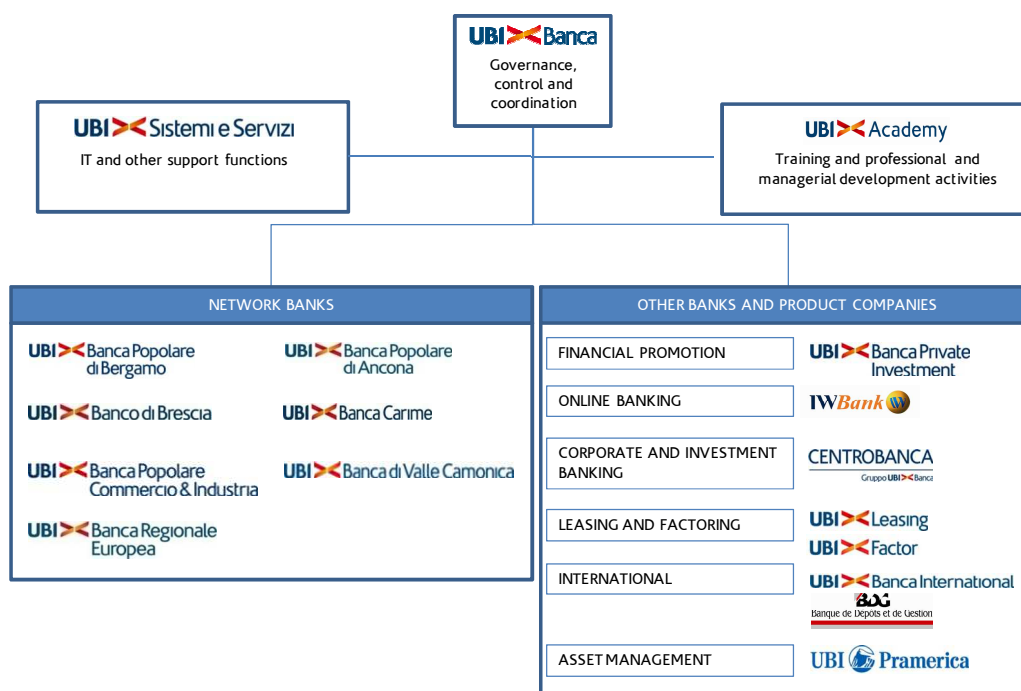
☞ [Reports and Accounts 2012 pages 52-54](#)

2.3 OPERATIONAL STRUCTURE

The UBI Banca Group is a **multi-functional, federal and integrated group** in which:

- the functions of management, control and co-ordination are centralised in the **Parent**, which, through the subsidiary consortium company UBI Sistemi e Servizi, also oversees IT activities and other support functions;
- the **local banks** – termed network banks – fill the role of the distribution network, each covering their own local area. They are operationally independent banks and each have their own Board of Directors on which members representing local communities and economies predominate. They all employ the same distribution model, applied in a flexible manner to take account of local differences and specific customer portfolios;
- a series of other banks and specialist companies – named **product companies** – supply a full range of products and services to the network banks, which is constantly updated to meet the requirements of different customer segments.

The operational structure of the Group



UBI Pramerica is a fruitful alliance between our Group and Prudential Financial, a leading American financial institution, active throughout the world. With a capacity for global investment, it offers individual and institutional investors a vast range of funds and asset management products. IWBanK is the Group internet bank, a leading player in professional online trading services on stock markets throughout the world. With our Centrobanca, UBI Leasing and UBI Factor brands we also meet the more complex financial needs of companies with their growth and development plans, internationalisation and innovation. In order to provide our customers with the best possible insurance products, we have selected high value partners like Aviva for Aviva Vita and Aviva Assicurazioni Vita and Cattolica Assicurazioni for Lombarda Vita in the life sector and Fortis/BNP Paribas Assurance for UBI Assicurazioni in the non-life sector.

2.4 LOCATION OF HEADQUARTERS

The registered address is at Piazza Vittorio Veneto 8, Bergamo (Italy) and the General Management operates from offices in Bergamo and Brescia.

2.5 COUNTRIES WHERE THE GROUP OPERATES

The UBI Banca Group is a mainly domestic group present in all the **regions of Italy**, except for Sicily, with 1,727 branches, 98 corporate banking units and 104 private banking units¹. The branches of the network banks cover the retail market and also provide support to specialists units operating on the "private-corporate banking market". In 2012 the Bank performed a gradual and progressive rationalisation and reorganisation of its geographical market coverage, designed to eliminate overlap between brand names, improve efficiency in customer relationships and increase market presence in high potential growth areas at the same time.

¹ Reports and Accounts 2012 page 59 and FS13

¹ At the end of January 2013, 129 "Private & Corporate" banking facilities (50 Private & Corporate units and 79 "Corners") existed following the unification and streamlining of the previous private banking and corporate units of the network banks [see 2.9]. The figure does not include six private banking units of UBI Banca Private Investment dedicated to private banking customers only.

With the exception of the cities of Milan and Rome, which constitute areas common to all Group banks, each network bank has its own geographical area, which includes the areas in which it has its historical roots and areas for possible expansion as follows:

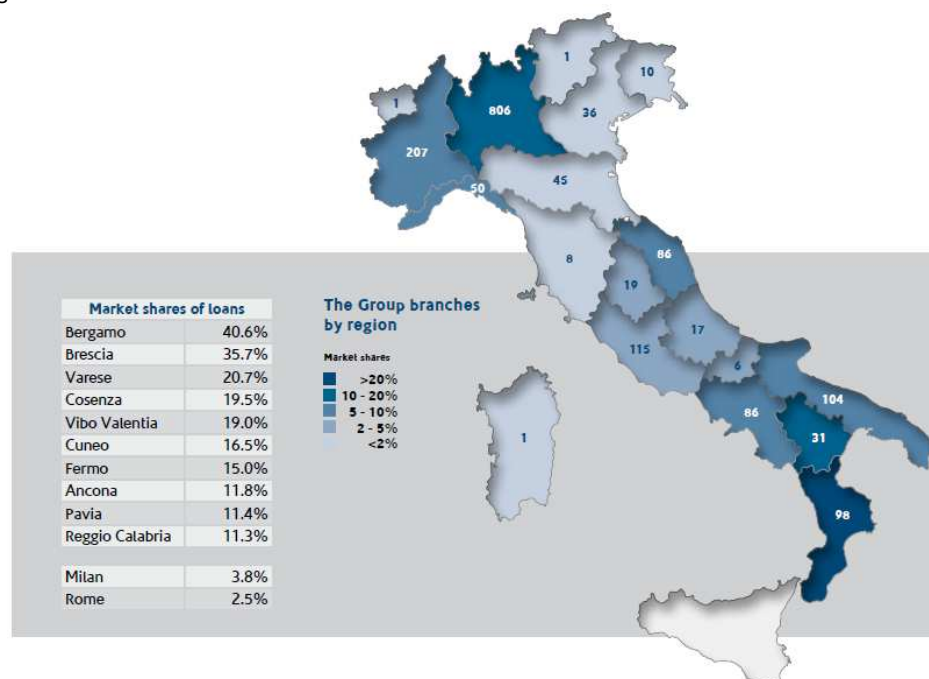
- for Banca Popolare di Bergamo, the Lombard provinces of Bergamo, Varese, Como, Lecco and Monza-Brianza;
- for Banco di Brescia, the Lombard provinces of Brescia, Lodi, Cremona and Mantua and Viterbo as well as Triveneto as an area to be developed;
- for Banca Popolare Commercio e Industria, with its headquarters in Milan, the Lombard provinces of Pavia and Milan as well as Emilia as an area to be developed;
- for Banca di Valle Camonica, headquartered at Breno (Brescia), Sondrio and Valle Camonica;
- for Banca Regionale Europea, with its headquarters at Cuneo and general management in Turin, Piedmont and Liguria;
- for Banca Popolare di Ancona, headquartered at Jesi (AN), the central Italian regions, Marches, Abruzzo, Molise, Umbria and the Campania provinces of Naples, Avellino and Benevento;
- for Banca Carime, with its headquarters at Cosenza, the southern regions with a focus on Apulia, Calabria, Campania (Salerno) and Basilicata.

☞ Reports and Accounts 2012 pages 59-60

GEOGRAPHICAL DIMENSION		2012	2011	2010
Total branches including branches abroad		1,735	1,884	1,901
Branches in Italy		1,727	1,875	1,892
of which:				
	Banca Popolare di Bergamo	353	358	365
	Banco di Brescia	322	364	362
	Banca Popolare Commercio e Industria	219	235	234
	Banca Regionale Europea ¹	256	286	286
	Banca Popolare di Ancona	220	238	248
	Banca Carime	255	294	294
	Banca di Valle Camonica	66	66	64
Market Share ²		5.4%	5.6%	5.6%
of which:				
	North West	10.8%	11.0%	11.0%
	North East	1.1%	1.2%	1.2%
	Central	3.3%	3.5%	3.6%
	South	7.8%	8.3%	8.3%
Provinces with market share over 10% ²		15	18	19

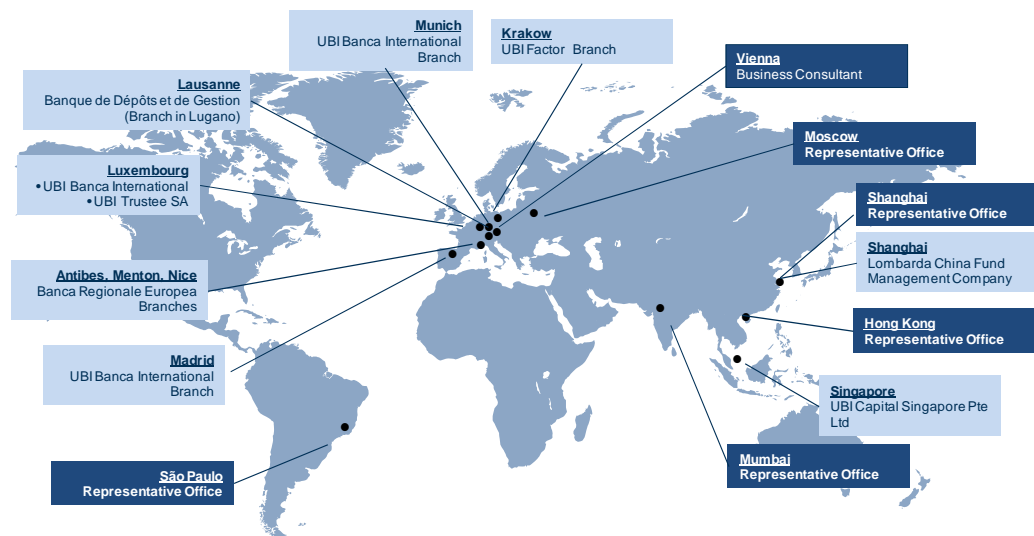
¹ Included branches of Banco di San Giorgio.

² Figures at 30/09/2012.



The physical branch network is completed by the national network of financial advisors (672) and private bankers (42) of UBI Banca Private Investment.

The international presence consists of two banks, five representative offices, four branches of Italian banks and companies in the Group and 47 agreements with local foreign banks. Its function is to support the international activities of our corporate clients, especially in emerging markets, where they have the greatest difficulty in gaining access to financial services appropriate to their requirements. The Group has no presence in tax havens or other financial centres which have not yet complied with international tax standards, as recommended by the OECD. Also it has no presence in any country classified as at risk of money-laundering or terrorism by the lists of the International Financial Action Group and/or the Italian Ministry of the Economy and Finance, while it has a marginal presence (a representative office and an asset management company) in two of the companies classified by the OECD as having a privileged tax regime (Hong Kong and Singapore).



In order to meet customer requirements to consult and manage their bank accounts with no opening hour limitations under more attractive terms and conditions than those available at branches, the Group provides **Multi-channel banking** services: internet banking (over 1,070,000 customers, +15% compared to 2011), mobile banking (approximately 230,000 accesses on average per month and 100,000 apps downloaded), contact centre customer services (over €2.8 million commercial contacts), self-service channels consisting of kiosks and ATMs (approximately 2,400 Bancomat debit card cashpoints, of which over 300 equipped for paying in banknotes and cheques), evolved payment systems and POS terminals. In addition, IWBank, the Group's internet bank, which specialises in the provision of banking services and products, and in online trading in particular, almost exclusively via internet, has 121,605 customers and receives an average of 31,387 orders each day.

2.6 NATURE OF OWNERSHIP AND LEGAL FORM²

4.16

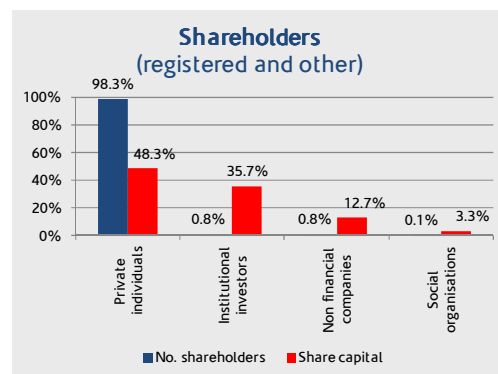
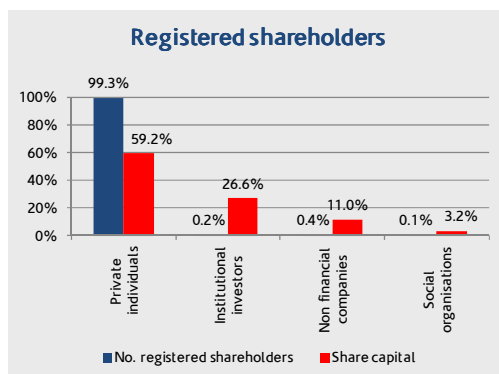
UBI Banca, the Parent, is a "popular" bank formed with the legal status of a joint stock co-operative company. It has a broad shareholder base with a large number of registered shareholders. No shareholder may hold more than 1% of the share capital, except for collective investment companies, and each registered shareholder may cast only one vote in shareholders' meetings, no matter how many shares are owned and may hold a maximum of three proxies.

As a result of the size it has reached and the Parent's status as a co-operative bank, the UBI Banca Group today remains an autonomous and independent banking group and its strategic and operational decisions are determined exclusively by the pursuit of its corporate mission based on

² The figures for shareholders in general relate to the date of last dividend payment (May 2012), while those for registered shareholders relate to the end of December 2012.

sound and prudent principles of management.

The co-operative status distinguishes between ordinary and registered shareholders. UBI Banca has **149,848 shareholders** (down by 1,957 compared to 2011), of whom **83,690 are registered shareholders** (up by 1,799). Group employees account for 7.3% of registered shareholders. In 2012, 8,081 applications were received for registered shareholder status (+4,350 compared to 2011), all of which were accepted.



While no differences exist in terms of capital rights, because there are no different share classes and all shares have the same dividend entitlement, only registered shareholders may participate in shareholders' meetings and cast a vote on items on the agenda. Admission as a registered shareholder is decided by the Management Board, on written request from an applicant, exclusively on the basis of the objective interests of the Bank – including that of its independence and autonomy – and in observance of the spirit of a co-operative bank as established by the general criteria approved by the Supervisory Board.

Registered shareholders have formed associations, notice of which has been received by UBI Banca.

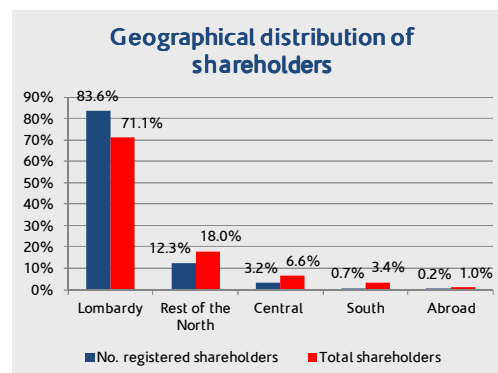
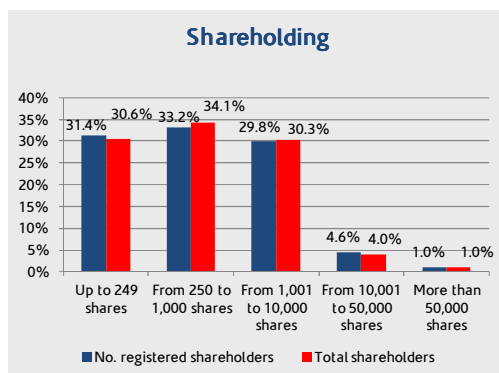
[Reports and Accounts 2012 pages 11**-12**](#)

As at 31st December 2012 the share capital was composed of **901,747,005 ordinary shares** with a par value of €2.50 each, listed on *Borsa Italiana* on the *Mercato Telematico Azionario* (the Milan electronic stock exchange) in the Blue Chip segment (companies with the largest capitalisation) and on the TAH (after hours market). The UBI Banca share is also included in 44 of the main international share indices (source Bloomberg) and also in some ethical and sustainability indices (ECPI EMU Ethical Equity, AXIA Euro Ethical Index with an A++ rating, the Euro CSR Index with an A++ rating and the Sustainable Index with an A++ rating, the Ethibel ESI Excellence Europe Index and the ESI Excellence Euro Index) and it is covered by national and international analysts.

www.ubibanca.it/pagine/Area-analisti-IT.aspx

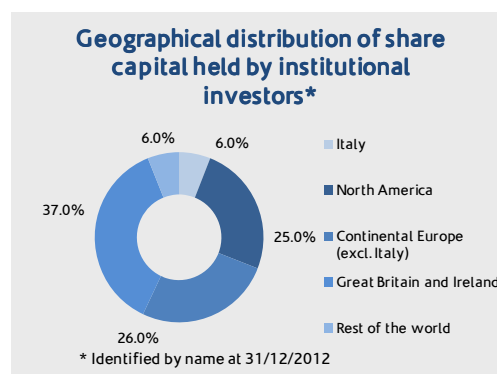
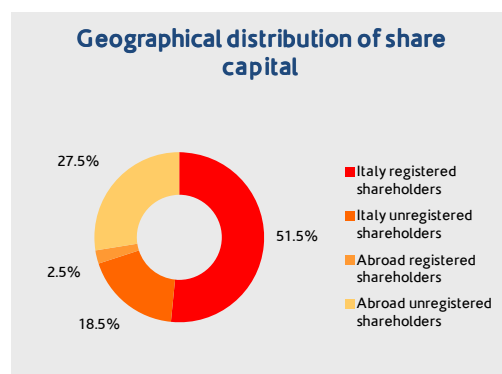
In 2012 the share reached a high of €4.116 during trading and a low of €1.821 per share and at the official price at the end of year (€3.505, up by 12.3% compared to the end of 2011), the total stock market capitalisation was €3,160 million.

[Reports and Accounts 2012 pages 46*-48*](#)



Thirty per cent of the share capital is held by **foreign investors**, who account for 1% of the shareholders.

Institutional investors hold 35.7% of the share capital. On the basis of a shareholder identification conducted at the end of 2012 by a specialist agency, the share capital held by institutional investors had increased to approximately 40%. These are investors who operate mainly with a medium to long-term time horizon: Value (43.3%), Index (38.1%) and Growth (10.5%) styles.



The Report on Corporate Governance and the Ownership Structure gives a list of the principal shareholders (those with shareholdings of over 2% of the share capital).

☞ Reports and Accounts 2012 page 10** and 4.16

2.7 MARKETS SERVED

☞ 2.2, 2.3 and 2.5

The Group operates mainly on the Italian domestic market, integrating ordinary retail banking business with the activities of the product companies.

2.8 SCALE OF THE GROUP³

The UBI Banca Group is the third largest banking group in Italy by stock market capitalisation, fourth for funding and lending and fifth by number of branches. Among “popular” co-operative banks, it is the largest by stock market capitalisation and also for funding and lending and it is the second largest by number of branches.

SOCIAL DIMENSION	2012	2011	2010
Personnel ¹	19,139	19,516	19,957
of which:			
employees ²	19,105	19,391	19,616
permanent	99.5%	99.4%	99.0%
Women in management positions (out of total senior managers)	9.2%	9.8%	9.4%
Customers (thousands)	3,743	3,759	3,698
of which private individuals	88.9%	88.7%	88.5%
Shareholders	149,848	151,804	143,633
of which registered shareholders	83,690	81,891	78,340
Suppliers	10,378	10,749	11,405
of which strategic and/or regular on the approved list	863	755	913

¹ The figure includes the average number of workers during the year.

² Recognised on the payroll.

³ The stock market capitalisation figures are as at 31/12/2012 from Il Sole 24 Ore (national daily financial newspaper), the funding and lending figures are as at 30/09/2012 from processing of periodic financial reports by the UBI Banca Strategic Planning Service and the branch figures are as at 30/09/2012 processed by the UBI Banca Studies Service.

ENVIRONMENTAL DIMENSION	2012	2011	2010
Total floor area of offices and branches (sq.m.)	1,004,519	1,034,379	1,077,975
Energy consumption (Gj)	699,069	746,879	624,325
CO ₂ Emissions (tons) ¹	11,295	12,250	15,045
Paper consumption (tons)	2,324	2,001	2,049
Waste products (tons)	1,898	2,161	2,153
Portfolio of loans granted for environmental investments (€million)	239	735	768

¹ Does not include emissions relating to corporate geographical mobility.

ECONOMIC DIMENSION (thousands of euro)	2012	2011	2010
Funding from customers	168,981,944	174,876,223	184,838,914
of which:			
indirect funding	70,164,384	72,067,569	78,078,869
assets under management	38,106,037	36,892,042	42,629,553
Net loans to customers	92,887,969	99,689,770	101,814,829
Total assets	132,433,702	129,803,692	130,558,569
Stock market capitalisation ¹	3,160,623	2,815,253	4,212,547
Equity ²	9,737,882	8,939,023	10,979,019
Revenues ³	5,863,856	5,718,861	5,300,029
Profit for the year ⁴	82,708	349,373	172,121
Economic value created	2,743,613	2,849,160	3,047,802
Contributions to communities for donations and sponsorships	13,986	14,842	16,241

¹ Official price at the end of year.

² Inclusive of profit/loss for the year.

³ Sum of items 10, 40, 70, 80, 90, 100, 110, 150, 220 and 240 of the consolidated income statements.

⁴ The figure for 2011 is profit before impairment. Inclusive of impairment losses on goodwill and other intangible assets performed in consideration of the unfavourable economic situation, the result for the year was a loss of €1,841,488 thousand.

2.9 SIGNIFICANT ORGANISATIONAL CHANGES

Important action was taken in 2012 to streamline and optimise the Group's ownership structure and distribution network as follows:

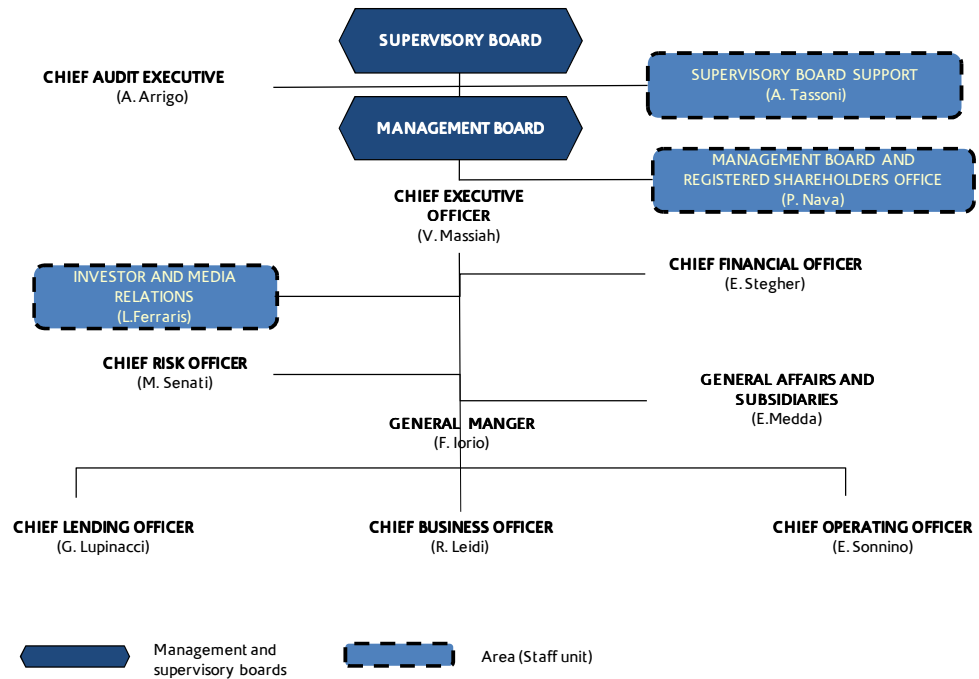
- UBI Academy was formed, a service consortium company whose business purpose will be the planning and provision of services for life-long learning and the professional and managerial development of the personnel of the companies in the Group;
- the merger of Banco di San Giorgio into Banca Regionale Europea with the creation of a single banking centre for the North West. The operation, based on connections and synergies existing between Liguria, Piedmont, Valle d'Aosta and the nearby France, was designed to safeguard the high quality of the activities and services which had been provided by Banco di San Giorgio, as well as its strong roots in local communities. The brand name has been maintained on signs at branches and also on many documents;
- restructuring of consumer credit business, with the merger of Banca 24-7 and SILF into UBI Banca;
- the disposal of UBI Insurance Broker;
- streamlining of the retail distribution network to optimise geographical coverage and increase market efficiency with the closure of 68 branches and 85 mini-branches, the transformation of 122 branches into mini-branches and of one mini-branch into a branch and the opening of four branches and seven mini-branches (of which five transformations of treasury branches).
- the integration of the private and corporate banking markets and revision of the service model with the creation of local "Private & Corporate Unity" (PCU) facilities for private and corporate banking customers to replace private banking units and corporate banking units.

From the viewpoint of organisational models, the main action taken in 2012 was as follows:

- the completion of a series of projects launched in 2011 to revise customer market segmentation and the relative service models (the "hour glass" distribution model, mass market teams and developers);

- the revision and simplification of the organisational structure of UBI Banca, UBI Sistemi e Servizi and of the network banks, through the rationalisation of organisational units and shorter lines of reporting;
- the rollout of a new model for managing non-performing positions and, as part of the reorganisation of the Problem Loan and Credit Recovery Area, the creation of special units to monitor and recover non-performing loans and the relative costs.

Organisational structure of UBI Banca



2.10 AWARDS RECEIVED IN THE REPORTING PERIOD



The corporate social responsibility section of the Group website (www.ubibanca.it) achieved 16th position overall and 4th position among banks in the **2012 CSR Online Awards Italy 100** league table. The classification, drawn up each year by the communication company Lunquist, assesses the quality of online communication on social and environmental, ethical and corporate governance issues and on the level of dialogue with stakeholders.



UBI Banca has won the 2012 edition of the **Green Globe Banking Award** for banks that have excelled in “green” banking services. This recognition was received from Green Globe Banking (www.ggbanking.it), a permanent nonprofit workshop which focuses on green banking and is promoted by the company Globiz with the patronage of the Ministry of the Environment.



With the project “The 2011 Social Report: from hardcopy to the web for effective multimedia communication” UBI Banca came second in the “Social Report” category of the sixth edition of the **Premio AIFIn Banca e Territorio** awards, an annual event organised by the *Associazione Italiana Finanziaria Innovation* (Italian financial innovation association), which aims to publicise corporate social responsibility initiatives by banks and to launch a permanent debate on CRS issues in the banking sector and on relations between banks and the community.



The **MF Innovation Awards** is an event organised each year by the financial newspaper Milano Finanza (MF) and Italia Oggi, which awards prizes for the most innovative and value for money banking services. In the 2012 awards, UBI Banca won first place in the “Family Accounts” category with the modular QUBI account and second place in the “Payment Cards” category with its Libramat card, while

IWBank came second in the "Trading App" category with QuickTrade and third in the "personal loans" category with IWPrestito.



UBI Banca's UBI Community Social Bond project [FS7] won the 2013 edition of the **Italian Banking Association prize** for innovation in banking services in the "The charitable bank" category for "its concreteness and effectiveness in generating immediate positive impacts on the social and environmental context, contributing directly to support development of the welfare economy, by increasing social cohesion".



The **Of - Osservatorio finanziario (financial observatory)**, an independent research institute which monitors Italian banking products and services, awarded two prestigious prizes to IWBank: the 2012 **Best Home Banking award**, for security, customer communication services and its innovative introduction of mobile and tablet banking and the **2012 Best Deposit Account prize** for IWPower Special 3rd Step.



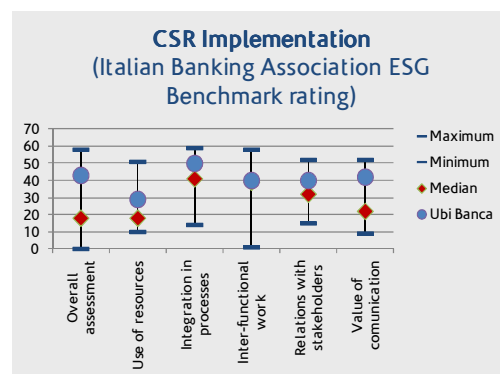
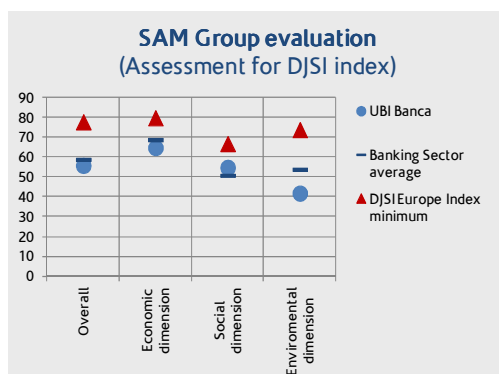
Again in 2012 UBI Pramerica received important accolades for the quality of its products. The 2012 **High Return Prize**⁴: third place overall in the BIG group of Italian fund managers (to which companies with assets under management of over €4,000 million belong), with UBI Pramerica Azioni Mercati Emergenti the best fund in the Emerging Shares category and for the third year running, the UBI Pramerica Obbligazioni Dollari fund was awarded the prize for the best American bond fund.

The 2012 **Milano Finanza Global Awards**⁵: "Triple A Italian mutual funds" award for results achieved by the UBI Pramerica Portafoglio Moderato and the UBI Pramerica Portafoglio Prudente funds. **Grands Prix - Fundclass 2012**⁶: the best Italian management company in the "16-25 funds" class.



Centrobanca received an important international prize, the 2012 **European Healthcare Deal of the Year prize**⁷ for joint financing of the project finance for *Ospedali Toscani* for the design, construction and operation of four new hospitals in the provinces of Massa Carrara, Lucca, Pistoia and Prato.

UBI Banca takes part in the SAM Group indexing for the Dow Jones Sustainability Index and in the Italian Banking Association ESG Benchmark indexing which assesses the level of the actual integration of social responsibility in corporate strategies and operations. UBI Banca is assessed in the Italian Banking Association indexing in comparison with fifteen of the major Italian banks and banking groups which are included in the index.



⁴ An award granted by Il Sole 24 Ore to asset management companies and mutual investment funds for exceptional results over the last three years.

⁵ An award granted by Milano Finanza to the best performing funds, based on a rating calculated over 36 months.

⁶ An award granted by Fundclass to companies with the best average performance based on their range of funds.

⁷ Organised by the Project Finance Magazine.

3. Report parameters

Report profile

3.1 REPORTING PERIOD

The reporting period of this Social Report is from 1st January 2012 to 31st December 2012, the same as that of the consolidated financial report. It is the sixth report since the foundation of UBI Banca and it was prepared under the supervision of the Management Board and approved by the Supervisory Board. It is published in electronic (PDF) format only, on the corporate website of the Group and is also translated into English.

3.2 DATE OF THE MOST RECENT PREVIOUS REPORT

Again this year a summary document (*Fare Banca Per Bene – A Summary of the 2012 Social Report*) was distributed at the Shareholders' Meeting, which presents the main highlights of the Social Report in a simple and direct manner, assisted by a dynamic graphic layout. This document, which is also for use in official presentations of the Group, is printed in 30,000 copies in Italian and 200 copies in English and it is published in PDF format on the corporate website of the Group.

3.3 REPORTING CYCLE

3.4 CONTACT POINT FOR QUESTIONS REGARDING THE REPORT OR ITS CONTENTS

The addresses for information on the report "*Fare Banca Per Bene – A Summary of the 2012 Social Report*", on the 2012 Social Report and on the Social Responsibility section of the corporate website of the Group are:

UBI Banca Scpa

Chief Financial Officer

Piazza V. Veneto, 8

24122 Bergamo

Tel. 035-3922925

Fax 035-3922996

email: bilancio.sociale@ubibanca.it

Copies of the document "*Fare Banca Per Bene – A Summary of the 2012 Social Report*" and printed copies of the PDF file of the 2012 Social Report (in both Italian and English) may be requested from the above address or by using the "toolbox" on the website www.ubibanca.it.

Report scope and boundary

3.5 PROCESS FOR DEFINING REPORT CONTENT

The Social Report is aimed at those who wish to know the Group's approach to social responsibility and sustainability, to verify the consistency of its operations with its declared system of values and to assess the results achieved. The contents of the report – principally of a non accounting nature – are therefore defined through a process of identifying the relevant subjects and issues which is based on both the recommendations of the GRI model and indications that have arisen in the course of dialogue with stakeholders and an analysis of articles in the press.

The most important subject areas, which have been carefully managed during the reporting year and which have been particularly highlighted here and in the summary document are as follows:

- response to economic and social demands in the community, with special attention paid to support families and businesses hit by the economic crisis and by recent natural disasters;
- commitment to the community in terms of donations to social activities and financial education programmes;
- product responsibility, transparency and customer satisfaction;
- controversial economic sectors;
- personnel management, development and training;
- trade union relations and organisational changes;
- relations with registered shareholders and institutional investors;
- environmental impacts.

<p>3.6 BOUNDARY OF THE REPORT</p>	<p>The scope of the report, where not otherwise specified, is that of the scope of consolidation defined in the Consolidated Financial Statements, and it is consistent with the guidelines contained in the GRI Boundary Protocol of 2005.</p>
<p>3.7 SPECIFIC LIMITATIONS ON THE SCOPE OR BOUNDARY OF THE REPORT</p>	<p>The scope of the data and information on the environmental impacts of the Group comprises the following companies: UBI Banca, UBI Sistemi e Servizi, UBI Academy, Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Regionale Europea, Banca Popolare di Ancona, Banca Carime, Banca di Valle Camonica and UBI Banca Private Investment. It amounts to:</p> <ul style="list-style-type: none"> • 1,004,519 sq. m. of indoor floor space (98.5% of the Group's indoor floor space); • 17,859 employees (93.3% of Group employees) [↔ 3.11].
<p>3.8 BASES FOR REPORTING THAT CAN SIGNIFICANTLY AFFECT COMPARABILITY FROM PERIOD TO PERIODS AND/OR BETWEEN ORGANIZATIONS</p>	<p>No changes occurred during the year in the Group's structure and activities which might affect the comparability of data with that of previous years. Any other reasons which might make the historical data series for an indicator non-comparable are given in the respective tables and charts.</p>
<p>3.9 DATA MEASUREMENT TECHNIQUES AND THE BASES OF CALCULATIONS</p>	<p>The information reported is drawn from different corporate IT systems, such as for example, the general accounting system, the operational control system, the personnel management system, the CRM commercial database and other systems.</p> <p>Data for which there is no single Group management system has been acquired for each single company and then aggregated centrally. In order to ensure the maximum reliability and significance of the qualitative and quantitative indicators contained in the report, priority has been given to information drawn directly from corporate databases, thereby reducing recourse to estimates as much as possible. Where used, estimates are based on the most accurate information available or on sample data.</p> <p>Any changes in measurement techniques and the bases of calculations are properly reported in the document.</p>
<p>3.10 EFFECT OF ANY RE-STATEMENT OF INFORMATION PROVIDED IN EARLIER REPORTS AND THE REASONS OF SUCH RE-STATEMENT</p>	<p>It was not necessary to make changes to information contained in previous reports. Previous year figures are only recalculated when coefficients that have been updated are used (e.g. to quantify consumption and emissions in environmental reporting). Where indicators and quantitative data are given for the first time in the report, figures for the previous two years have been calculated where possible.</p>
<p>3.11 SIGNIFICANT CHANGES FROM PREVIOUS REPORTING PERIODS IN THE SCOPE, BOUNDARY OR MEASUREMENT METHODS APPLIED IN THE REPORT</p>	<p>No significant events or important changes occurred during the reporting period in the methods of measurement with respect to previous years, except for the measurement of the monetary value of donations in kind, for which the 10% of the historical cost of purchase of the assets granted was used in 2012 (which represents the cost incurred by the Bank to recondition them), while the full historical cost was recognised in 2011. As in 2011, the sum of employees at the end of the year and of average associate workers during the year was to calculate consumption (energy, water and paper) and waste production per employee in 2012 [↔ 3.6], while full time equivalents (FTEs) were in 2010. The tables below give the coefficients used to calculate energy consumption (EN3 and EN4) and emissions (EN16 and EN17).</p>

ENERGY SOURCE	COEFFICIENT FOR CALCULATING EMISSIONS EN3 AND EN4	
Heating		
Natural Gas	0.82 TOE/1,000m ³	0.03428 GJ/Mc
Gasoil (density 0,84 Kg/l)	1.08 TOE/Ton	42.62 GJ/Ton
LPG (density 0,54 Kg/l)	1.1 TOE/Ton	47.3 GJ/Ton
Transport		
Petrol (density 0,74 Kg/L)	1.2 TOE/Ton	43.7 GJ/Ton
Gasoil (density 0,84 Kg/l)	1.08 TOE/Ton	42.89 GJ/Ton
LPG (density 0,54 Kg/l)	1.1 TOE/Ton	47.3 GJ/Ton
Other		
Photovoltaic	0.000187 TOE/kWh	0.0036 GJ/kWh
District heating	0.086 TOE/mWh	0.0036 GJ/kWh
Electricity purchased	0.000187 TOE/kWh	0.0036 GJ/kWh

ENERGY SOURCE	COEFFICIENT FOR CALCULATING EMISSIONS EN16				
	CO ₂	CH ₄	N ₂ O	NO _x	SO _x
Heating					
Natural gas	1,962 g/m ³	0,0857 g/m ³	0,03428 g/m ³	2,417993 g/m ³	0,017271 g/m ³
Gasoil	3,141 kg/ton	298,3 g/ton	85,24 g/ton	2,46877 g/l	4,937541 g/l
LPG	2,984 kg/ton	236,5 g/ton	4,73 g/ton		
Transport					
Petrol	3,109 kg/ton	1,023,3 g/ton	78 g/ton		
Gasoil	3,138 kg/ton	45,3 g/ton	94,7 g/ton		
LPG	6,1 kg/USGal	0,5994 g/USGal	1,0854 g/USGal		
Other					
Electricity	413 g/kWh	0,0167 g/kWh	0,004 g/kWh	0,49 g/kWh	0,54 g/kWh

TRANSPORT	COEFFICIENTS FOR CALCULATING EN17 EMISSIONS	
	CO ₂	CO ₂ e
Employee personal vehicles ¹	213.91 G/Km	214.81 G/Km
Train ²	0.05501 Kg/Km	0.06715 Kg/Km
Airplane ³	0.12244 Kg/Km	0.14918 Kg/Km

¹ Coefficients by ABI Energia guideline (source ISPRA) for the highest emission levels per kilometer traveled.

² Coefficients by DEFRA guideline for National Rail.

³ Average of the coefficients of DEFRA guideline for Domestic, Short-haul international and Long-haul International flights.

GRI Content Index

3.12 CONTENTS OF THE REPORT

The 2012 Social Report has been prepared according to the table of contents of version G3.1 of the **Guidelines for Sustainability Reporting** (2011) and the **Supplement for the Financial Sector** (2008) issued by the Global Reporting Initiative. Account was also taken when defining the specific contents of the various indicators of the guidelines formulated by the Italian Banking Association in **"Reporting to Stakeholders"**. This is a **Guide for Banks**" (2006) and rules for periodic **"Communication on Progress"** required by the **Global Compact** of all the organisations which have signed the compact. As concerns the depth of the reporting, the GRI/G3 model contains three different levels of application marked by a "+" sign where it is audited by an independent entity. UBI Banca has declared an **A+ level**.

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL COMPACT PRINCIPLES
1.1	Core	Statement from the Chairmen	Full	1	
1.2	Core	Key impacts, risks and opportunities	Full	2	
2.1	Core	Name of the organization	Full	3	
2.2	Core	Primary brands, products and services	Full	3	
2.3	Core	Operational structure	Full	3	
2.4	Core	Location of headquarters	Full	4	
2.5	Core	Countries where the group operates	Full	4	
2.6	Core	Nature of the ownership and legal form	Full	6	

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL
					COMPACT PRINCIPLES
2.7	Core	Market served	Full	8	
2.8	Core	Scale of the group	Full	8	
2.9	Core	Significant organizational changes	Full	9	
2.10	Core	Awards received in the reporting period	Full	10	
3.1	Core	Reporting period	Full	12	
3.2	Core	Date of the most recent previous report	Full	12	
3.3	Core	Reporting cycle	Full	12	
3.4	Core	Contact point for questions regarding the report or its contents	Full	12	
3.5	Core	Process for defining report content	Full	12	
3.6	Core	Boundary of the report	Full	13	
3.7	Core	Specific limitations on the scope or boundary of the report	Full	13	
3.8	Core	Bases for reporting that can significantly affect comparability from period to period and/or between organizations	Full	13	
3.9	Core	Data measurement techniques and the bases of calculations	Full	13	
3.10	Core	Effect of any re-statement of information provided in earlier reports and the reasons of such re-statement	Full	13	
3.11	Core	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Full	13	
3.12	Core	Contents of the report	Full	14	
3.13	Core	Policy and practice for external assurance	Full	19	
4.1	Core	Governance structure	Full	21	1-10
4.2	Core	Executive chairman	Full	21	1-10
4.3	Core	Independent and/or not executive administrators	Full	21	1-10
4.4	Core	Mechanisms for shareholders and employees to provide recommendations to the highest governance body	Full	22	1-10
4.5	Core	Linkage between management compensation and performance	Full	22	1-10
4.6	Core	Conflict of interests	Full	23	1-10
4.7	Core	Qualifications of the administrators	Full	23	1-10
4.8	Core	Mission, values, codes of conduct and principles	Full	24	1-10
4.9	Core	Procedures for the identification and management of economic, environmental and social performance	Full	25	1-10
4.10	Core	Processes for evaluating the highest governance body's own performance	Full	25	1-10
4.11	Core	Modality of application of the precautionary approach	Full	26	7
4.12	Core	Adoption of codes and principles external	Full	26	1-10
4.13	Core	Participation in associations	Full	26	1-10
4.14	Core	Stakeholder groups engaged	Full	27	
4.15	Core	Modality of selection of stakeholders	Full	27	
4.16	Core	Approach to stakeholder engagement	Full	27	
4.17	Core	Key topics and concerns that have been raised through stakeholder engagement and responses	Full	27	
FS1	Core	Environmental and social policies applied to business	Full	29	
FS2	Core	Procedures for assessing environmental and social risks in business	Full	30	
FS3	Core	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Full	31	
FS4	Core	Processes for improving staff competency to implement the environmental and social policies as applied to business	Full	31	

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL
					COMPACT PRINCIPLES
FS5	Core	Interactions with clients, investees and business partners about environmental and social risks and opportunities	Full	31	
FS6	Core	Customers by business lines, region, size and sector	Full	31	
FS7	Core	Products and services with specific social benefit	Full	33	
FS8	Core	Products and services with specific environmental benefit	Full	37	
FS9	Core	Audits on implementation of environmental and social policies and risk assessment procedures	Partial	39	
FS10	Core	Relations with investees on environmental and social issues	Full	39	
FS11	Core	Companies held in the portfolio with which the organization has interacted on environmental or social issues	Full	39	
FS12	Core	Voting policies on environmental or social issues	Full	39	
EC1	Core	Direct economic value generated and distributed	Full	40	
EC2	Core	Financial implications, risks and opportunities due to climate change	Full	42	7
EC3	Core	Coverage of the defined benefit plan obligations	Full	42	
EC4	Core	Significant financial assistance received from government	Full	42	
EC5	Additional	Standard entry level wage by gender compared to local minimum wage	Full	42	1
EC6	Core	Policy, practices and proportion of spending on locally-based suppliers	Full	44	
EC7	Core	Hiring from local personnel	Full	45	6
EC8	Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement	Full	45	
EC9	Additional	Significant indirect economic impacts	Full	53	
EN1	Core	Materials used	Full	55	8
EN2	Core	Recycled raw materials	Full	55	8,9
EN3	Core	Direct energy consumption by source	Full	56	8
EN4	Core	Indirect energy consumption by source	Full	56	8
EN5	Additional	Energy saved due to conservation and efficiency improvements	Partial	57	8,9
EN6	Additional	Initiatives to provide energy-efficient or renewable energy based products and	Full	58	8,9
EN7	Additional	Initiatives to reduce indirect energy consumption and reductions achieved	Full	58	8,9
EN8	Core	Total water withdrawal by source	Full	58	8
EN9	Additional	Water sources significantly affected by withdrawal	Not relevant	58	8
EN10	Additional	Water recycled and reused	Not relevant	58	8,9
EN11	Core	Lands in protected or of high biodiversity	Full	59	8
EN12	Core	Impacts of activities, products and services on biodiversity	Full	59	8
EN13	Additional	Habitats protected or restored	Not relevant	59	8
EN14	Additional	Strategies and actions for managing impacts on biodiversity	Not relevant	59	8
EN15	Additional	Protected species in area where the organization operates	Not relevant	59	8
EN16	Core	Total direct and indirect greenhouse gas emissions	Full	59	8
EN17	Core	Other indirect greenhouse gas emissions	Full	59	8
EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved	Full	60	7,8,9

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL
					COMPACT PRINCIPLES
EN19	Core	Emissions of ozone-depleting substances	Full	61	8
EN20	Core	Other significant air emissions	Full	61	8
EN21	Core	Water discharge	Full	61	8
EN22	Core	Waste by type and disposal method	Full	61	8
EN23	Core	Significant pollutant spills	Not relevant	61	8
EN24	Additional	Hazardous wastes	Full	61	8
EN25	Additional	Water habitats affected by discharges	Not relevant	61	8
EN26	Core	Initiatives to mitigate environmental impacts of products and services	Full	62	7,8,9
EN27	Core	Products sold and their packaging materials that are reclaimed	Not relevant	62	8,9
EN28	Core	Significant fines and non monetary sanctions for non-compliance with environmental laws	Full	62	8
EN29	Additional	Significant environmental impacts of transporting products and materials used and of transporting of the personnel	Full	62	8
EN30	Additional	Environmental protection expenditures and investments	Full	62	7,8,9
LA1	Core	Profile of the Personnel	Full	63	
LA2	Core	Turnover	Full	64	6
LA3	Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Full	66	
LA15	Core	Return to work and retention rates after parental leave	Full	67	
LA4	Core	Employees covered by collective bargaining agreements	Full	67	1,3
LA5	Core	Minimum notice periods regarding operational changes	Full	68	3
LA6	Additional	Workforce represented in formal joint management-worker health and safety committees	Full	69	1
LA7	Core	Injury, diseases and absenteeism	Partial	69	1
LA8	Core	Education, training, prevention and risk-control for the health and safety of workforce members and their families	Full	71	1
LA9	Additional	Health and safety topics covered in formal agreements with trade unions	Full	73	1
LA10	Core	Average hours of training per employee	Full	74	
LA11	Additional	Programs for skill management and lifelong learning	Partial	76	
LA12	Additional	Percentage of employees receiving regular performance and career development reviews	Full	77	
LA13	Core	Composition of governance bodies and of employees per indicators of diversity	Full	78	1,6
LA14	Core	Remuneration of women compared to men	Full	79	1,6
HR1	Core	Investment agreements and contracts that include clauses on human rights or that have undergone human right screening	Full	80	1-6
HR2	Core	Suppliers and other business partners that have undergone human rights screening	Full	80	1-6
HR3	Core	Employee training in human rights	Full	81	1-6
HR4	Core	Incidents of discrimination and actions taken	Full	81	1,2,6
HR5	Core	Operations in which the right to freedom of association and collective bargaining may be at risk	Not relevant	82	1-3
HR6	Core	Operations with significant risk of child labour	Not relevant	82	1,2,5
HR7	Core	Operations with significant risk of forced	Not relevant	82	1,2,4

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL COMPACT PRINCIPLES
HR8	Additional	Security personnel trained on human rights	Not relevant	82	1,2
HR9	Additional	Violations of the rights of indigenous people and actions taken	Not relevant	83	1,2
HR10	Core	Operations that have been subject to human rights reviews and/or impact assessment on human rights	Full	83	
HR11	Core	Grievances related to human rights resolved through formal grievance mechanism	Full	83	
SO1	Core	Operations with implemented local community engagement, impact assessment and development programs	Full	84	
FS13	Core	Branches in low-populated or economically disadvantaged areas	Full	84	
FS14	Core	Initiatives to improve access to financial services for disadvantaged people	Full	84	
SO9	Core	Operations with negative impacts on local communities	Full	85	
SO10	Core	Prevention and mitigation of negative impacts on local communities	Full	85	
SO2	Core	Business units analyzed for corruption risks	Full	86	10
SO3	Core	Employees trained on anti-corruption policies and procedures	Full	86	10
SO4	Core	Actions taken in response to incidents of corruption	Full	86	10
SO5	Core	Public policy development and lobbying activity	Full	86	1-10
SO6	Additional	Contributions to political parties, politicians and related institutions	Full	87	10
SO7	Additional	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Full	87	
SO8	Core	Significant sanctions for non compliance with laws and regulations	Full	87	
FS15	Core	Policies for the fair design and sale of products and services	Full	88	
FS16	Core	Initiatives to enhance financial literacy	Full	89	
PR1	Core	Lifecycle stages in which health and safety impacts of products are assessed for improvement and significant product and services categories subject to such procedures	Full	91	1
PR2	Additional	Incidents of non-compliance with regulations and voluntary codes concerning health and safety of product and services	Full	92	1
PR3	Core	Product and service information required by company's procedures	Full	92	8
PR4	Additional	Incidents of non-compliance with regulations and voluntary codes concerning product and service information	Full	93	8
PR5	Additional	Practices of customer satisfaction, including results of surveys measuring	Full	93	
PR6	Core	Compliance with laws, standards and voluntary codes related to marketing	Full	95	
PR7	Additional	Incidents of non-compliance with regulations and voluntary codes concerning marketing and advertising	Full	96	
PR8	Additional	Complaints regarding breaches of privacy and losses of data of customer	Full	96	1
PR9	Core	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	Full	96	

The table includes only performance indicators. The disclosure on management approach (DMA) is included in the introduction to the specific reporting areas.

Assurance

As with previous reports, the 2012 Social Report has been audited by an independent entity. The independent auditors **Deloitte & Touche S.p.A.**, also engaged for the audit of the separate and consolidated financial statements of UBI Banca, were appointed for the period 2012-2014. The auditor also verifies the level of application of the GRI model declared by the bank.



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AUDITORS' REVIEW REPORT ON THE SOCIAL REPORT

To the Management Board of
UNIONE DI BANCHE ITALIANE S.c.p.A.

1. We have reviewed the social report of the Unione di Banche Italiane Group (the "Group") as of December 31, 2012. The Management Board of Unione di Banche Italiane S.c.p.A. is responsible for the preparation of the social report in accordance with "Sustainability Reporting Guidelines & Financial Services Sector Supplement" issued in 2008 and the "Sustainability Reporting Guidelines" (version G3.1) issued in 2011 by GRI – *Global Reporting Initiative*, as stated in the paragraph "Report parameters", as well as for the definition of the Group objectives regarding the sustainability performance and the reporting of the achieved results. The Management Board is also responsible for the identification of stakeholders and of significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes with reference to data and information presented in the social report. Our responsibility is to issue this report based on our review.
2. We conducted our work in accordance with the criteria for review engagements established by the *International Standards Engagement 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information ("ISAE 3000")*, issued by the *International Auditing and Assurance Standards Board*. That standard requires the compliance with ethical principles ("*Code of Ethics for Professional Accountants*" issued by the *International Federation of Accountants ("IFAC")*), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the social report is free from material misstatements. A limited assurance engagement on the social report consists of making inquiries, primarily with company personnel responsible for the preparation of the information included in the social report, analysing the social report and applying other evidence gathering procedures, as appropriate. The performed procedures are summarized as follows:
 - comparing the economic and financial information and data included in the paragraph "Economic Performance" of the social report with those included in the consolidated financial statements of the Unione di Banche Italiane Group as of December 31, 2012, on which we issued the auditor's report dated March 22, 2013 pursuant to articles 14 and 16 of Legislative Decree No. 39 of January 27, 2010);
 - analysing how the processes underlying the generation, recording and management of quantitative data included in the social report operate. In particular, we have performed the following procedures:
 - interviews and discussions with delegates of the Group, to gather information on the information, accounting and reporting systems used in preparing the social report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the social report;

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

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Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

- analysis, on a sample basis, of the documentation supporting the preparation of the social report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the social report;
- analysing the compliance of the qualitative information included in the social report and its overall consistency in relation to the guidelines referred to in paragraph 1 of this review report, in particular with reference to the social strategy and policies and the determination of significant aspects for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of personnel involved, through analysis of the minutes of the meetings or any other available information about the significant features identified in the stakeholder involvement process;
- obtaining the representation letter signed by the Chairman of the Management Board of Unione di Banche Italiane S.c.p.A. on the compliance of the social report with the guidelines referred to in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, it does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in an audit.

For the data and information relating to the social report of the prior year presented for comparative purposes, reference should be made to the auditors' review report issued by other auditors dated June 28, 2012.

3. Based on the procedures performed, nothing has come to our attention that causes us to believe that the social report of the Unione di Banche Italiane Group as of December 31, 2012 is not prepared, in all material respects, in accordance with the “*Sustainability Reporting Guidelines & Financial Services Sector Supplement*” issued in 2008 and the “*Sustainability Reporting Guidelines*” (version G3.1) issued in 2011 by GRI – *Global Reporting Initiative*, as stated in the paragraph “Report parameters”.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy

April 17, 2013

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

4. Governance, commitments and stakeholder engagement

Governance

4.1 GOVERNANCE STRUCTURE

4.2 EXECUTIVE CHAIRMAN

4.3 INDEPENDENT AND/OR NON-EXECUTIVE ADMINISTRATORS

☞ LA13

Information on corporate governance is published in the **Report on Corporate Governance and the Ownership Structure**. [☞ Reports and Accounts 2012 pages 1**-71**]

UBI Banca's **governance model** takes account of the following: measures and principles governing listed issuers contained in the **Consolidated Finance Act** and the relative regulations issued to implement it by the Consob (Italian securities market authority); legislation and regulations governing banks contained in the **Consolidated Banking Act**; the **Corporate Governance Code** for Listed Companies issued by Borsa Italiana Spa (hereinafter the Corporate Governance Code). UBI Banca has adopted a two tier governance system in which governance functions are divided between a Supervisory Board and a Management Board.

The **Supervisory Board** [☞ Reports and Accounts 2012 pages 13**-32**] has functions of strategic policy-making and control and has **internal committees** with consultation functions (Accounts Committee, Internal Control Committee, Remuneration Committee, Appointments Committee and Related and Connected Parties Committee) to oversee the integrity and transparency of resolutions passed on matters of particular delicacy. The members of the Management Board remain in office for three financial years and may be re-elected. Possession of the requirements of independence in compliance with current law (Art. 148, paragraph 3, Consolidated Finance Act) and with the Corporate Governance Code has been verified for all members of the Supervisory Board.

During 2012 the Supervisory Board met 16 times and the average length of meetings was four hours with an average of 90% attendance.

The **Management Board** [☞ Reports and Accounts 2012 pages 32**-39**] is responsible for the management of the Bank in observance of the general strategic policies and programmes approved by the Supervisory Board. Its members remain in office for three years (their term of office expires on the date of the Supervisory Board meeting convened to approve the financial statements for their last year in office) and may be re-elected. In compliance with instructions issued by the Bank of Italy on the organisation and corporate governance of banks, the Management Board consists mainly of executive members. The members of the Management Board are actively involved in the management of the Bank in compliance with policies approved by the Supervisory Board and submitted to it by the Management Board itself, which as specifically required by the Articles of Association performs its main activities exclusively on a collegial basis with no powers to delegate authority. The management commitments and responsibilities of the executive board members apply not only to the sphere of the Management Board, but also at Group level by appointments to positions in the governing bodies of the main subsidiaries of UBI Banca, which actively helps to ensure that the various member companies of the Group comply with instructions issued by the Parent in the exercise of its management and co-ordination activities. In accordance with the Articles of Association, at least one member of the Management Board must possess the requirements of independence pursuant to Art. 148, paragraph 3 of Legislative Decree No. 58 of 24th February 1998, in compliance with Art. 147 *quater* of the Consolidated Finance Act. In view of the decision taken by UBI Banca to form internal committees within the Supervisory Board as provided for by the Corporate Governance Code – for which requisites of independence are required – only one independent board member is present on the Board. During 2012 the Management Board met 27 times and the average length of meetings was five hours with an average of 96% attendance.

The UBI Banca's Articles of Association assigns powers and functions to the **Chairman of the Management Board**, which underline his involvement in the management of the Bank. More specifically the Chairman of the Management Board, who acts as the Bank's legally authorised representative and authorised signatory, performs the tasks that are typically carried out by the Chairman of a company's management body, to be performed by liaising with the other by-law regulated bodies where appropriate.

In view of the co-operative form of the Bank, the Articles of Association also provide for a **Board of Arbitrators** [[Reports and Accounts 2012 page 39**](#)] to which each registered shareholder may appeal to settle any disputes relating to the interpretation or application of the Articles of Association and to any other resolutions or decisions taken by the governing bodies of the Bank concerning corporate affairs. Its members are appointed for three years and may be re-elected.

4.4 MECHANISMS FOR SHAREHOLDERS AND EMPLOYEES TO PROVIDE RECOMMENDATIONS TO THE HIGHEST GOVERNANCE BODY

UBI Banca's Articles of Association do not provide for mechanisms available for shareholders and employees to furnish recommendations or give directives to the highest governing body. Nevertheless ordinary shareholders' and extraordinary meetings may be convened by registered shareholders on presentation of a request giving the grounds and the agenda, which must be signed by at least one twentieth of the Registered Shareholders in possession of voting rights on the date of the request. Furthermore, in compliance with the procedures. according to the terms and within the time limits set by law, a number of registered shareholders equal to not less than 1/40 (one fortieth) of the registered shareholders with the right on the date of the request, may make an application in writing for additions to be made to the agenda to be dealt with in a shareholders' meeting, as it results from the notice convening the shareholders' meeting or submit proposals to be voted on for matters already on the agenda. The current **Regulations Governing Shareholders' Meetings** in force, approved by a shareholders' meeting, establishes the right of each registered shareholder to participate in debates and to request information and make observations and proposals concerning matters on the agenda.

With regard to employees, their interests are upheld by company and Group representatives as part of periodic discussions required under the various labour contract procedures and in other opportunities for meetings, such as equal partnership commissions and bi-lateral observatories on corporate social responsibility, corporate climate, training and equal opportunities matters. Furthermore, employees who are also registered shareholders may also attend meetings with the right to speak and vote, on a par with other registered shareholders, with the sole limitation that they may not act as proxies.

4.5 LINKAGE BETWEEN MANAGEMENT COMPENSATION AND PERFORMANCE

EC5

Remuneration and incentive policies establish that the variable component of remuneration is set by using instruments designed to involve and motivate personnel to achieve medium and long-term Group policies. In compliance with EU and national legislation and also with international recommendations, the guidelines on which incentive schemes and remuneration are based are as follows:

- variable remuneration linked to long-term performance measurement indicators which reflect the profitability of the bank over time and are appropriately adjusted for current and future risks, for the cost of equity and the liquidity required to perform the activities undertaken;
- consistency with respect to the results actually achieved, with significant reductions and even no bonus payment if performance is below forecasts or negative;
- assessment of the results of the business unit and of the bank or company a person belongs to and of Group as a whole and also of the results of the individual;
- the use of indicators that are not economic and financial (e.g. customer satisfaction), which can determine the sustainability of results over the medium to long-term;
- the total amount of variable remuneration, which must be such that it does not limit the Bank's ability to maintain an adequate level of capitalisation for the risks assumed.

The remuneration of members of the Supervisory board is set by a shareholders' meeting. The remuneration of members of the Management Board is set by the Supervisory Board, subject to consultation with the Remuneration Committee and it is not linked to the operating results of the Bank. Board members and CEOs may receive forms of remuneration linked to results, while all the other members of the governing bodies of the Group receive no variable remuneration. A variable bonus is reserved to the Chief Executive Officer of UBI Banca related solely to his fixed remuneration resulting from his position as a senior executive.

4.6 CONFLICTS OF INTEREST

UBI Banca pays particular attention to compliance with both the form and substance of rules when performing transactions with related parties. Transactions with representatives of the bank, with representatives of Group member companies and with companies controlled by them – all of whom may qualify as related parties – are conducted under normal market conditions and in compliance with the provisions of Article 136 of the Consolidated Banking Act. Special IT procedures have been introduced in this respect which, on the basis of declarations issued by representatives of companies, make it possible to identify in advance the potential assumption of a direct or indirect obligation of a representative and consequently subject the transaction to the procedures required by the aforementioned article.

With Resolution No. 17221 of 12th March 2010, subsequently amended by Resolution No. 17389 of 23rd June 2010, the Consob approved regulations concerning the procedures to be followed for the approval of transactions performed by listed companies and the issuers of shares with a broad shareholder base with parties with a potential conflict of interest, including major or controlling shareholders, members of the management and supervisory bodies and senior managers including their close family members. The competent bodies of UBI Banca have approved special regulations, available on the Bank's website and they have defined internal processes designed to ensure compliance with these measures. An internal Related-Parties Committee has been formed by the Supervisory Board to which transactions falling within the scope of application of the regulations must be submitted in advance.

On 12th December 2011 the Bank of Italy published new measures relating to risk weighted assets and conflicts of interest regarding related parties, which entered into force at the end of 2012. The main purpose of these measures is to reduce the risk that the closeness of persons termed "Connected Parties" to the decision-making centres of a bank might compromise the objectivity and impartiality of decisions concerning the grant of loans and other transactions which in any case regard these persons. In order to manage these risks, in compliance with provisions issued by the Bank of Italy, the UBI Group monitors and guarantees compliance with specific prudential limits set by supervisory regulations on risk asset exposures to parties connected with the Parent and its subsidiaries. It has also put special decision-making procedures in place to ensure the integrity of decision-making processes in transactions with Connected Parties and to prevent possible abuses that might occur in transactions with potential conflicts of interest performed with these counterparties.

Finally, in relation to the legislation in force which implements the EC MiFID Directive No. 2004/39/EC, an internal "policy for the management of personal transactions" has been approved which provides detailed regulation of obligations concerning personal transactions in financial instruments performed by all those termed "significant parties". In this respect, the adoption of a Code of Conduct further regulates the activities of all Group personnel and introduced, amongst other things, quantitative limits on transactions in financial instruments and a prohibition on investing in determined types of highly speculative instruments.

4.7 QUALIFICATIONS OF THE ADMINISTRATORS

The Supervisory Board is made up of 23 members appointed by a shareholders' meeting from amongst registered shareholders holding the requisites of integrity, professionalism and independence prescribed by laws in force. At least 15 of them must possess the qualities of professionalism required by the legislation in force for persons who perform bank management functions and at least three of them must be chosen from among persons enrolled in the *Registro dei Revisori Contabili* (register of auditors), who have practised as legal certifiers of accounts for a period of not less than three years. In compliance with the legislation in force, at least the majority of the members of the Management Board has at least three years total experience in management and/or professional activities in financial and/or securities and/or banking and/or insurance institutions in Italy or abroad and at least one member possesses the requirements of independence set forth in Art. 148, paragraph three of the Consolidated Finance Act. The curricula vitae of the members of the Supervisory Board, the Management Board and the General Management of the Parent are available on the website of the Parent.

<http://www.ubibanca.it/pagine/Supervisory-Board-EN.aspx>,
<http://www.ubibanca.it/pagine/Management-Board-EN.aspx>,

<http://www.ubibanca.it/pagine/General-Management-EN-5.aspx>

In order to ensure management continuity and certainty and in compliance with Consob recommendations, with the assistance of a leading company in the sector, UBI Banca has introduced a **senior leadership succession** process which, in compliance with the requirements of the Articles of Association and internal regulations, will entail the identification and evaluation of management personnel who could be considered as possible candidates for senior leadership positions at UBI Banca (Chief Executive Officer and General Manager). The process supports those bodies involved in the selection and nomination of candidates on a series of critical issues such as understanding the value of internal candidates (e.g. strengths, areas for improvement to be made through possible enhancement action) and the corporate and business environment (growth, cost restructuring, internationalisation) in which each candidate may be considered most suitable to fill the role of Chief Executive Officer or General Manager. Generally the procedure will be reviewed and implemented annually to address planned changes or in order to be able to tackle possible unforeseen situations in a professional and organised manner. The candidates assessed for succession are managers who fill the most important roles within the Group and only if the results of the assessment of in-house candidates is unsuccessful will consideration be given to candidates from outside the Group.

4.8 MISSION, VALUES, CODES OF CONDUCT, AND PRINCIPLES

For UBI Banca "*Fare banca per bene*" means creating a vision of a bank in which you can trust, a bank recognised on the market for its management style based on a constant sense of ethics, transparency, integrity, dialogue and respect in business. It means believing in strong and shared values and putting them into practice in observance of principles and rules of conduct which are not seen as limitations, but as the way to establish our identity on the market. The Group's mission, values and principles are formally set out mainly in its Charter of Values and Code of Ethics, which are based, amongst other things, on the principles of the Global Compact.

Our **Charter of Values** – approved in January 2008 – identifies the mission, vision and values on which the Group has based its identity and which must guide the conduct of all personnel in their relationships with customers and with all other stakeholders in both strategic choices and everyday business.

The **Code of Ethics** approved at the end of 2010 by the Management Board and the Supervisory Board of UBI Banca and subsequently by all subsidiary banks and companies is the result of work performed, which involved the Parent, the network banks and the main product companies at various levels starting with **senior management**. Other companies in which stakes are held have been informed of the Code. They are asked to commit themselves to the pursuit of conduct consistent with the principles contained in it. It has been communicated to personnel through the consultation of internal regulations on the corporate intranet and in hardcopy form for companies who have no access to that portal and it is also published on the Group website. A copy of the Code is delivered to members of corporate bodies when they accept their appointment, to newly recruited personnel and to all those who do business with the Group under contract or who represent the Bank without being subordinate to it (e.g. business partners, agents, consultants, sales persons and other independent associates), when a relationship is established. Major suppliers are required to sign a declaration of acceptance as part of the respective contract documents. A training programme was completed in 2012 for all personnel on **corporate social responsibility and the Code of Ethics** introduced last year [[FS4](#)].

The Audit Area of the Parent and the Group is the unit which receives reports and investigates them. In accordance with the Code, reports, which cannot be anonymous, are kept strictly confidential and those making reports are protected against any form of retaliation, discrimination or penalty. Nine reports were received in 2012 for presumed violations of the Code of Ethics (eight from customers and suppliers and one from shareholders) of which six were found to be without grounds following appropriate investigations and three are still under investigation.

The **Code of Conduct** approved at the end of 2011 by the Management Board and the Supervisory Board of UBI Banca is based on the principles of the Code of Ethics and is aimed at all those in a

working relationship with UBI Banca, both on a continuing and casual basis. It is designed to furnish a framework of principles of conduct with which to evaluate concrete situations from time to time and compliance of decisions to be taken with ethical and regulatory norms. Banks and companies belonging to the Group have also adopted the same text, modified, where appropriate, with the consent of the Parent, to meet requirements dictated by specific sectors or residency in foreign countries. Failure to observe the rules of the Code of Conduct constitutes violation of the Code of Ethics: instances of non-compliance must be reported and are punished in accordance with the procedures set forth in the Code of Ethics and in compliance with the rules and regulations applicable to the employment contract in question.

**4.9
PROCEDURES FOR
THE IDENTIFICATION
AND MANAGEMENT
OF ECONOMIC,
ENVIRONMENTAL
AND SOCIAL
PERFORMANCE**

Much work has been done in recent years on organisational controls and on business innovation, pursuing objectives of sustainability and consistency with customer expectations and those of other stakeholders concerned and on improving dialogue with stakeholders and accountability. The adoption of a Code of Ethics constitutes a fundamental step in the achievement of the social responsibility model of the UBI Banca Group. By identifying our stakeholders and clearly stating the principles followed in our conduct towards them, the Code constitutes a framework of reference we use to integrate ethical, social and environmental aspects in our strategies, policies and corporate operations.

Oversight of the implementation of the Group’s social responsibility model is performed by the CSR Manager who reports directly to the Chief Financial Officer, who in turn is on the staff of the Chief Executive Officer.

Corporate social responsibility model

AREAS OF INTERVENTION	OBJECTIVES	MECHANISMS AND TOOLS	CSR AREAS	GLOBAL COMPACT		
CORPORATE GOVERNANCE	System of “organisational consistencies” designed to direct the action of individuals and organisational units in compliance with declared internal and external standards.	<ul style="list-style-type: none"> • Code of Ethics (policies) • Ethical training • Incentive systems • Formal commitments 	Business ethics			
MANAGEMENT OF BUSINESS	Products and services, commercial approach models and distribution processes consistent with the ethical, social and environmental expectations of stakeholders (new combinations of product/segment/channel).	<ul style="list-style-type: none"> • Risk, production, commercial and distribution policies and guidelines • Industrial Plan objectives • Specific projects 	Business innovation	Environment	Human rights and labour	Corruption
MANAGEMENT OF SOCIAL ACTION	Recognition of the value of intervention in the community by means of an organic line of management consistent with identity and business choices.	<ul style="list-style-type: none"> • Policies and guidelines for social investments (sponsorisations, gifts) • Specific projects 	Community involvement			
REPORTING AND CONTROL	An integrated system for monitoring operations and internal and external communication consistent with the models implemented.	<ul style="list-style-type: none"> • Dialogue with stakeholders • Management dashboards • Social Report • Website • Social and environmental certifications 	Social audit			

**4.10
PROCESSES FOR
EVALUATING THE
HIGHEST
GOVERNANCE
BODY’S OWN
PERFORMANCE**

Following its appointment, the Supervisory Board successfully ascertained that the requirements for integrity, professionalism and independence were met by all its members. Subsequently, in compliance with Bank of Italy instructions issued on 12th January 2012 concerning the “organisation and corporate governance of banks” and also in compliance with the provisions of the Corporate Governance Code, the Management Board and the Supervisory Board performed self assessments for the financial year 2012 – similar to those performed for the financial year 2011 – on the size, composition and functioning of the boards themselves. The results have been included in a specific section of the Corporate Governance Report [[Reports and Accounts 2012 pages 21**](#), [33**](#), [35**](#), [74**](#)]. Both Boards unanimously confirmed the appropriateness of their composition, size and functioning and they considered that Board proceedings as a whole, in terms of organisation, analysis of issues, attendance at meetings and participation in discussions, were appropriate to ensure the sound and prudent management of the Bank and the Group.

In view of the renewal of board membership in 2013 and in compliance with new the Bank of Italy requirements to improve the quality of corporate governance (provision of 12th January 2012), the self-assessment process was updated and a specific project was launched to define the optimum composition in terms of quality and quantity of the corporate boards and to provide transparent procedures which will ensure adequate representation of the different components of the shareholder base.

Commitments to external initiatives

4.11 MODALITY OF APPLICATION OF THE PRECAUTIONARY APPROACH

UBI Banca has adopted an internal control system which, in compliance with the principles of the Corporate Governance Code, with instructions issued by the supervisory authority and with the Articles of Association of the Bank, assigns functions and responsibilities to the various officers on three levels (managers of organisational units of processes, risk control specialist functions and the Internal Audit function), while it is overseen strategically by the Supervisory Board.

The internal control system is **efficiently** organised, without overlap or gaps in control mechanisms, in its **consistency** with the organisation process and it ensures that adequate response is made to risks which might hinder the achievement of corporate objectives set on the basis of the corporate mission and values. It **conforms** with legislation and regulations, as a distinctive feature and critical success factor for enhancing customer relationships and in the final analysis for the creation of value for all our stakeholders, over and above any regulatory obligations.

Second level control managers – controls assigned to specialist functions including Risk Management, Compliance, Anti Money Laundering, the Senior Officer Responsible for Accounts and Management Control – are responsible for identifying and preventing the occurrence of risk situations on a continuous basis, by employing appropriate assessment models and contributing to the formulation of adequate risk assumption and management policies.

The Supervisory Board, Management Board and Senior Management are furnished with integrated maps of risks considered “significant” and they also receive reports on current exposure and future operating risks, with the use, amongst other things, of a special *tableau de bord* to monitor and assess the system of internal controls.

4.12 ADOPTION OF EXTERNAL CODES AND PRINCIPLES



UBI Banca is continuing with its commitment, first made in 2003 by the then BPU Banca, to apply the ten universal principles of the **Global Compact** (www.unglobalcompact.org) in the fields of human rights, the protection of labour, the environment and the fight against corruption, for the construction of a global economy that is more inclusive and sustainable.

4.13 PARTICIPATION IN ASSOCIATIONS



UBI Banca is a member of the **Italian Banking Association Energia Consortium** for energy efficiency in the banking sector and it is also a member of the **Sodalitas Foundation** – whose mission is to contribute to the development of the third sector and the growth of a corporate social responsibility culture – and it supports the Sodalitas Social Innovation award.



The Group CSR Manger attends the proceedings of the **CSR Manager Network Italia**, **EBEN Italia**, the Banks and Civil Society Committee of **Science for Peace**¹ and the **Banks and Social Activities Committee of the Italian Banking Association** and also, together with other colleagues, various working groups formed by the Italian Banking Association on specific social responsibility issues.

¹ A project launched by the Umberto Veronesi Foundation with the objective of seeking concrete and scientific solutions for peace.

4.14
STAKEHOLDER
GROUPS ENGAGED

4.15
MODALITY OF
SELECTION OF
STAKEHOLDER

☞ Code of Ethics
pages 9-10

4.16
APPROACH TO
STAKEHOLDER
ENGAGEMENT

4.17
KEY TOPICS AND
CONCERNS THAT
HAVE BEEN RAISED
THROUGH
STAKEHOLDER
ENGAGEMENT AND
RESPONSES

Stakeholder engagement

The UBI Banca Code of Ethics defines Group stakeholders, dividing them into three classes:

- organisations and parties which by the nature of the relationships established or investments made, hold an interest in the operations of the Bank (e.g. employees, customers, suppliers);
- organisations and parties affected by the external impacts of UBI Banca's activities, although they have formed no direct relationships with it (e.g. local communities and economies);
- organisations and institutions which hold the same interests as those described in the previous points and which are able to exert influence over the UBI (e.g. trade unions and other organisations which represent stakeholders).

The Group's commitment is designed to continuously improve the quality of relations with its stakeholders and this includes discussion and consultation with them. Engagement activities are designed and structured with account taken of the closeness of the relationship and the breadth and urgency of the interests held by different stakeholders, in addition to the procedures laid down by specific legislation and regulations (e.g. Shareholders' Meetings, negotiations with trade unions) and established practice (e.g. investor relations).

Registered and unregistered shareholders

The **Investor and Media Relations** staff manages relations with equity investors (investors in stocks and shares) and fixed income investors (investors in bonds) on a continuous basis and with financial analysts, in full compliance with Consob and Borsa Italiana regulations for the disclosure of information which might influence markets. Activities involving contact with investors is performed through meetings at the Bank and in roadshows abroad as well as by participation at international conferences. In addition to the European and North American financial centres customarily considered during the year an Asian roadshow was introduced in 2012.

Activity involving direct contact with the financial community was accompanied by updating and constant expansion of the corporate website at www.ubibanca.it, a fundamental and also a regulatory tool for conveying and broadcasting corporate information. In 2012, the website was classified in 15th place – 3rd place in the Italian banking sector – in the Italian league table drawn up annually by the company Hallvarsson & Halvarsson which assesses the quality of the online corporate information of large cap companies listed on the Milan Stock Exchange.

FINANCIAL COMMUNICATION ¹	2012	
	NO. OF EVENTS	NO. OF CONTACTS
Conference calls/presentations	4	492
International conferences	7	120
Road shows (all abroad)	7	71
Individual and group meetings	23	59
TOTAL	41	742

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.

The **Management Board and Registered Shareholders Support staff** unit is responsible for relations with registered shareholders and it proposes and co-ordinates initiatives for them. The registered shareholders section on the Group website contains specific information of interest to shareholders which supplements information already available in the investor relations section. All registered shareholders receive a written communication – the "**Letter to the Registered Shareholders**" – at least annually to keep them up-to-date on the financial and operating position of the Group and on projects in progress. The principal opportunities for engagement are Shareholders' Meetings. In April 2012, 4,522 registered shareholders took part in the ordinary shareholder's meeting (56.7% in person and 43.3% by proxy), 27.5% of whom Group employees.

Employees

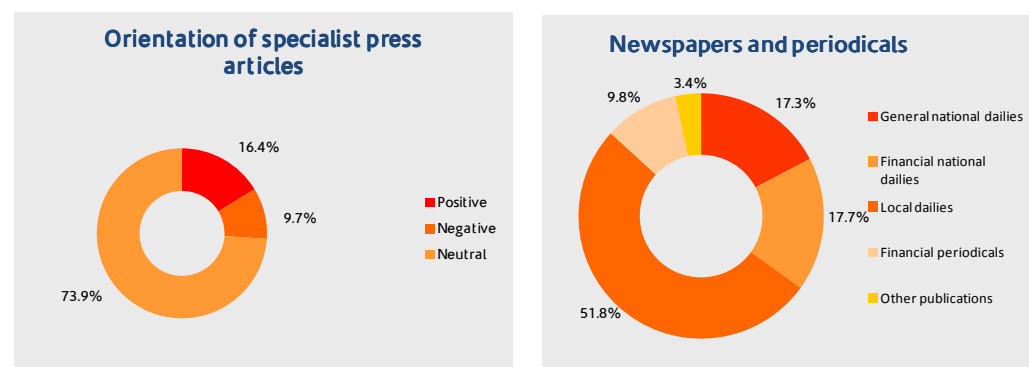
The corporate intranet – **UBILife** – provides an important reporting opportunity for greater engagement with employees through tools which stimulate discussion and participation (e.g. an ideas box, surveys, blogs on articles published in the online magazine and, shortly, social pages reserved to specific professional roles). An ideas box was introduced in 2012 on the subject of “Complaints management” which received numerous and important suggestions for those units responsible for this activity and a project was launched to start up the first *social collaboration* professional community specially for network bank developers. **Internal customer satisfaction** surveys came into operation during the year – aimed mainly at staff in contact with customers – in order to understand the level of satisfaction with software applications and services available to the distribution network which could affect levels of external customer satisfaction. Each survey involved over 11 thousand staff, to which a total of more than 75 thousand questionnaires were distributed. Analysis of the over 46 thousand questionnaires returned allowed areas of difficulty for improvement to be identified and corrective action to be taken to constantly raise the standards of customer service.

Customers [PR5]

In addition to **complaints management**, seen as an opportunity to improve services, a “**consultation project**” has been in operation for some years now with customers. It is a customer satisfaction survey conducted systematically by means of telephone questionnaires managed by a specialist firm.

The community

Following on from previous years we are commencing engagement with a nationally representative sample of **nonprofit organisations** by administering a specific questionnaire via internet. **Relations with the media** are managed by the competent organisational units and are based on the principles of integrity, transparency, independence and equality. They are designed to provide reliable and relevant information on a regular basis on the activities, structure and financial position of the Bank, on its policies and strategies, including social and environmental aspects, and on the impacts of its actions. At Parent level three meetings/conferences were organised in 2012 and 47 press releases were issued, of which 30 of a financial nature and ten on social initiatives (e.g. social bonds) or with a strong community connection (e.g. International Open Day, the “C² Project”) . Critical analysis of **press articles**² helps to identify the issues and operational aspects of most interest to the public and how the Group is perceived by public opinion. In 2012, 8,835 articles were published in the press, which in 41.9% of cases provided information on social activities (donations and sponsorships) carried out above all with the support of the network banks, in 30.1% of cases they were specialist articles on the Group³ and in 28.0% of cases simple mentions of the brand name.



² Analysis of press coverage by the agency D'Antona & Partners.

³ Articles containing information on corporate structure and operating results, statements by senior executives and managers and on products and services which enable the public to form an opinion of the activities of the Bank.

FS. Social and environmental aspects of the financial sector

UBI Banca contributes to the sustainable development of the local communities in which it operates, with attention paid to the social and environmental repercussions of its activities. It achieves this through its commercial and credit policies, which consider the demands of all customer segments (especially socially vulnerable consumers and small to medium-sized enterprises), through business innovation to satisfy new needs and development opportunities (e.g. new services for nonprofit organisations in the community and affordable solutions for the disadvantaged) and through specific policies to control and reduce social and environmental impacts – for example the Bank’s armaments policy and its environmental policy. All business policies and management approaches to the various economic, social and environmental issues that affect the financial sector are based on the principles and commitments to stakeholders defined in the Group’s Code of Ethics.

Management approach

FS1 ENVIRONMENTAL AND SOCIAL POLICIES APPLIED TO BUSINESS

Since 2007 UBI Banca has pursued a **policy for the management of transactions with counterparties operating in the arms and weapons materials sector**, which bans business relations with companies involved in the production, development, storage, marketing and/or sales of arms of mass destruction and other controversial weapons (e.g. mines) and it involves an authorisation regime, for transactions involving international trade in arms, based on the country of destination.

The policy applies to all the Group’s activities – with the exception of asset management, where the investment decisions are made with reference to market benchmarks and therefore are not based on screening on specific issues – and it involves periodic assessment of the foreign countries to which arms are destined or from which they come – except for those belonging to the European Union and/or NATO – on the basis of criteria which consider not only international embargos on arms, but also involvement in armed conflicts, violations of human rights perpetrated or tolerated by government authorities, the levels of human development and the level of military expenditure compared to spending on human development (health and education). The spirit, design and criteria for assessing the policy are already basically in line with the Code of responsibility for finance to the arms industry proposed by Science for Peace of the Veronesi Foundation and developed by the multi-stakeholder working group “Banks and Civil Society”, in which UBI Banca participated.

While the report on the implementation of the policy published on the website of UBI Banca may be consulted for detailed information, a brief summary of the transactions performed in 2012 at Group level is given here¹:

- 16 authorisations requested in accordance with Law No. 185/1990 worth €17 million (down by 90.1% compared to 2011);
- 266 transactions for the receipt of €163.4 million (+48.3% compared to 2011) for exports of arms and weapons materials in accordance with Law No. 185/1990 (78% to EU countries);
- 109 transactions for the receipt of €7.9 million (+115.6% compared to 2011) for exports of light arms (87.3% to the USA).

No transactions have been performed as exceptions to the criteria of the policy since it was adopted. No requests were received in 2012 from customers for authorisations which did not comply with the policy.

☞ [Policy for the management of transactions with counterparties operating in the arms and weapons materials sector](#)

¹ The transactions are reported on the basis of the date of the transactions and the authorisations issued by the Ministry of Foreign Affairs and transactions in foreign currency have been translated into euro at the average exchange rate for the year. The data on exports of arms and weapons materials falling under Law No. L,185/1990 may differ from that published in the Prime Minister’s Report to Parliament due to the criteria used to compile the data.

☞ http://www.governo.it/Presidenza/UC_PMA /relazione_parlamento.html

http://www.fondazioneveronesi.it/i-nostri-progetti/divulgazione/science-for-peace/i-gruppi-di-lavoro#tab_16

No official policies are pursued with regard to other economic sectors, which may present high risks from a social and environmental viewpoint or which are nevertheless considered critical by rating agencies and investors who employ ethical criteria.

Nevertheless, close attention is paid throughout the Group to avoid involvement in transactions which may present reputational risks, in compliance with general principles and rules of conduct in the management of relations with customers contained in the Code of Ethics and the related Code of Conduct. More specifically, with regard to business in the **gaming and betting sector**², the Credit Area of UBI Banca has invited the credit departments of the network banks to limit this business to a totally marginal level and to employ extremely rigorous conduct in assessing loan applications: parties operating in this sector must not only meet appropriate credit rating criteria, but must also be already known to and approved of by the Bank and in possession of the qualities of absolute integrity, seriousness and reliability.

CONTROVERSIAL SECTORS	2012		2011	
	Lending (millions of Euro)	Percentage of total loans	Lending (millions of Euro)	Percentage of total loans
Arms and weapons system	6.8	0.01%	6.5	0.01%
Tobacco	92.4	0.15%	81.3	0.12%
Alcohol	20.3	0.03%	17.4	0.03%
Furs	64.0	0.11%	54.0	0.08%
Nuclear	-	-	-	-
Gambling	18.6	0.03%	14.0	0.02%
TOTAL	202.2	0.32%	173.2	0.26%

An **environmental policy** has been in force at Group level since 2008, designed not only to progressively reduce direct environmental impacts, but also to provide incentives for virtuous conduct along the value chain through the choice of commercial, credit and purchasing policies.

[Environmental policy](#)

Special policies and operational and control procedures are in place on the other most important aspects of banking operations concerning consumer protection, market abuse, conflicts of interest, transparency, privacy, usury, money laundering, the fight against terrorism and crimes covered by Legislative Decree No. 231/2001 on the administrative liability of entities. These are constantly updated to comply with changes in legislation and best practices.

**FS2
PROCEDURES FOR
ASSESSING
ENVIRONMENTAL
AND SOCIAL RISKS IN
BUSINESS**

The assessment of environmental and social risks is present in all the Group's activities, although not based on specific official procedures, except for the armaments sector for which a special set of regulations has been issued to implement the relative policy [[FS1](#)].

The qualitative questionnaires used as part of processes to assess the creditworthiness of businesses include information on social and environmental performance. In the **project finance** area, in order to receive finance, projects must have passed the authorisation procedures set under Italian law (environmental impact, declaration of the start of activity, single authorisations, building permit, etc.) and the technical, legal, administrative and insurance assessments performed on behalf of the Bank by major independent advisors of international standing.

² The organisation of gaming and betting in those European countries which allow it is managed by central governments which subcontract 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.

FS3
PROCESSES FOR
MONITORING
CLIENTS'
IMPLEMENTATION OF
AND COMPLIANCE
WITH
ENVIRONMENTAL
AND SOCIAL
REQUIREMENTS
INCLUDED IN
AGREEMENTS OR
TRANSACTION

No specific standards or performance expectations are set in finance contracts with companies, except with regard to the implementation of the armaments policy, concerning the involvement of corporate customers in the production, development, storage, marketing and/or sales of arms of mass destruction and other controversial weapons (e.g. mines). All corporate customers which operate in the arms and weapons materials sector are required to sign a declaration to certify that they are not involved in these activities. Compliance with these declarations is monitored on the basis of information disclosed in the press, by analysts, social organisations and pressure groups.

FS4
PROCESSES FOR
IMPROVING STAFF
COMPETENCY TO
IMPLEMENT THE
ENVIRONMENTAL
AND SOCIAL POLICIES
AS APPLIED TO
BUSINESS

A training programme commenced last year was completed in 2012 for all personnel on **corporate social responsibility and the Code of Ethics** with 3,160 hours of direct classroom training for 178 employees and remote training for 2,144 employees. The training programme, designed as an instrument to implement the Code of Ethics, had the following aims:

- to promote the diffusion of CSR culture, principles and contents in order to incorporate it more effectively in corporate policies and to make it a source of innovation, good reputation and competitiveness;
- to increase awareness of the repercussions that CSR may have on the economic value generated by the Group;
- to encourage knowledge and the dissemination of Group values and ethics;
- to transform corporate values into the responsible conduct of individuals through knowledge of and implementation of the Code of Ethics;
- to increase knowledge of some commercial aspects which have strong links with social responsibility (e.g. micro-credit, third sector, migrant banking).

A training course is currently being planned, as part of training activity to implement the Code of Ethics, for purchasing personnel (buyers) on sustainability in the supply chain and this will include human rights among the subjects addressed.

FS5
INTERACTIONS WITH
CLIENTS, INVESTEES
AND BUSINESS
PARTNERS ABOUT
ENVIRONMENTAL
AND SOCIAL RISKS
AND OPPORTUNITIES

The Group's network banks take part in events and initiatives designed to educate public opinion on the issues of sustainable development and the green economy – mobility and sustainable purchases, ecology and environmental education, renewable energy – organised in the community by public and private sector authorities and organisations.

Customers are involved in environmental and social issues through marketing activities to promote online services (e.g. paperless accounting records) [[EN1](#)] and socially responsible investment products (e.g. social bonds) [[FS7](#)], as well as through customer satisfaction surveys (the Consultation Project), which include a survey of the level of understanding of social and environmental issues and the perception of the performance and the activities of single network banks and the Group [[PR5](#)]. Dialogue with account managers when qualitative questionnaires are compiled for the assessment of creditworthiness also constitutes an opportunity to educate businesses on these issues.

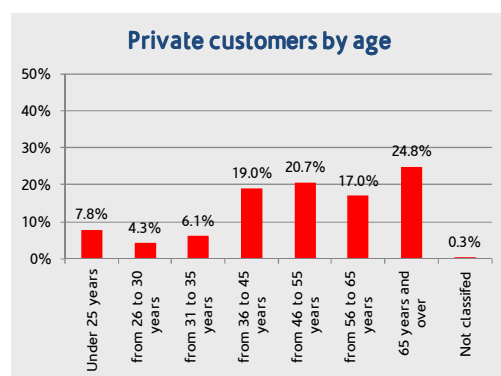
The product portfolio

FS6
CUSTOMERS BY
BUSINESS LINE,
REGION, SIZE AND
SECTOR

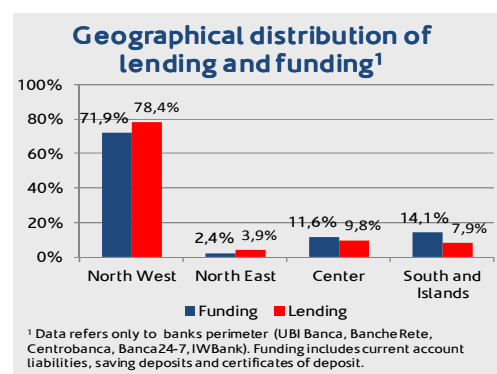
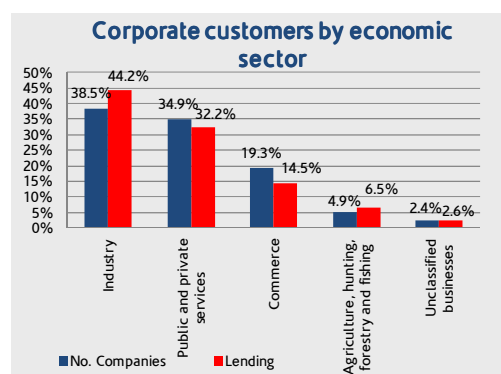
The UBI Banca Group has a total of €3.7 million customers of the network banks and UBI Banca Private Investment (considered core customers to which the statistics on customers relate, except for some specific differences indicated in the reporting boundary). If the other banks and the product companies are included the number of customers rises to a total of almost 4 million.

CUSTOMER PROFILE		2012	2011	2010
Number of customers (thousands)		3,742.7	3,759	3,775
of which:				
	Banca Popolare di Bergamo	961.7	965.2	968.6
	Banco di Brescia	562.2	572.2	579.5
	Banca Popolare Commercio e Industria	371.6	372.8	375.5
	Banca Regionale Europea ¹	403.7	415.1	420.3
	Banca Popolare di Ancona	455.7	450.7	448.9
	Banca Carime	836.7	830.3	822.1
	Banca di Valle Camonica	76.7	77.7	78.0
	Banca Private Investment	74.4	75.5	79.3
Retail Market		97.5%	97.3%	97.2%
of which:				
	Mass	70.3%	69.0%	69.5%
	Affluent	20.2%	20.4%	20.0%
	Small Business (POE e PMI)	8.7%	9.7%	9.6%
	Enti e istituzionali	0.8%	0.9%	0.9%
Corporate Market		0.9%	1.0%	1.0%
Private banking market		1.7%	1.7%	1.8%
Private individuals		88.9%	88.7%	88.7%
Businesses		9.2%	10.3%	10.4%
Authorities and Institutions		0.8%	1.0%	0.9%
Other		1.1%		
North West		58.4%	58.7%	59.0%
South and Island		27.6%	27.1%	26.8%
Center		11.3%	11.5%	11.5%
North East		2.8%	2.7%	2.7%

¹ Included customers of Banco di San Giorgio.



Of these customers 88.9% are private individuals (48.7% female) from whom the Group received €60.9 billion of direct funding at the end of 2012 (+2.7% compared to 2011) and €31.6 billion of loans (down by 3.9% partly as a result of the discontinuation of indirect distribution networks). Five percent of private individual customers are from abroad – a percentage which has grown continuously over the last three years – and they are mainly from Eastern Europe (39.8%), Latin America (15.2%) and North Africa (14.0%).



With over 343,000 business customers, 92.8% of which are small business customers – professionals, trades persons and SMEs – Group direct funding from these customers totalled €14.0 billion in 2012 (-1.1% compared to 2011) and outstanding loans to them amounted to €60.5 billion (down by 8.4%, above all as a result of weak demand for credit due to the ongoing economic crisis and of reductions in loans to large corporate businesses). Evidence of the Group's closeness to and support for the local economies on which it operates, is shown by the fact that 74.9% (up by one percentage point compared to 2011) of loans to businesses are to small to medium-sized enterprises.

UBI Banca has identified a series of important social causes and specific expectations of stakeholder groups for which special products and services have been designed or subsidised conditions on products and services are granted.

Access to credit and support for families in difficulty

In recent years the economic crisis has had a strong impact on a growing number of Italian families, reducing their ability both to gain access to credit – even to obtain a fundamental necessity such as a home – and to meet commitments already entered into. Consequently, in 2012 the banks in the Group participated in new initiatives organised at national or local level and took forward measures launched in previous years to help families in their respective local markets. These included the following:

- the Italian Banking Association's "**Young Couples' Fund**" for the purchase of a first home by young couples or single parent families with young children, with "atypical" or temporary employment contracts (€1.2 million granted in 2012 to ten families);
- the "**Newborns' Loan**", for families with a child born or adopted in the period 2009-2014, drawn for the "Newborn's Fund" created by the Department for Family Policies of the Presidency of the Council of Ministers in co-operation with the Italian Banking Association [www.fondonuovinati.it] (€1.2 million granted in 2012 to 262 families; €7.3 million to 1,298 families since the launch of the initiative in 2010);
- the "**Italian Banking Association Moratorium**", which forms part of the "**Families Programme**", which defers repayments for twelve months on mortgages taken out for the purchase, construction or renovation of a main dwelling for borrowers who have recently suffered a particularly negative event such as the loss of a job or being laid-off, the death of a family bread winner or becoming non self-sufficient (848 mortgages deferred in 2012 on total debt of over €70 million);
- the "**Solidarity fund for the purchase of a main dwelling**", created as the result of an initiative by the Ministry of the Economy and Finance, which has been in operation since the end of 2010, to enable debtors in difficulty to apply for the deferment of mortgage repayments on main dwelling (24 customers' mortgages deferred in 2012 for a total capital amount of approximately €2.5 million);
- The "**Loan of Hope**" initiated by the Italian Banking Association and the Italian Episcopal Conference to implement projects for the return to work or the start of small businesses for families that have lost all income from work, have no unearned income or income other than that generated by the ownership of a home or ordinary or extraordinary state redundancy benefits (300 loans granted in 2012 for a total of €1.7 million).

Marketing began in 2012 of a **Basic Account** – the result of co-operation between the Ministry of the Economy and Finance (MEF), the Bank of Italy, the Italian Banking Association and payment services associations – which forms part of government initiatives to promote financial and social inclusion for vulnerable groups in society, to reduce the use of cash and to encourage the use of more efficient means of payment. Basic accounts are offered to all consumers with a limited number of transaction in return for the payment of reduced fees and charges and, for pensioners, who can no longer draw their pensions in cash and for the socially disadvantaged (with an annual ISEE - equivalent economic status indicator - income of less than €7.500), the concessions also include exemption from charges and stamp duty. At this difficult time of economic crisis, the social function of **pawn credit** is becoming increasingly more important. A growing number of customers, generally in the medium-low income bands, are turning to nine branches of Banca Popolare Commercio e Industria which provide pawn credit on precious goods (gold, precious stones and gold watches) and which granted loans in 2012 of €31.5 million (+6.8% compared to 2011).

Natural disasters

In order to assist the people and businesses hit by the **earthquakes** which hit Emilia Romagna, Lombardy and Veneto in 2012, the Group promptly applied government measures to defer repayments on mortgages and loans and added further concessions of its own (4,480 loan

repayments deferred on total remaining debt of €283 million) and it adhered to the convention agreement signed by the Italian Banking Association and the *Cassa Deposito e Prestiti* (state controlled fund and deposit institution) for the grant of loans (35 loans concluded for more than €2 million). In order to further come to the needs of its customers, the Group also undertook action on its own account to defer repayments on mortgages and it created a loan pool of €60 million, distributed among the Group banks that operate in the areas affected, for the grant of medium to long-term loans at particularly attractive terms and conditions (115 loans to both businesses and private individual for over €6.5 million).

Action also continued to support families in Abruzzo hit by the 2009 earthquake under the agreement signed between the Italian Banking Association and the *Cassa Deposito e Prestiti* (state controlled fund and deposit institution) (14 loans for a total of €1.6 million). Furthermore Banco di Brescia and Banco di San Giorgio promptly adhered to the Ordinances of the President's Office of the Council of Ministers with regard to the deferment of mortgage repayments to support towns in the Veneto and Liguria, hit by flooding in October 2010 and November 2011.

Credit and services for students

In order to help young people with their education, the banks in the Group were among the first in Italy to offer unsecured loans through convention arrangements with local universities. The Group currently adheres to the initiative “**Give them a future**”, set up by the Youth Ministry and the Italian Banking Association to grant subsidised loans, unsecured by collateral or personal guarantees, to students between the age of 18 and 40 who satisfy precise academic criteria (€200,000 granted in 2012 to 38 students).

Co-operation with the main universities present on the local markets on which the Group operates is also continuing through the distribution of the prepaid card Enjoy. This card combines typical banking functions with specific university services (12,600 cards issued in 2012 for students of the University of Bergamo, the University of Pavia, the Carlo Cattaneo LIUC University of Varese and the universities of Bari and of Camerino). The cards are also used as payment instruments for university services and as identity documents or “university record books”.

Anti-crisis measures for businesses

To provide credit to businesses – and to SMEs in particular – in order to support economic growth in local economies is a high priority and even more so in times of crisis like today. During the year, the Group banks participated in a series of measures to help businesses and firms on their respective markets, co-operating with public institutions (chambers of commerce, regional and provincial governments) and guarantee bodies.

Anti-crisis measures launched previously to support small to medium-sized businesses continued with the application, amongst other things, of the 2009 “Joint Announcement”, the 2011 “Agreement on Loans to Small to Medium-Size Enterprises” and the grant of loans drawn from *Cassa Deposito e Prestiti* (state controlled fund and deposit institution) funds (6,000 loans for over €333 million granted in 2012) together with the use of government instruments to mitigate credit risk such as the Guarantee fund for SMEs pursuant to Law No. 662/1996 (€312 million granted during the year for a total of €753 million of loans outstanding).

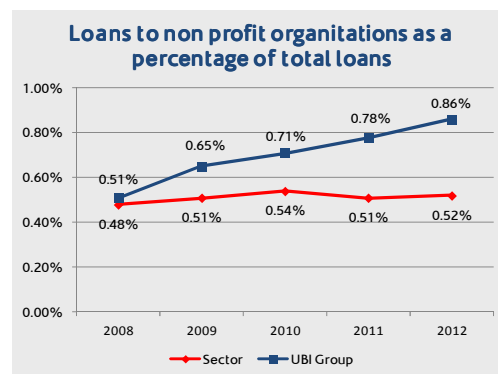
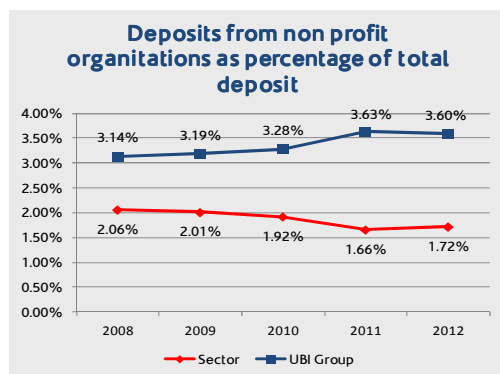
In 2012 the Group adhered to the “New measures for **Credit to Small and Medium-Sized Enterprises Accord**” signed by the Italian Banking Association, the Ministries of the Economy and Finance and Economic Development and by other business associations. It involved the following:

- the deferment of capital repayment instalments on mortgages, loans and leases and the extension of the repayment schedules of loans (20,700 deferment applications approved – almost all those submitted met the requirements for admissibility – for a total of €6.8 billion for repayments deferred on total principal of €850 million and approximately 350 applications were presented to extend repayment schedules for loans where the remaining principal totalled €107 million);
- the creation of a loan pool entitled “**Italy Investment Projects**” to finance SME investment

projects and a **"Public Administration Receivables"** loan pool to release funds consisting of payments due from public administrations (€600 million allocated by UBI Banca for each of the two loan pools for the start of operations from the beginning of 2013).

UBI Community for the third sector

Relationships with nonprofit organisations offer banks an important return in terms of reputation and links with local markets (in view of the key function they perform as a multiplier of relationships and a social aggregator) and a strategic commercial opportunity in consideration of the substantial growth seen in the sector over the last two decades. Historically the Group holds a quota of deposits from and loans to nonprofit organisations that is higher than for the sector nationally³. In 2012 the Group had total funding from the sector of €1.8 billion (57.0% in Lombardy) with market share of 8.7% (compared to an overall market share of 5.4%) and €0.8 billion of loans to the sector (62.7% in Lombardy) with market share of 7.8% (compared to an overall market share of 5.4%).



The specialist **UBI Community** service model launched in the second half of 2011 was consolidated in 2012. It is a new commercial model specifically designed to provide support for the everyday operations and the projects and investments of the different types of nonprofit organisation. Special instruments have been developed for the thorough assessment of the creditworthiness of nonprofit organisations – able to evaluate individual counterparties on the basis of their specific characteristics – and a testing phase was commenced during the year at some of the network banks to ascertain their effectiveness and feasibility.

Events to present this model to operators in the sector continued, with meetings at Varese, Monza, Erba and Concesio and the range of commercial products and services commercial was further expanded with the launch of products termed **"UBI Community Social Bonds"** and a new **"Nonprofit On Line"** current account specially for organisations who prefer to use the internet channel to manage their bank accounts.

The **UBI Community social bonds** [2.10] represent an important innovation in the sector nationally, bringing Italy into line with the more evolved European countries in the area of finance for nonprofit organisations. They provide subscribers with the opportunity to obtain a return on their investment in line with the interest rates offered by the Bank with respect to similar investments, and at the same they support high social value and impact initiatives organised by local public and private sector organisations. The issuing bank either donates a portion of the funding to support initiatives for which the debt was issued, or it uses the amount received to disburse finance. Since the launch in April and until the end of the year, the Group issued 17 social bonds (14 by the network banks and three by the Parent) for a total of €198.5 million and in many cases they were fully subscribed well before the end of the issue period. As a result of these

³ Data as at 30/09/2012. Processing of Bank of Italy BIP data (online *Base Informativa Pubblica* – tables TDB 10290 and TDB 10295) by the UBI Banca Studies Service. The funding includes current account deposits, savings deposits and certificates of deposit.

issuances, a total of €1 million has been donated to health and welfare, research and local economic development projects [🔗 EC8] (of which €905 thousand disbursed in 2012) and a loan pool of €17.6 million has been created for the grant of medium to long-term loans under competitive terms and conditions to consortiums, firms and social co-operatives that are members of the *Consorzio Nazionale della Cooperazione Sociale Gino Mattarelli* (CGM – the Gino Mattarelli national consortium of social co-operation).

Important agreements have been concluded as part of UBI Community operations with major nonprofit organisations and representatives of operators in the sector – the CGM Co-operative Group, *Federazione Italiana Scuole Materne di Bergamo e Brescia* (the Bergamo and Brescia Italian Federation of children’s nurseries) – designed to make products and services available to their members under competitive terms and conditions, with particular reference to access to sources of finance. For example co-operation continued in 2012 with the *Accademia Teatro alla Scala* (La Scala Theatre Academy), with the objective of providing concrete support in training students of the Academy with a range of solutions for financing and investment management.

With technical assistance from the Italian Association for the promotion of a co-operation and nonprofit culture (AICCON), UBI Banca has created the **first national observatory on finance and the third sector**, for processing and disseminating information annually on the financial requirements of the third sector. The observatory’s first publication presented the results of a survey of the financial requirements of a sample of social co-operatives in Italy.

In December 2011, an **Enjoy Special Edition** card account reserved to employees of the Group was launched in relation to the UBI Community project, with customised graphics and the ability to make donations to support social and charitable activities. Each employee, may select a project from those proposed, to which the Bank donates its charges on the payment transactions made during the year using POS terminals. [🔗 EC8]

Treasury services

The commercial authorities segment includes public authorities and those entities to which Group banks provide treasury and collection services (1,894 services managed at the end of 2012, slightly down on the previous year). The contracts signed involve the disbursement of contributions to these authorities to support their institutional goals. [🔗 EC8]

During the year the UBI Group worked with the Ministry of Education, Universities and Research, participating in the preparatory stages for the launch of a project to adopt the “**IT Ordinance**” as part of its receipts service for schools and it created a special task-force to provide schools with assistance to help them with the changeover to a paperless system. The “IT Ordinance” service was introduced in over 130 schools and around 50 other authorities, thereby automating the processing of about 35% of documents. With this service and with the “**substitute record keeping**” service for documentation, public authorities benefit from an efficient service which reduces operating risks and is compliant with regulations for the digitalisation of public administrations.

A customer satisfaction survey was conducted in May and June on treasury and payment and collection services provided to public authorities. This was also used for the certification of the system for the management of the “quality of treasury services provided to public authorities” (UNI EN ISO standard 9001:2008). The over 800 authorities interviewed gave very high satisfaction scores for the service as a whole, both in terms of expertise and efficiency, and said they would choose UBI Banca as a provider of this service again.

Convention loans for businesses

Agreements with guarantee bodies and trade associations and the use of instruments to mitigate credit risk towards the public sector in order to facilitate access to credit for small to medium-sized enterprises – also through more favourable rates and charges – represent an important factor in our relationship with local businesses, and in these difficult times for the economy they have also taken on a substantial anti-crisis value. At present 184 active convention agreements exist with guarantee bodies in different local areas, of which over 149 participating on the **UBI-Confidi Web**

platform, a tool to which new functions have recently been added, designed by the Group to facilitate information exchange between the Bank and guarantee bodies with which agreements are held and also to manage business. Total outstanding **loans backed by guarantee bodies and guarantee funds** amounted to almost €3.7 billion at the end of 2012, while new loans granted during the year amounted to €1.3 billion and related to over 17,700 loans. These loans include **“Anti-usury” credit lines**, which give better terms and conditions than ordinary loans because they are backed by guarantees (1,184 loans existing at the end of 2012 for over €28 million).

☞ [Reports and Accounts 2012 pages 42-46, 47-50](#)

T² “Community for the Community” bonds

In order to provide a concrete response to strong concerns over credit rationing for the real economy and to support businesses in the community by directly channelling investment received from it to them, the project **“T² Community for the Community”** was launched in the second half of 2012. These consist of bonds issued by the Parent and the network banks in co-operation with **“local group systems”** (e.g. trade associations) to obtain new funding that can be put back into circulation to create loan pools for lending under competitive conditions.

The following loan pools were created in 2012:

- €46 million for the benefit of companies belonging to the *Associazione Industriali di Brescia* (Brescia Association of Industrialists), following the issuance of €23 million of bonds issued by Banco di Brescia, Banca Popolare di Bergamo and Banca di Valle Camonica;
- €32 million for the benefit of companies belonging to the Bergamo Confindustria (confederation of industry), following the issuance of €16 million of bonds by Banca Popolare di Bergamo, Banco di Brescia and Banca di Valle Camonica;
- €37.1 million for the benefit of companies belonging to Assolombarda (Lombard employers’ association) following the issuance of €18.55 million of bonds listed on the MOT (electronic bond market) by UBI Banca and placed by Banca Popolare Commercio e Industria, Banca Popolare di Bergamo and Banco di Brescia;
- €10 million for the benefit of companies registered with the Chamber of Commerce of Lecco and belonging to the main local trade associations, following the issuance of €5 million of bonds by Banca Popolare di Bergamo.

Issuances are already scheduled for 2013 by Banca Regionale Europea and Banca Popolare di Bergamo to respectively assist business members of the Cuneo Confartigianato (artisans’ association) and businesses registered with the Brianza Chamber of Commerce Monza Brianza that are members of the main local trade associations.

☞ [Reports and Accounts 2012 page 49](#)

FS8 PRODUCTS AND SERVICES WITH SPECIFIC ENVIRONMENTAL BENEFIT

In recent years, a series of initiatives already developed over the years by various banks in the Group have been integrated into a single range of products and services to finance household and corporate investments in the environmental field with regard above all to the development and use of alternative energy sources.

The **Forza Sole** (Sun Strength) product is for individual customers to finance domestic photovoltaic systems covered by specific insurance policies (193 loans granted in 2012 for a total of €3.1 million).

A variety of products differing in type of loan and investment exist for businesses: **“Renewable energies”** is to finance the generation of electricity from renewable sources such as solar, windpower and biomass co-generation (two loans for €1.9 million in 2012), while **“New Energy photovoltaic”** is to finance photovoltaic plants - inclusive of tangible investments in items such as land and building works, consulting services, feasibility studies, designs and technical appraisals.

The grant of loans is subject to a series of verifications, including: evaluation of the project (business plan and technical report); verification of the authorisations and permits required by the regulations in force; selection of instruments for the repayment of the loan; verification of the

request for a technical appraisal of the project for loans of over €350 thousand. In 2012, 195 loans were granted for €90 million.

In addition to banking products, **Full Power** lease products were also distributed by UBI Leasing for investments in renewable energy (29 new leases financed in 2012 for €22.5 million and a total of 376 outstanding leases amounting to €671.0 million), together with **project finance** operations by Centrobanca for investments in energy, the environment and infrastructures. Normally the size of the transactions managed varies from a minimum of ten to a maximum of €100 million, with a life which normally for the energy and environment sectors is not longer than 15 years. However with its “**Green Project**” Centrobanca made project finance also available for smaller projects.

PROJECT FINANCE ACTIVITIES AND GREEN PROJECT	2012			2011		
	TOTAL	PROJECT FINANCE	GREEN PROJECT	TOTAL	PROJECT FINANCE	WHICH GREEN
Financing granted during the year						
Numbers of contracts	20	10	10	34	19	15
of which for renewable energy	17	7	10	25	10	15
Amount authorised (€ million)	332	296	36	889	800	89
of which for renewable energy	132	96	36	253	164	89
Amount disbursed (€ million)	207	179	28	451	368	83
of which for renewable energy	122	94	28	221	138	83
Financing outstanding at the end of the year						
Numbers of contracts	137	87	50	118	78	40
of which for renewable energy	111	61	50	94	54	40
Amount authorised (€ million)	1,869	1,598	271	1,814	1,571	243
of which for renewable energy	1,094	823	271	1,007	764	243
Amount disbursed (€ million)	1,489	1,236	253	1,324	1,092	232
of which for renewable energy	1,065	812	253	944	712	232

PROJECT FINANCE OPERATIONS IN PORTAFOGLIO	2012			2011		
	NO.	POWER INSTALLED (MW)	POWER FINANCED (MW)	NO.	POWER INSTALLED (MW)	POWER FINANCED (MW)
Energy	61	2,054	438	54	1,906	411
of which:						
wind farms	17	1,674	230	16	1,578	205
photovoltaic plants	40	303	194	36	282	188
other renewable energy	4	77	14	2	46	19
Environment	4			6		
of which:						
waste treatment plants	3			4		
other activities	1			2		
Infrastructures	22			18		
of which:						
hospitals	5			2		
highways	5			2		
metropolitan railways	1			1		
water facilities and gas	9			11		
airports	2			2		

GREEN PROJECT OPERATIONS IN PORTAFOGLIO	2012			2011		
	NO.	POWER INSTALLED (MW)	POWER FINANCED (MW)	NO.	POWER INSTALLED (MW)	POWER FINANCED (MW)
Energy	50	87	85	40	69	69
of which:						
wind farms	2	2	2	2		
photovoltaic plants	43	81	79	34		
other renewable energy	5	4	4	4		

At the end of 2012 outstanding finance for renewable energy at Group level stood at €2.5 billion, 4% of total financing.

**FS9
AUDITS ON THE
IMPLEMENTATION OF
ENVIRONMENTAL
AND SOCIAL POLICIES
AND RISK
ASSESSMENT
PROCEDURES**

Audit

As part of auditing activity conducted by the various functions which contribute to the implementation of the system of internal controls – compliance, auditing, risk management, line units – consideration is also given to the actual implementation of the principles and commitments set out in the Group Code of Ethics and the policies and procedures adopted with regard to social and environmental aspects of operations. Furthermore, the Internal Audit Function constantly monitors compliance with the Internal Code of Conduct through its ordinary planned audit activities and may carry out specific investigations were necessary.

**FS10
RELATIONS WITH
INVESTEES ON
ENVIRONMENTAL
AND SOCIAL ISSUES**

Active ownership

No active ownership programmes are in progress on social and environmental issues in investee companies. Nevertheless companies in which an interest of greater than 2% of the share capital is held (including foreign investees in which interests are held either directly or indirectly except for the special purpose entities formed in connection with the issue of preference shares) are sent a copy of the Code of Ethics and they are asked to ensure that their conduct complies with principles similar to those contained in it.

**FS11
COMPANIES HELD IN
THE PORTFOLIO WITH
WHICH THE
ORGANIZATION HAS
INTERACTED ON
ENVIRONMENTAL OR
SOCIAL ISSUES**

With regard to asset management activities, social and environmental criteria are only applied in the selection of investments for the **UBI Pramerica Azionario Etico** fund, managed by the subsidiary UBI Pramerica, which is designed for customers who wish to invest not only on the basis of conventional financial criteria but also according to ethical and social responsibility criteria. The fund invests exclusively in the financial instruments of issuers who are known for their attention to respect for humankind and the environment and for their application of clear and transparent governance rules and who are not involved in: the production and/or trade in arms, pornographic material, alcohol, tobacco or other products harmful to health; the promotion or operation of gambling; the production or construction of plant for the generation of nuclear energy; research in the development or production of genetically modified organisms. The benchmark for the fund is the Ethical Index Euro, produced by ECPI, a leading independent European company in ethical finance services. Each year UBI Pramerica grants 5% of the management fees for the fund to charitable bodies and organisations (€11,767.94 accrued in 2012 to be donated in equal parts to Cesvi and to Save The Children).

<http://www.ubipramerica.it/pagine/Scheda-dettaglio-fondo.aspx?isin=IT0003851034>

FONDI SRI	2012	2011¹	2010²
Assets under management (million of euro)	12.02	13.18	16.58
as a percentage of total assets managed in funds	0.08%	0.08%	0.08%

¹ Data as at 29/02/2012.

² Data as at 28/02/2011.

<http://www.ubipramerica.it/pagine/Scheda-dettaglio-fondo.aspx?isin=IT0003851034>

**FS12
VOTING POLICIES ON
ENVIRONMENTAL OR
SOCIAL ISSUES**

No policies are pursued on voting on social and environmental issues in other companies in which the right to vote in Shareholders' Meetings is held or where advice or a judgement may be expressed during voting.

EC. Economic performance

It is the business mission of UBI Banca to create value for its registered and unregistered shareholders and for all its stakeholders, in a manner that is sustainable in the medium to long-term, by building long lasting relationships of trust and mutual satisfaction with customers. Financial and operational management is governed by seeking policies that are consistent with the general ethical principles set forth in the Code of Ethics.

Economic performance

EC1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED¹

UBI Banca ended 2012 confident yet again of the high quality of the work it has carried out during the years of the crisis, which gave priority to strengthening its balance sheet as the basis for stability and future growth.

At the end of 2012:

- capital ratios were again appropriate to the structure of a conventional bank and they were among the highest in Italy (core tier one ratio of 10.29% and 9.16% - compared to 9% requested - on the basis of the EBA exercise and a total capital ratio of 16.01%);
- liquidity was sufficient to allow compliance with Basel 3 requirements in terms of the net stable funding ratio and the liquidity coverage ratio;
- structural indicators showed low financial leverage (tangible assets 17 times tangible equity + non controlling interests + profit for the period) a ratio of loans to funding of 94%, a ratio of loans to funding from ordinary customers of 116%, low dependence on international markets (81.3% of funding from ordinary customers), loans accounting for over 70% of total assets and growth within this of the percentage granted to core customers (75% of the total), which confirms the effectiveness of action taken to discontinue or reduce business with non-core customers and the closeness of the Bank to the local economies of its customers.

As at 31st December 2012, total outstanding net **deteriorated loans** (non-performing, impaired, restructured and past due/in arrears) accounted for 8.73% of total net loans as a result of the deterioration in the economic environment and also of the reorganisation of consumer credit and leasing operations. Net non-performing loans increased to €2.95 billion from €2.48 billion as at 31st December 2011, accounting for 3.18% of total net loans compared to 3.35% for loans to the private sector nationally.

From the viewpoint of earnings, despite the complex economic and financial environment affected by recession and high volatility, 2012 ended with **consolidated profit** of €82.7 million as a result of **containing costs** (-5.1% compared to 2011) and **defence of income** (+2.6%), principally due to the contribution from the finance area. The profit of the Parent, UBI Banca, was €223.5 million.

The Management Board submitted a proposal to the Shareholders' meeting of 20th April 2013 to pay a **dividend** per share €0.05 on outstanding shares on the ex dividend date, excluding treasury stock.

[☞ Reports and Accounts 2012 pages 94-106, 57*](#)

¹ The statement of the determination and distribution of economic value generated complies with the presentation proposed by the Italian Banking Association.

DETERMINATION OF THE ECONOMIC VALUE CREATED (thousands of euro)	2012	2011	VARIATION
Interest and similar income	3,924,400	4,047,546	-3.0%
Interest expense and similar	(1,992,716)	(1,925,857)	+3.5%
Commission income	1,369,422	1,351,827	+1.3%
Commission expense	(187,616)	(159,893)	+17.3%
Dividends and similar income	15,591	19,997	-22.0%
Net trading income (loss)	91,803	10,711	+757.1%
Net hedging income	1,072	8,938	-88.0%
Income (loss) from disposal or repurchase of:			
a) loans and receivables	(2,131)	2,464	n.s.
b) available-for-sale financial assets	141,556	11,929	+1086.7%
c) held-to-maturity investments	-	-	-
d) financial liabilities	24,126	12,136	n.s.
Net income (loss) on financial assets and liabilities at fair value	852	(38,849)	n.s.
Net impairment losses on:			
a) loans	(902,024)	(742,221)	+21.5%
b) available-for-sale financial assets	(847,214)	(607,078)	+39.6%
c) held-to-maturity investments	(56,145)	(128,182)	-56.2%
d) other financial transactions	-	-	-
Net insurance premiums	1,335	(6,961)	-119.2%
Other income/expense on insurance operations	-	-	-
Other net operating income	244,515	243,065	+0.6%
Profits of equity investments (for the part from disposals)	8,273	301	+2648.5%
Profits on disposal of investments	6,490	6,818	-4.8%
Post-tax profit from discontinued operations	-	248	-100.0%
TOTAL ECONOMIC VALUE CREATED	2,743,613	2,849,160	-3.7%
b) other administrative expenses (exclusive of indirect taxes, grants and donations)	634,274	654,282	-3.1%
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	634,274	654,282	-3.1%
a) personnel expense ¹	1,525,753	1,423,196	+7.2%
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES	1,525,753	1,423,196	+7.2%
Profit (loss) for the year attributable to non controlling interests	8,958	(20,603)	n.s.
ECONOMIC VALUE ATTRIBUTABLE TO NON CONTROLLING INTERESTS	8,958	(20,603)	n.s.
Share of profit destined to dividend payments ²	45,002	45,027	-0.1%
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS (REGISTERED AND UNREGISTERED)	45,002	45,027	-0.1%
b) other administrative expenses: indirect and capital taxes	219,633	222,419	-1.3%
Current taxes on income for the year ³	(59,452)	699,000	-108.5%
ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND LOCAL PUBLIC ADMINISTRATIONS	160,181	921,419	-82.6%
b) other administrative expenses – grants and donations ⁴	4,363	4,352	+0.2%
Share of profits allocated to the fund for social purposes ⁵	3,250	6,883	-52.8%
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND THE ENVIRONMENT	7,613	11,235	-32.2%
TOTAL ECONOMIC VALUE DISTRIBUTED	2,381,781	3,034,556	-21.5%
Net provisions for risks and charges	49,212	31,595	+55.8%
Net impairment losses on property, equipment and investment property	102,543	110,888	-7.5%
Net impairment losses on intangible assets	81,117	672,608	-87.9%
Profits (losses) of equity investments (the fair value part: write-downs/write-backs, impairment losses/reversals, other expenses/income)	(44,377)	(9,947)	+346.1%
Change in fair value of property, equipment and investment property and intangible assets	-	-	-
Net impairment losses on goodwill	-	1,873,849	n.s.
Change in deferred tax assets and liabilities	138,881	(970,991)	-114.3%
Profit allocated to reserves	34,371	(1,893,398)	n.s.
TOTAL ECONOMIC VALUE RETAINED	361,747	(185,396)	-295.1%

¹ Inclusive of board members' fees and expenses for external distribution networks (e.g. agents and financial advisors).

² The figures for 2011 are based on the allocation of profits proposed to the Shareholders' Meeting.

³ Includes the changes in current taxes of prior years and the reduction in current taxes for the year.

⁴ Includes sponsorships, inclusive of the professional sports sector, with social and environmental value (e.g. cause-related marketing).

⁵ Includes the shares of profits allocated by the network banks to their respective funds for social purposes.

**EC2
FINANCIAL
IMPLICATIONS, RISKS
AND OPPORTUNITIES
DUE TO CLIMATE
CHANGE**

In consideration of the activities performed by the Group it has no significant direct exposure to risks connected with climate change. Minor impacts may occur in relation to supply processes, especially with regard to fuel and electricity costs and commercial and lending processes relating to the occurrence of extreme climatic events which could affect the operating capacities and solvency prospects of corporate clients (a risk which is, however, mitigated by the high sector diversification of the Group's lending).

The issue of the fight against and adaptation to climate change involves investments by private individuals and businesses, both to comply with changes in regulations and the efficiency standards for production processes and products and also to develop and use renewable energy sources. The Group has developed specific financing, financial lease and project finance products for these purposes [↗ FS8].

**EC3
COVERAGE OF
DEFINED BENEFIT
PLAN OBLIGATIONS**

All employees benefit from supplementary pension plans through either internal or external pension funds, which involve a **defined contribution** by the employer as part of supplementary company labour agreements. Employees may also allocate a part of their salaries to supplementary pension schemes. Coverage for commitments resulting from internal funds, consisting of **defined benefits**, is performed by allocating amounts 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".

↗ Reports and Accounts 2012 pages 323-327

**EC4
SIGNIFICANT
FINANCIAL
ASSISTANCE
RECEIVED FROM
GOVERNMENT**

The UBI Banca Group has received no financing from government, but it has used "Banks and Insurance Fund" funds earmarked for training activities [↗ LA10] and payouts from the "Solidarity fund for retraining and professional requalification to support the employment and income of banking personnel" to manage situations of employment difficulties [↗ LA10]. These are private sector funds which the Group has contributed to together with other banks.

↗ Reports and Accounts 2012 pages 31-33

Market presence

**EC5
STANDARD ENTRY
LEVEL WAGE BY
GENDER COMPARED
TO LOCAL MINIMUM
WAGE**

At least once a year, the Supervisory Board, which has an internal Remuneration Committee, sets and reviews remuneration policies. It also oversees proper implementation of them and formulates remuneration schemes for "top management"² and control functions ensuring that they are compliant with legislation and regulations and consistent with general policies of the Bank in terms of risk assumption, strategies, long-term objectives, corporate governance and internal control approaches.

In accordance with the legislation, in 2012 UBI Banca updated its **Group Remuneration And Incentives Policies**, in order to bring them into line with long-term strategies and objectives, by linking them to results, with account taken of the risks and capital and liquidity levels needed to perform the activities undertaken. At the same time it updated the perimeter of those personnel identified as "Top Management" and the "Highest management level of the control functions", through a careful process of self-assessment.

The most prudent criteria have been applied for those personnel, with at least 50% of the variable component of remuneration consisting of shares with an adequate retention period and at least 40% of remuneration subject to deferred payment systems and retrospective adjustment mechanisms.

The **variable component of remuneration** is set by using instruments designed to involve and motivate personnel to achieve medium and long-term Group policies and to recognise team and

² Persons whose work has or may have a significant impact on the risk profile of the Bank.

individual contributions.

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AVERAGE GROSS SALARY (thousands of euro)	2012				2011			
	FIXED	VARIABLE	TOTAL	VARIABLE TO TOTAL	FIXED	VARIABLE ¹	TOTAL	VARIABLE TO TOTAL
Senior managers								
Men	139.7	7.6	147.3	5.4%	138.9	8.5	147.4	6.1%
Women	131.7	5.3	137.0	4.0%	125.2	6.5	131.7	5.2%
Middle managers								
Men	60.2	2.5	62.7	4.2%	59.2	2.5	61.7	4.2%
Women	52.7	2.0	54.7	3.8%	52.0	2.2	54.2	4.2%
Professional areas								
Men	38.1	1.0	39.1	2.6%	37.2	1.3	38.5	3.5%
Women	35.1	0.9	36.0	2.6%	34.3	1.2	35.5	3.5%

¹ The figures are inclusive of: Incentive Schemes, One-off Bonuses, Company Bonuses and Commercial Contests.

AVERAGE SALARY, FIRST JOB ¹ (thousands of euro)	2012	2011
Men	27.8	26.0
Women	26.7	26.4
Trade union minimum ²	25.5	25.0

¹ Average pay as at 31/12/2012 of "first employment" contract (inclusive of any indemnities for particular types of work there may be - e.g. cash indemnity for cashiers).

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

The **incentive schemes** are designed to support value generation by Group companies and to reward the achievement of risk-adjusted objectives, while maintaining adequate capital levels and liquidity over time, through the identification of specific trigger conditions. The parameters employed are mainly quantitative and measurable, sometimes based at times on qualitative aspects and normally also related to levels of satisfaction by "external and internal customers". The calculation methods are designed to allow graduated payment of bonuses, depending on the degree to which objectives are attained, and also to prevent conduct subject to the risk (moral hazard).

Bonuses are related to the complexity of the role and normally to the results achieved at individual, team, company and Group level, with significant reductions and even no payment if performance is lower than expected or negative. The right to bonuses is withdrawn if company regulations or instructions are violated and a clawback clause³ exists for senior management in particular, applied in cases of fraudulent behaviour or serious misconduct. Bonuses may not exceed a predetermined maximum limit, set in relation to gross fixed annual remuneration and in proportion to the group considered, consistent with the principle of a balance between fixed and variable components of remuneration. Special treatments such as guaranteed bonuses⁴ and leaving bonuses which exceed those provided for by collective labour agreements are excluded. For personnel belonging to corporate control functions, the incentive scheme is based on parameters relating to the position occupied and the risks managed and objectives of an operating results and financial nature are excluded. It is paid according to the same conditions for payment set for other personnel.

The remuneration policies and practices pursued are subject to examination by the Compliance, Risk Management and Audit Functions, each according to its specific competencies in order to ensure that the remuneration policies and practices pursued comply with the relevant legislation and regulations and that they function properly. All staff involved in incentive schemes receive information that is as broad, complete and transparent as possible by means of various tools such as regulations, circulars and information given over the corporate intranet.

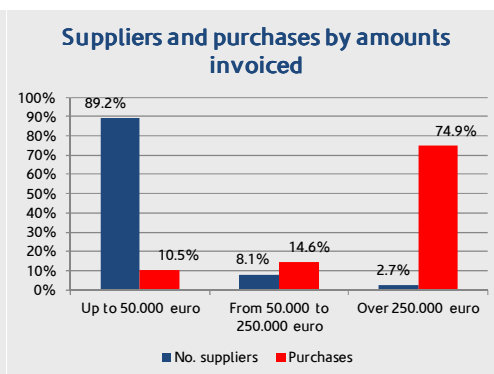
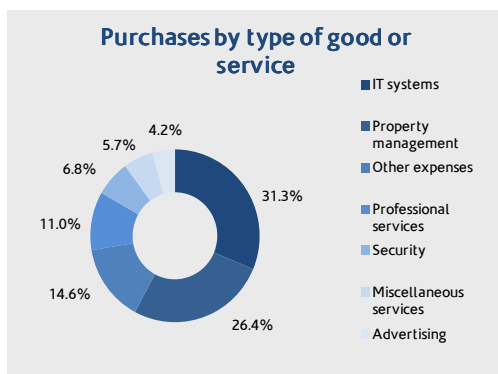
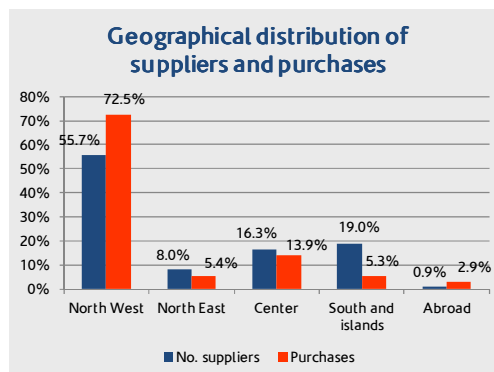
³ A clause which states that a bonus paid must be returned in cases of fraudulent behaviour or serious misconduct.

⁴ Without prejudice to exceptions allowed by legislation and regulations.

EC6
POLICY, PRACTICES
AND PROPORTION OF
SPENDING ON
LOCALLY-BASED
SUPPLIERS

The Group operates almost exclusively in Italy and 97.1% of purchases are from local suppliers that are resident in Italy. Where appropriate, depending on the type of products or services, use is made of suppliers who operate in the vicinity of our operating premises.

Relations with suppliers are designed to ensure mutual satisfaction and are based on the observance of the principles of transparency, fairness, loyalty, integrity and competition. All the Group companies comply with Group Spending Regulations, which identify the roles and responsibilities of the parties involved in the process of 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.



Suppliers, and strategic and recurring suppliers in particular, are selected with care on the basis of cost, service quality and technical, commercial and financial reliability. The Group's Code of Ethics states that where requirements are the same, preference is given to those suppliers who demonstrate the implementation of good practices of social responsibility and/or possession of social or environmental certifications. To ensure the independence of suppliers, we seek to avoid the establishment of exclusive business relationships, or those characterised by excessive financial dependence on the Group (the total amount paid to each Group supplier must not exceed 25% of the supplier's total turnover).

Suppliers who provide goods and services to the Group on a regular basis or occasional suppliers who supply goods and services for amounts greater than €30,000 are registered on a **List of Approved Suppliers** managed by the Purchasing Department of UBI Sistemi e Servizi. The approved list contains preferred suppliers for each type of good and service, listed on the basis of quality (50% weighting), competitiveness (25% weighting) and financial and capital soundness (25%) and we periodically assess them with the involvement of budget managers, the Purchasing Department and an outside database.

Suppliers of utility services (local water companies, gas companies), landlords of rented properties and institutional suppliers (e.g. Italian Banking Association - and CONSOB - Italian securities market authority) are excluded from management on the list of approved suppliers. Suppliers on the list numbered 863 in 2012 (+108 compared to 2011), as a result of 127 new suppliers and 19 removed from the list.

Contractual conditions and terms of payment are constantly updated to comply with the legislation in force and with market conditions on the basis of periodical monitoring. Supplies which are not regular or for small amounts, and considered not strategic and which do not carry a high operational risk are regulated by the general conditions of a standard contract, while specific contracts are drawn up for recurring, strategic supplies, which carry high operational risk or which are for large amounts.

All suppliers are required to fully comply with legislation and regulations to protect the rights of workers, which in particular means observation of national trade union agreements for the sector to which they belong and of pension, accident prevention and insurance legislation along with specific legislation on health and safety. Additionally, all suppliers are required to comply with the principles of the Group's Code of Ethics either when orders are placed or contracts signed.

EC7
HIRING FROM LOCAL
PERSONNEL

The recruitment policies of network banks for personnel in commercial roles is to give priority to the assessment of candidates who are resident in the area of the central units and/or local areas in which they are to work, in order to exploit their knowledge of the local community. Particular attention was paid to selection processes in areas of southern Italy, in order, amongst other things, to implement generation turnover plans contained within the Group's business plans, with specific selection sessions carried out locally. Constant co-operation with schools, training institutes and local universities enables the Group to offer opportunities to young people who live and study in the local areas in which the Group operates.

Only one member of senior management was recruited from abroad in 2012.

Indirect economic impacts

EC8
DEVELOPMENT AND
IMPACT OF
INFRASTRUCTURE
INVESTMENTS AND
SERVICES PROVIDED
PRIMARILY FOR
PUBLIC BENEFIT
THROUGH
COMMERCIAL, IN
KIND OR PRO BONO
ENGAGEMENT

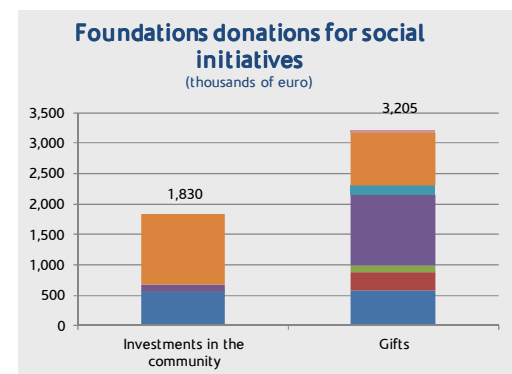
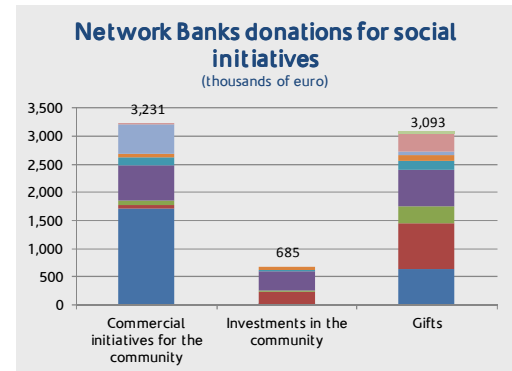
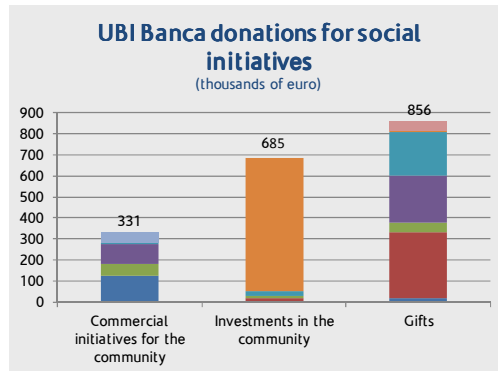
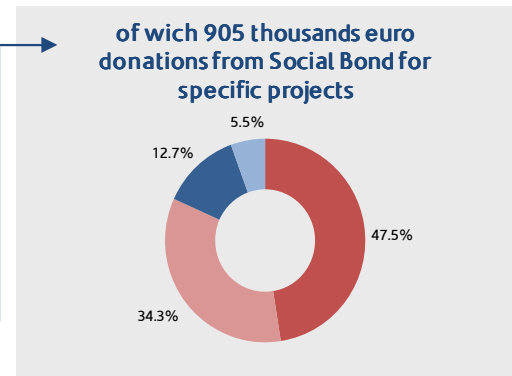
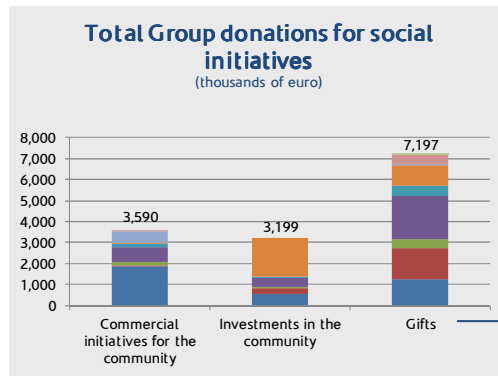
The Group pays great attention to promoting social and cultural activities and also to local economic development and it supports a huge number of church and other nonprofit organisations in the community with donations and sponsorships. This activity is as an expression of its mutual spirit as a co-operative, for which the articles of association of UBI Banca and the various Group banks require the allocation of a share of the distributable profits (the maximum percentage allocated varies, where specified, between 1% and 4%).

This activity helps to strengthen the identity of the Group and the individual network banks and has no direct correlation with the achievement of commercial objectives, except for cause-related marketing initiatives. This action is not the result of rigid and predetermined policies and guidelines, but of assessments – based on criteria of consistency, efficiency and effectiveness – of the projects and initiatives taken in the community. They are decided at local level by individual banks and foundations, with support from UBI Banca for the more far reaching projects. There are no particular areas of intervention defined *a priori*, except for the foundations, formed over the years to promote social and cultural growth in their local areas according to the obligations of their constitutions.

RESERVES OF PROFITS AVAILABLE IN ACCORDANCE WITH BY-LAWS TO GOVERNING BODIES FOR SOCIAL PURPOSES (thousands of euro)	BALANCE AS AT 31.12.2011	2012 ALLOCATIONS FROM 2011 FINANCIAL STATEMENT	2012 DONATIONS¹	BALANCE AS AT 31.12.2012
UBI Banca	8,879	-	1,304	7,575
Banca Popolare di Bergamo	1,960	3,271	4,110	1,121
Banco di Brescia	5,615	1,804	1,742	5,677
Banca Popolare Commercio e Industria	75	475	444	106
Banca Popolare di Ancona	207	90	290	7
Banca Carime	215	1,200	722	693
Banca di Valle Camonica	89	50	89	50
TOTAL	17,040	6,890	8,701	15,229

¹ Donations include 4.1 million euro granted to the Group's Foundations.

In 2012 the Group disbursed a total of **€14 million** (-5.9% compared to 2011), of which €905 thousand resulting from the placement of UBI Community Social Bonds [FS7]. This was in addition to the contributions made to local authorities as part of treasury and collection services which amounted to **€6 million** in 2012.



Sponsorships are carried out almost exclusively by the network banks, which associate their brands with organisations and initiatives linked to the local communities in which they operate. Even when they are of professional sports clubs, the contributions are in any case normally made to organisations which promote the growth of the moral education of young people through sport.

The Group also makes donations to assist with the activities of **Pro Solidar**, a national fund in the banking 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. It is the first body in the world formed by a national trade union agreement and funded on an equal basis by workers and companies. Each employee may contribute a sum of six euro per year deducted directly from salary, against which the company pays in an equal amount.

UBI Banca

As part of the Group's philanthropical activities, UBI Banca develops partnerships with the larger organisations and participates in more far reaching initiatives not strictly linked to particular local areas. The principal donations and sponsorships in 2012 included the following:

- the **"Christmas Dinners"** initiative, in co-operation with the Exodus Foundation of Milan, Bergamo, Brescia, Turin, Breno and Jesi and the Bari Archdiocese Caritas to help the street homeless and those who suffer from particular hardship. For the third year, 1,120 people were invited to spend a peaceful

- day and enjoy a Christmas dinner, served and entertained by volunteers, including 150 Group employees, and they received a gift package with contents designed to be of comfort in winter;
- scholarships for four senior high school pupils for a year of study abroad with the **Intercultura Foundation onlus**;
 - the continuation of co-operation with the **Brescia and Bergamo International Pianoforte Festival Organisation** for the 49th edition of the festival of the same name entitled “Brahms, the progressive conservative”, one of the most important nineteenth century musicians. This edition was also enriched by an educational initiative for young people featuring the famous violinist Uto Ughi;
 - partial cover of the costs for the restoration of the **S. Maria dei Miracoli Basilica** of Milan, commenced in 2004 (the following has been fully restored to date: the façade and the outer surfaces; the side naves; the chapels and the valuable renaissance and baroque paintings, while completion of the restoration of the transept, the dome and the altar zone is currently in progress. Work is still to commence on the central nave and the very broad vault, decorated with renaissance rosettes, above it);
 - the “A cradle to operate” project of the **Cieli Azzurri onlus - Friends of Paediatric Surgery Association**, to contribute to the estimated costs of bringing the Policlinico hospital of Milan to the forefront in the treatment of neonates who require surgery, by equipping the new Neonatal Intensive Care Department with six latest generation neonatal intensive care units;
 - co-operation with the **Einaudi Centre** for the preparation and presentation of the Annual Report on the Global Economy and Italy. The study, conducted by a team internal to the Einaudi Centre co-ordinated by Professor Mario Deaglio of the University of Turin, was presented in the Group’s network banks with the objective of offering an initiative of national importance at local level and at the same time of “localising” customer relationships, thanks to the involvement of local firms;
 - sponsorship of the **San Patrignano** Annual International Equestrian Competition and the **UBI Banca Goggi Ski Club of Bergamo** (with an important ski school for young people);
 - support for the **Sodalitas Social Innovation Award**, a Sodalitas Foundation initiative to support and facilitate the development of profit-nonprofit partnerships to give visibility to innovative high social value projects of nonprofit organisations. The website www.socialinnovation.sodalitas.it is the first of its kind in Italy dedicated entirely to forprofit-nonprofit partnerships as a driving force behind the development of innovative social projects.

In economics field, UBI Banca supported the Cathay Pacific **China Trader Award** for the third consecutive year, a prestigious international award for Italian companies that have excelled on Asian markets for their innovation, technology and know-how. Donations were also made to Assofranchising, at the 2012 **Franciacorta Festival** and to the publication of the “historical” book **Photoansa**, produced by the press agency ANSA, which features important facts which occurred during the past year portrayed with the most significant photos.

Yet again in 2012 UBI Sistemi e Servizi donated retired equipment, which nevertheless still functions well, to various organisations and associations which requested it, for an estimated value of €16,588 [☞ 3.11]: 35 beneficiaries (eight voluntary associations, 12 schools, four parishes and Church institutes, four recreational associations, two police units, three administrative authorities, one foundation, one cultural association) received 238 personal computers (of which 88 notebooks), one monitor, one photocopy machine and twelve software user licenses.

Important investments in the community have already been decided for future years. They total €3.2 million, to be disbursed on the basis of the actual implementation of the activities and projects to which they are destined. The following are of particular importance:

- the restoration of the **Astino Monastery**, founded in 1070 by the Vallumbrosan monks at the foot of the south western slopes of the hills on which the ancient heart of the city of Bergamo was built (in 2007 it became the property of the Order of the Misericordia Maggiore of Bergamo - MIA Foundation, to which the Bank’s donation will be made);
- the **Ospedale Maggiore Research Foundation** of Bergamo (hospital research) – of which UBI Banca is one of the founding members – to promote and finance scientific research of particular

interest to society;

- the project to renovate the paediatric outpatients department of the **Children's Hospital**, at the Azienda Spedali Civili of Brescia;
- the **Cardinal Federico Borromeo Foundation** to "create, promote and diffuse" culture and art, through its support, amongst other things, of the Ambrosian Library, dedicated to academic teaching and research.

Proceeds of the UBI Community Social Bonds went to support the **Comunità di Sant'Egidio** (assistance for the elderly through support in the home and in social life) and to the **Umberto Veronesi Foundation** (for research into new techniques for the early diagnosis of breast and lung tumours at the initial stages).



Yet again in 2012 Banca Popolare di Bergamo assiduously pursued its philanthropic activities both frequently and with conviction to provide concrete and active support to its presence on its local market: a particular, but equally important way, of being a "community bank". In addition to contributing to the capital endowments of the **UBI per Varese Foundation Onlus** and the **Banca Popolare di Bergamo Foundation Onlus**, this bank supported a series of initiatives, some recurring, which now form part of local cultural traditions, while others are new.

Established partnerships include the following: support for the **Don Antonio Mazzi Exodus Foundation Onlus** (for youth education and hardship), donations to the **Associazione Nazionale Mutilati e Invalidi Civili** (for social emergencies to protect the rights of civilian invalids), the "**Christmas Solidarity**" project (for some years now the employees of Banca Popolare have worked to bring a few moments of joy and happiness into the lives of patients in large hospitals for the disabled and rest homes for the elderly in the provinces in which the bank operates), co-operation with the **FAI - Fondo Ambiente Italiano (Italian Environment Fund)** with the **Panza Villa and Collection** in particular, jointly with the town and province of Varese) and support for the **Bergamo Section of the Italian Alpine Club** for aware mountain climbing and protection of the environment.

Important initiatives in the cultural field included support for the **Social Theatre of Bergamo**, the **Noesis Association** for a cycle of seminars on philosophy and the "**Verba Manent**" initiative of the City of Bergamo, a series of meetings with protagonists from the world of culture and show business. Donations to the town of Varese for the **Apollonio Theatre** season were of particular charitable significance, used to allow free of charge entrance to the disabled. Branches shared the centenaries of their operations with local communities with ethnographic, photographic and historical exhibitions and choral performances. These were opportunities to recount the history of a bank through pictures, documents songs and personal testimony, a bank which has always been committed to fostering local culture, art, traditions and history to reinforce its local identity in harmony with society and the community.

Sports sponsorships included the **Bergamo International Tennis Tournament**, the 92nd edition of the **Tre Valli Varesine** and the **Binda Trophy** cycle races, the **U.C. Albinoleffe** football club and numerous local sports initiatives to promote and value the practice of sports with particular reference to new generations.

The Bank is present with its own office at the new **Bergamo Trade Fair Centre** and participated in this respect with sponsorships and activities connected with numerous events either organised directly or in any case implemented under the auspices of the **Bergamo Trade Fair Organisation**. Again in 2012 it was an official partner at the **Varese Trade Fair** and the **Monza Fair**, as it reaffirmed its commitment to making its presence more widespread and incisive even beyond traditional Bergamo borders.

Proceeds from the issue of UBI Community Social Bonds went to the **Renato Piatti Foundation** (rehabilitation therapy in water for children with serious disabilities and diseases carried out at the Besozzo rehabilitation centre) and the **Our Family Association** (purchase of a minibus for disabled children).

UBI Banco di Brescia

In addition to funding the **Banca San Paolo di Brescia Foundation** and the **Credito Agrario Bresciano Foundation - Giovanni Folonari Cultural Institute**, established to pursue the original ideals of the banks of the same name from which they emerged, the Bank also carefully selects events and organisations to give support directly to local solidarity, cultural and sports initiatives.

The numerous activities carried out in 2012 included the following worthy of mention: donations to the initiative co-ordinated by the **Bresciana Community Foundation** for people hit by the earthquake in Emilia Romagna, to the **Brescia Teatro Grande Foundation** for the theatre season, to the **Brescia Foundation for Economic and Legal Studies** and, in the sports field, sponsorships of the historical **Mille Miglia** and **Brescia Rugby**.

In 2012 this bank published the book "**Banco di Brescia, il Palazzo e la Quadreria**" (a 2012 Christmas art edition), in order to help promote the cultural heritage of the local communities in which the Bank operates.

In the economic field the bank supported the activities of **Pro Brixia**, a special firm of the Brescia Chamber of Commerce which promotes and organises initiatives designed to create commercial opportunities for Brescia companies on international markets. In 2012 it contributed to a research study conducted by a group of academics at the University of Brescia into the consequences of the crisis on the fundamentals of the Brescia economy and on the dynamics of international commerce. The results were published in the book "**Le imprese bresciane e la crisi globale**" (Brescia businesses and the global crisis).

Proceeds from the issue of UBI Community Social Bonds were donated to the following: the Paediatric Oncological Haematology Department of the **Spedali Civili Hospital of Brescia**, the Intensive neonatal treatment department of the **Brescia Poliambulanza Foundation**, the **Azienda Ospedaliera M. Mellini of Chiari** hospital (purchase of an advanced mammography screening machine), the **Casa dell'Immacolata di Don Emilio Roja Foundation** (assistance to needy families in Udine), the **Casa del Sole Association of Mantua** (educational and rehabilitation activities for persons affected by encephalopathy and support for their families), the **Opera Caritas San Martino Foundation** (employment for young people in socially useful activities) and **Udine University** (research grants).

UBI Banca Popolare Commercio & Industria

Each year the bank supports and promotes numerous social, charitable and cultural initiatives to contribute to the social, ethical and cultural development of the community in which it operates, as well as to its economic growth.

One of the main partnerships is definitely that with **Pavia University** for the 22nd edition of the degree day, when the Bank awarded prizes to the nine best students of the university, one for each faculty and for a research study on the ancient university, which is giving rise to the publication of a trilogy of prestigious books.

In order to enhance its image as the Group's main bank in the city of Milan, in the cultural sphere, this bank is an institutional supporter of the **Poldi Pezzoli Museum** – an institution famous throughout the world and a point of cultural reference in the Lombard metropolis – and it is listed on the "Golden Roll of Honour" of the supporters of the **Piccolo Teatro of Milan**, with which it manages and organises the **Eleonora Duse Theatrical Prize**, which is now in its 27th edition this year. Again in the field of culture, one of the bank's most important initiatives was the sponsorship of the exhibition **Renoir La vie en peinture**, held in Pavia at the Scuderie del Castello Visconteo with 63,000 visitors: an absolute record for the city.

In the sports field the bank renewed its sponsorships of the **Pallacanestro Milan Olimpia EA7 basket ball team** (as a "Gold Sponsor") and of the **Pavia Calcio football team**.

Proceeds from the issue of UBI Community Social Bonds were used for an important donation to the **L'Abilità Association Onlus** of Milan (family strategies for infant disabilities), while a donation for

the renovation of the “**Carpi Zona Centro**” unified school, damaged by the earthquake, was made at the beginning of 2013.



The strategic objective of Banca Regionale Europea’s communication, in which the sponsorship of cultural and sports activities plays a primary role, is to confirm its positioning in the local areas in which it operates and its closeness to families and small and medium-size enterprises.

In addition to supporting local events, yet again in 2012 this bank linked its name to partners of excellence and high profile events and initiatives both with the usual sponsorship activities and through donations, which until 2011 had been the responsibility of the banking foundations in the provinces of Cuneo and Tortona, local areas where the bank has its historical roots.

In the cultural sphere, the bank confirmed its partnership with the **Turin Museums Foundation** and in particular for the Museum of Oriental Art and it also gave its support to the **Regio Theatre of Turin** for the 2012-2013 opera season and to the **Circolo dei lettori** (Readers Club), an important point of reference for the City of Turin and beyond, with which it organises interesting initiatives on economic and financial subjects and also to educate young people on savings and investment, assisted by support from the Italian Banking Association’s PattiChiari Consortium.

The bank renewed its role in the sports field as the main sponsor for the **Bre Banca Lannutti Cuneo volleyball team**, in the serie A1 national championship and in European games, enhancing its image above all among young people for which volleyball advocates values of team spirit, commitment and non-violence. The bank has sponsored the **Cuneo Country Club**, an important tennis association, for many years and this continued as did co-operation with the **Pallone Elastico Cup of Italy** (type of handball), organised by the Lega della Società di Pallapugno, (sport that is very popular in southern Piedmont, where the bank has its historical roots). In the football field the bank supported **AC Cuneo Calcio 1905** in its youth leagues and for the occasion of the summer camp for FC Juventus youth teams at Chiusa Pesio.

Action taken to support the activities of the **Federazione Nazionale Sport Invernali Paralimpici** (FISIP – Paralympic National Federation of Winter Sport) was of important social significance.



Banco di San Giorgio operated in Liguria until 22nd October 2012 when it was merged into Banca Regionale Europea. It continues to use the same brand name on its local market. This bank again renewed its partnership with important local organisations. In the cultural field it sponsored the La Spezia municipality’s **Exodus Award** and it supported haematological research at the **San Martino Hospital of Genoa** by making two important scholarship grants.

It also entered into various sponsorships in the sports sphere, with particular attention to youth, including the **Don Bosco Group** (Crociera Stadium, Paladonbosco, Seisport), the **CUS of Genoa** rugby team and **U.C. Sampdoria**. Sponsorship of the **Ravano ERG Tournament** for primary school children was particularly important with the involvement of the **Il Porto dei Piccoli Association Onlus**, which works to assist children in hospital and was responsible for co-ordinating the cultural and social activities for the tournament and in schools in Genoa.



The bank maintained its strong spirit of solidarity and social and cultural commitment to the local communities in which it operates and in 2011 the bank undertook a wide range of different initiatives, especially in the cultural field which included co-operation with the following: the **Pergolesi Spontini Foundation** of Jesi for the youth theatre prose season, the **Teatro delle Muse di Ancona Foundation** for various initiatives including the opera season, the **Musicultura Association** of Macerata for the musical and literary events which began at Recanati in 1990, the **Amici della Musica Guido Michelli Association** of Ancona for concert activities and the Municipality of Fermo for the **Festival of traditional Marches products**.

In the field of sport and recreation the Bank supported the activities of the **Ankon Consortium** of the City of Ancona for sport, the **Aurora Basketball Team** of Jesi, the **Fulgor Libertas basketball team** of Forlì, the **Circolo del Remo e della Vela** of Naples for the Three Gulfs Regatta and the **Jesi Fencing Club**, particularly admired in 2012 for its individual and team Olympic victories under the leadership of Stefano Cerioni from Jesi. With regard to the Olympics, the bank also sponsored the book **"Le Marche a 5 Cerchi"**, to remember the names, enterprises and stories of athletes, coaches, managers, referees, doctors and journalists from the Marches who took part in the summer and winter Olympic and Paralympic Games from Athens in 1896 to Vancouver in 2010.

The bank financed a special research study on **"Giacomo Leopardi. Il Pensatore Pericoloso"** for the magazine **Nostro Lunedì ("Our Monday")**, a periodical of articles, pictures and opinions created and edited by the Ancona poet Francesco Scarabicchi. On the other hand, through the Camerino University it sponsored the award for the **Umbria Marches Innovation Start Cup**, a competition between business ideas set out in a business plan, generated in the university research environment of Umbria and Marches universities and it shared the **Campus World project** with the Marches Polytechnic, created to support and diffuse technological and educational innovation among university students by means of internships abroad.

One of the most important solidarity projects was the **Progetto Luce ("Light Project")**, a charity fundraising evening to finance a hospital in the Congo to help children recover their sight.

UBI **Banca Carime**

With regard to attention and support for social initiatives for the communities in the local areas in which it operates, the bank renewed its commitments yet again in 2012 in a number of different areas.

In the field of music, the bank continued its partnerships with the following: the **Barese Music Chamber** by providing tickets for the more disadvantaged groups in society and for students, the **Regional Orchestra of the Schools of Calabria** (60 young musician age 12 and over, selected by the Regional Schools Department of Calabria) and the **Magna Grecia Orchestra Association** of Taranto which valorises the best performers of classical and contemporary music with a programme of concerts in Apulia and Basilicata. Musical Christmas best wishes were organised in the bank's branches with young people from the **La Bottega dell'Armonia** youth orchestra.

In order to promote the bank locally, exhibitions were organised in some of the bank's branches designed to enhance Apulia's ethnic and anthropological panorama with a series of events dedicated to famous local popular traditions entitled **"Suoni, aromi e colori nelle tradizioni popolari Pugliesi"** (sounds, aromas and colours in popular Apulia traditions). Community and culture is also the subject of an **exhibition of Banca Carime's paintings**, brought to the attention of the general public at the **Petruzzelli Theatre** of Bari for the occasion of the 31st National Legal Congress and of co-operation with the **Zetema Foundation** of Matera, already commenced back in 2008, to support the **Museo della Scultura Contemporanea di Matera** (MUSMA – Contemporary Sculpture Museum), located in the heart of Sassi, in the prestigious Palazzo Pomarici.

The bank's commitment to young people is continuing with the following: three **scholarships in memory of Nicola Calipari** for graduates in law and political science from the universities of Basilicata, Calabria, Campania and Apulia for post graduate studies, the initiative **NewspaperGame** in co-operation with the national daily, the *Gazzetta del Mezzogiorno* (course for primary and secondary schools in Apulia and Basilicata designed to stimulate young people to think and write on economic subjects) and the project to bring out talent in schools with **"Your idea of a business"** (a competition between business ideas set forth in a business plan) in co-operation with the Cosenza Confindustria (confederation of industry).

Social initiatives include support for the **Sant'Egidio Community** of Bari for the "canteen for the poor" and the **Cielo Azzurro Association** of Catanzaro for needy families.

The bank continued its activities again in 2012 to support associations and volunteers in the local communities in which it operates by accepting many requests for small donations in order to help the largest number of organisations given the limited resources available to it.

The most significant assistance went to the following: **National Alpine Association** groups particularly committed to solidarity activities, **sports groups** committed to the diffusion of sport and to the integration of the disabled in society, educational and youth institutions for young people, parishes involved in the restoration of the local artistic heritage and church properties, such as the **Eremo dei SS Pietro e Paolo of Bienno** (a religious retreat), and events of importance to the local natural and historical heritage, such as the “**Santa Crus 2012**” sacred representation. On the 140th anniversary of its foundation, the bank published the book “**Banca di Valle Camonica – 140 years of history**”.

The bank acted on the invitation of the **Comunità Bresciana Foundation** and made a donation to help the people of Emilia Romagna, gravely hit by the 2012 earthquake, while proceeds from the issue of UBI Community Social Bonds were donated to the following: the **Valle Camonica Sebino Health Authority** to buy a magnetic resonance imaging scanner, the **ANFFAS Onlus** for an occupational rehabilitation project for disabled persons and the **Agricola Società Cooperativa Sociale Onlus** for the employment of 13 disadvantaged persons in cultivation, catering and environmental education workshop activities for schools.

FONDAZIONE BANCA POPOLARE DI BERGAMO ONLUS

The Foundation was formed in Bergamo in 1991 by the former Banca Popolare di Bergamo - Credito Varesino to promote historical and artistic heritage, health and welfare, charitable activities and the conservation of the environment and nature in the Lombard area. The main commitment, which the Foundation continued again in 2011 with a second large donation, is to the **Committee for the Beato Giovanni XXIII Hospital** of Bergamo, to build a church, which forms part of the broader context of a project to build the New Bergamo Hospital. The Church will offer a spiritual welcome and hospitality to all those persons who come into contact or must live with the daily and often difficult reality of a hospital and who place their hope and expectations in their faith. Other important activities included donations to the Diocese of the Bishop of Bergamo for a project to restore the **Benedictine Abbey of San Paolo d’Argon**, which dates back to 1092, to the **Adriano Bernareggi Foundation**, to **Bergamo Scienza** and to the **Pro Universitate Bergomensis Association**.

FONDAZIONE CAB - ISTITUTO DI CULTURA GIOVANNI FOLONARI

The Foundation was founded in Brescia in 1983 to “promote, encourage research into, enhance the value of, analyse and divulge actions and aspects that concern culture, education, instruction, social welfare and scientific research” (Art. 2 of the Constitution). Work continued in 2012 to restore the **Santa Maria della Carità (Buon Pastore) Church** of Brescia, an important example of Lombard Baroque architecture and a **portrait of Cesare Abba** by Antonio Salvetti (1854-1931) was purchased from a private collector together with a polyptych “**Maddonna with Child**” by the master Paroto, dated 1447, purchased at auction from Sotheby’s of London. This painting, originally from the San Siro church in Val Camonica, was transferred several times over the years to various capitals (New York, Paris, London) and has now been returned to form part of Italy’s artistic heritage. It will be on view with a calendar of exhibitions and side events. Although to a reduced extent, support continued for initiatives with associations that work in various areas with which the foundation has been linked for some years: the **FAI** (fund for the Italian environment), the **Amici dei musei Association (friends of museums association)**, **Artisti Bresciani Association**, the **Ugo da Como Foundation** and the **Mus-e Brescia Onlus**. The annual concert linked to the **Brescia – Bergamo Pianoforte Festival** was organised successfully with the award of the Benedetti Michelangeli prize and, in addition to a donation to the national **convention of the National economic historians association**, organised by the Catholic University of Brescia, important support was also given for the publication of the **Brescia Green Touring Guide**, needed for some time.

FONDAZIONE BANCA SAN PAOLO DI BRESCIA

Founded in 1998 by the bank of the same name, its objective is to perpetuate its original ideals and catholic inspiration. It operates principally in Lombardy and preferably in the province of Brescia, to support social, civic and church initiatives with special attention given to education, welfare and art and it also works with other similar organisations. In 2012 the Foundation made donations to the activities of the following: the **Arte e Spiritualità Association** and the **Opera per l'Educazione Cristiana of Brescia for the Paolo VI Institute**, the **Diocesan Caritas of Brescia** for the people's canteen "Madre Eugenia Menni", the Brescia associations **Prison and Community**, **Casa Emmaus Onlus** and **VOL.CA – Volontariato Carcere** to support prison inmates, former prison inmates and their families, the **Cesare Airici Institute** and the **Santa Maria della Pace primary and lower secondary school**, the Brescia publishing houses, **Editrice Morcelliana** and **Edizioni Studium**, the **Civiltà Bresciana Foundation** and the Brescia section of the **Catholic University of the Sacred Heart of Milan**. The Foundation also supports various church related organisations, refunding interest paid on loans granted by the Banco di Brescia on the basis of special agreements entered into for restoration and conservation of artistic heritage and of properties belonging to the parishes and dioceses of Brescia.

FONDAZIONE UNIONE DI BANCHE ITALIANE PER VARESE ONLUS

Founded in 2001, it pursues exclusive aims of social solidarity in the Region of Lombardy and in the Province of Varese in particular. It supports charitable initiatives and initiatives to conserve, promote and enhance, artistic and historical heritage and it also intervenes to support initiatives in the health, welfare and cultural fields and in the sphere of university education. In 2012 it made donations for the following: restoration of the **Parish Church of Masciago**, the murals of the **Parish Church of Sant'Apollinare** of Crosio della Valle, the **organ in the Parish Church of San Giovanni Bosco** of Busto Arsizio and the restoration of the Company of the Jesuits **Aloisianum Library Archives**. Other donations were made to: the **Italian National Leukaemia Association** for the purchase of molecular biology equipment, the **Addolorata Institute of Lovere** for the "Porta Aperta" (open door) project of the **Varese Caritas** for the purchase of medicines for persons in financial difficulty, the **La Finestra Co-operative** to expand their premises for the disabled with no family and the **Circolo Hospital of Varese** for the "Dama" project. In order to support and promote healthy sport and education that can be accessed by all, donations were made to: the **Varese Handicap Sport Association** to purchase a vehicle to transport disabled athletes, the **Varese POLHA Association** for the transport of disabled persons and the **Santa Rita Co-operative** for scholastic support for disabled pupils and students.

FONDAZIONE BANCA POPOLARE DI VIGEVANO

Founded in 1991 by the bank of the same name which was merged into Banca Popolare Commercio e Industria, it has continued over the years to support local initiatives of a humanitarian, social, cultural and charitable nature. After the conservation and restoration of the façades of the **Carmine Church and the San Bernardo Church** at Vigevano and after making a donation to build the **Museo dell'Imprenditoria (museum of entrepreneurship)**, recent intervention has included support for the following: the **Lomellina for Chernobyl Committee**, which provides hospitality to children from that city in the Ukraine, the **Società Storica Vigevanese** for a university research scholarship on the local economy, the **Madre Amabile Foundation**, which assists minors removed from their families by the courts and the **Parish of San Dionigi** to complete the restoration of the church decor.

EC9 SIGNIFICANT INDIRECT ECONOMIC IMPACTS

The financial and economic crisis still in progress has underlined the critical importance of the banking system for sustainable growth, especially in the current context of the globalisation of financial services and the interdependence of local economies.

Given its nature and its distribution network in the community, the UBI Banca Group can generate important indirect impacts on the economy above all at local level:

- the competitiveness of the economy, as a result of support to medium-sized enterprises to

- promote growth and technological innovation and to manage the crisis;
- the development of depressed economic areas, through geographical choices for the location and allocation of economic resources;
 - the development of new business opportunities and the reduction of environmental costs through support given to investments in households and businesses and through the use of renewable energy and attention paid to environmental factors in lending, purchasing and investing processes;
 - the reduction of risks and the maximisation of the social benefits of development through attention to issues such as financial inclusion, a civil economy, financial education, occupational health and safety, non-discrimination and equal opportunities.

On a national scale, UBI Banca can help reduce the social costs of economic inequalities, breaches of the law and threats to peace and security to the extent to which:

- it contributes to the stability and efficiency of the financial system through proper risk management, respect for market supervisory authorities and proper commercial practices in dealings with customers and relations with competitors;
- it complies with the law and co-operates with institutions in the performance of all those activities where risks may arise (e.g. money-laundering and terrorism, competition and market abuse, privacy, protection of consumers).

UBI Banca takes responsibility with regard to these aspects for formulating and implementing policies and operational and commercial practices and it seeks to be accountable for them through its financial and non-financial reporting (Consolidated Financial Statements and Social Report, even if it is difficult to identify metrics and operating tools to measure impacts).

EN. Environmental performance

In compliance with the principles of the Global Compact, UBI Banca pursues a preventative and proactive approach to environmental issues, as part of its social responsibility with regard to society and the local communities in which it operates. To achieve this, in 2008 it set an **Environmental Policy** designed to progressively reduce direct environmental impacts in terms of consumption (principally energy, paper and toner), greenhouse gas emissions (principally CO₂) and the production and disposal of waste and the implementation of initiatives to promote virtuous conduct along the value chain, with reference primarily to customers.

Raw materials

EN1 MATERIALS USED

The main raw material used is paper. The Group is continuing with its commitment to using paper with a low environmental impact, because it originates from responsibly managed forests and because of the manufacturing processes, and to optimising its consumption through **remote monitoring** of printers and **paperless document processing** (digitalisation of new operating areas and electronic signatures).

More specifically, the spread of the service entitled *Le mie contabili (my accounts)* is of great importance as part of the project to develop the “multi-channel banking” project. This service allows all users of the internet banking service to receive most of the documentation which the bank normally sends by ordinary mail in electronic format free of charge. In 2012 this service was extended to include documents relating to safe deposit boxes and in 2013, as part of the evolution of the online sales platform, the introduction of Remote Electronic Signatures is planned to avoid the need to print contract documents.

At the end of 2012, paperless correspondence was employed for 837 thousand accounts (+51% compared to 2011) and 598 thousand customers who had signed up for it (+48% compared to the previous year).

RAW MATERIAL CONSUMPTION ¹	2012	2011	2010
Paper (Kg)	2,324,453	2,000,705	2,048,705
of which: current paper for printing	1,554,766	-	-
communication and prints to customers	257,586	-	-
forms	129,081	-	-
brochures	201,398	-	-
corporate reports	9,473	-	-
envelopes	113,149	-	-
other publications	59,000	-	-
of which certified: FSC	73%	71%	85%
ECF	100%	98%	100%
Ecolabel	76%	85%	85%
per employee (Kg)	130.2	112.0	117.7
Toner (Kg)	39,038	n.d.	n.d.
per employee (Kg)	2.2	n.d.	n.d.

¹The data are estimated on the basis of actual spending.

In 2012 the measurement of consumption of the various types of paper was refined. Therefore data are not comparable with the previous years.

EN2 RECYCLED RAW MATERIALS

To date the Group has introduced no specific guidelines for the purchase of products produced using recycled materials.

Energy

EN3 DIRECT ENERGY CONSUMPTION BY SOURCE

3.11

The optimisation of energy supplies and consumption is a priority and it is overseen by the Group **Energy Manager** who, in addition to managing energy supply contracts (electricity, methane, gas oil, etc.), makes recommendations to the different organisational units responsible on the rational and efficient use of energy sources.

DIRECT ENERGY CONSUMPTION ¹	2012	2011	2010
Heating			
Natural gas (Cu.m) ²	4,617,829	4,874,428	4,609,386
per employee (Cu.m)	258.57	272.83	264.86
by surface area (Cu.m/Sq.m)	4.60	4.71	4.35
TOE ³	3,787	3,997	3,780
GJ	158,299	167,095	158,010
Gas oil (Ton)	701	856	761
Gas oil (L)	834,099	1,019,435	905,582
per employee (L)	46.70	57.10	52.04
by surface area (L/Sq.m)	0.83	1.00	0.86
TOE ³	757	925	831
GJ	29,861	36,497	32,421
LPG (Ton)	11	16	n.d.
LPG (L)	21,255	28,823	n.d.
per employee (L)	1.19	1.60	n.d.
by surface area (L/Sq.m)	0.02	0.03	n.d.
TOE ³	13	17	n.d.
GJ	543	736	n.d.
Company car fleet			
Petrol (Ton)	36	50	n.d.
Petrol (L)	48,333	67,568	n.d.
TOE ³	43	60	n.d.
GJ	1,563	1,908	n.d.
Gas oil (Ton)	1,116	1,361	n.d.
Gas oil (L)	1,328,092	1,620,238	n.d.
TOE ³	1,205	1,470	n.d.
GJ	47,848	50,094	n.d.
LPG (Ton)	1.73	0.13	n.d.
LPG (L)	3,210	241	n.d.
TOE ³	1.91	0.15	n.d.
GJ	81.98	4.83	n.d.
TOTAL TOE³	5,806	6,469	4,611
TOTAL GJ	238,196	256,335	190,431
of which: from non renewable sources	238,196	256,335	190,431
from renewable sources	-	-	-

¹ The data are estimated on the basis of actual spending. See 3.11 for a definition of the coefficients used to calculate TOE and GJ.

² The consumption of natural gas in 2010 includes the consumption of LPG (16,056 L).

³ Ton oil equivalents.

EN4 INDIRECT ENERGY CONSUMPTION BY SOURCE

3.11

The Group is a member of the **Italian Banking Association Energy Consortium**, which acts as a research and training centre for energy savings and advice and it also co-ordinates cost analysis and data acquisition as well as making group energy purchases at attractive conditions.

INDIRECT ENERGY CONSUMPTION ¹	2012 ²	2011 ²	2010
Electricity purchased (kWh)	118,561,125	125,293,213	110,426,442
per employee	6,638.73	7,012.94	6,345.29
by surface area (kWh/Sq.m)	118.03	121.13	104.31
percentage from renewable sources ³	100%	100%	100%
TOE ⁴	22,171	23,430	20,650
GJ	426,820	451,056	397,535
Distric heating (kWh)	9,220,850	10,784,843	10,099,665
per employee	516.31	603.65	580.30
by surface area (kWh/Sq.m)	9.18	10.43	9.50
TOE ⁴	793	927	869
GJ	33,195	38,825	36,359
Electricity from owned photovoltaic panels (kWh)	238,128	184,099	-
per employee (kWh)	13.33	10.30	-
by surface area (kWh/Sq.m)	0.24	0.18	-
TOE ³	45	34	-
GJ	857	663	-
TOTAL TOE⁴	23,008	24,391	21,519
TOTAL GJ	460,872	490,544	433,894
of which: from non renewable sources	33,195	38,825	36,359
from renewable sources	427,677	451,719	397,535

¹ The data are estimated on the basis of actual spending. See 3.11 for a definition of the coefficients used to calculate TOE and GJ.

² For shared condominium expenses we have the figure for total spending and we have no drivers to allocate consumption. These are heating expenses (approximately 70% of actual annual spending of approximately €8,342,000).

³ RECS (www.recs.org) and CO-FER (www.gse.it) certificates purchased by Energy Source.

⁴ Ton oil equivalents.

EN5 ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS

A substantial contribution to reducing consumption and emissions is made by the properties and eco-compatibility of buildings. The Group has adopted a design system for the refurbishment and construction of offices and branches, which involves an energy section which intervenes in three areas:

- **electricity and lighting**, with a high energy efficiency that guarantees constant levels of lighting and reductions in consumption partly through the possibility of the partial use of individual lamps;
- **machinery and plant**, with high efficiency energy equipment such as refrigeration units and heat pumps fitted with inverters, high-performance condensing boilers with low harmful gas emissions;
- **architecture and structure**, with greater use of insulation and film on windows to control sunlight. This reflects up to 70% of the incoming heat, maintains interior temperatures of buildings lower and reduces the need for air conditioning.

In 2012 windows were replaced in 17 branches with profiles and glass compliant with the new architectural and structural criteria and 40 new **remote control operated heating and air conditioning systems** were installed. Remote control equipment, now present on 280 systems, is used to monitor via intranet the correct environmental temperature settings required and the on and off times, both in winter and summer. A pilot study was conducted from a power and lighting viewpoint to assess the feasibility of introducing LED lighting in branches.

As concerns consumption by computer equipment, approximately 3,000 latest generation PCs were purchased as part of the **renewal of the PC fleet**. These guarantee lower power consumption. Work station monitors all have the following energy efficiency certifications: **TCO display 5.0**, **TCO 03** and **Energy Star**, while all notebooks, desktop PCs and printers have **Energy Star** certification.

The new server farm, which comprises approximately 1,600 servers, uses power management technologies to reduce power consumption. This means that the power delivered by the power supply is no longer constant, but varies as a function of the processing load required by the

applications that are run. Energy diagnosis activity was commenced for the other server farms at the Brescia and Bergamo farms and when this is finished (first quarter of 2013) appropriate action will be taken to optimise consumption.

EN6
INITIATIVES TO
PROVIDE ENERGY
EFFICIENT OR
RENEWABLE ENERGY
BASED PRODUCTS
AND SERVICES

In consideration of the activity carried out, the indicator is held to be significant, not so much with regard to products and services that are energy efficient in themselves or that are based on renewable energy as with regard to the supply of products and services designed to support investments for energy savings and the use of renewable energy, as reported in the section on products and investments for environmental purposes. [↗ FS8]

EN7
INITIATIVES TO
REDUCE INDIRECT
ENERGY
CONSUMPTION AND
THE REDUCTIONS
ACHIEVED

The Group has undertaken initiatives to reduce indirect energy consumption connected with the mobility of employees. These regard the following: a travel policy which gives priority to the use of collective public transport for business travel [↗ EN17], increasingly greater use of video conferencing to replace physical travel [↗ EN18], and the use of company buses for travel to and from work. [↗ EN18]

Water

EN8
TOTAL WATER
WITHDRAWAL BY
SOURCE

The water used is supplied exclusively from the public water mains. Therefore there are no other sources that can be significantly affected by the volumes of withdrawal.

WATER CONSUMPTION (Cu.m)¹	2012	2011	2010
Water withdrawn from the public mains	692,015	671,502	673,464
per employee	38.75	37.60	38.70

¹ The data are estimated on the basis of actual spending.

EN9
WATER SOURCES
SIGNIFICANTLY
AFFECTED BY
WITHDRAWAL

In consideration of the activity carried out and its location, the indicators are not considered significant.

EN10
WATER RECYCLED
AND REUSED

Biodiversity

EN11 LANDS IN PROTECTED OR OF HIGH BIODIVERSITY AREAS

The Group owns over 12 hectares of land located in agricultural areas, but it has no land in protected areas or that is important with regard to the protection of biodiversity.

EN12 IMPACTS OF ACTIVITIES, PRODUCTS AND SERVICES ON BIODIVERSITY

EN13 HABITATS PROTECTED OR RESTORED

In consideration of the activity carried out and its location, the indicators are not considered significant.

EN14 STRATEGIES AND ACTIONS FOR MANAGING IMPACTS ON BIODIVERSITY

EN15 PROTECTED SPECIES IN AREAS WHERE THE ORGANISATION OPERATES

EN16 TOTAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

☞ 3.11

Emissions, effluents and waste

Indirect emissions relate solely to electricity purchased, because – in compliance with the guidelines issued by Italian Banking Association Energy for banks – emissions resulting from district heating are not considered because the heat used comes from power generating plants and therefore the relative emissions are reported by the users of the electricity.

As had already occurred in 2011, yet again in 2012 CO₂ emissions from purchased electricity were fully offset by the purchase of **RECS and COFER certificates** from Energetic Source for the entire supply.

DIRECT EMISSIONS (Tons)	2012						2011					
	CO ₂	CH ₄	N ₂ O	NO _x	SO _x	CO ₂ e	CO ₂	CH ₄	N ₂ O	NO _x	SO _x	CO ₂ e
From heating systems												
Natural gas	9,060.2	0.40	0.16	11.17	0.08	9,117.2	9,544.1	0.4	0.2	11.8	0.1	9,604.4
Gas oil	2,200.7	0.21	0.06	2.06	4.12	2,223.7	2,659.2	0.2	0.1	1.9	3.9	2,682.4
LPG	34.2	n.s.	n.s.	-	-	34.3	46.5	n.s.	n.s.	-	-	46.6
Company car fleet												
Petrol	111.2	0.04	n.s.	-	-	112.9	154.6	0.10	n.s.	-	-	157.0
Gas oil	3,500.7	0.05	0.11	-	-	3,533.5	4,270.3	0.10	0.10	-	-	4,310.3
LPG	5.2	n.s.	n.s.	-	-	5.5	0.3	n.s.	n.s.	-	-	0.3
TOTAL	14,912.3	0.69	0.33	13.23	4.20	15,027.2	16,675.0	0.80	0.40	13.73	3.97	16,800.9
per employee	0.84	-	-	-	-	0.84	0.90	-	-	-	-	0.90

EN17 OTHER INDIRECT GREENHOUSE GAS EMISSIONS

☞ 3.11

Indirect greenhouse gas emissions, which are not covered by the other indicators, regard corporate travel using vehicles other than those in the Group car fleet [☞ EN16] and they are estimated as totalling 4,329.3 tons of CO₂, equivalent to 4,430.5 tons of CO₂ equivalent.

EN18
INITIATIVES TO
REDUCE GREENHOUSE
GAS EMISSIONS AND
THE REDUCTIONS
ACHIEVED

CORPORATE TRAVEL (Tons)	2012		2011	
	CO ₂	CO ₂ e	CO ₂	CO ₂ e
Group car fleet	3,617.1	3,651.9	4,425.2	4,467.6
Private vehicles	3,942.9	3,959.5	4,680.7	4,700.4
Air	117.2	143.1	n.d.	n.d.
Train	269.2	327.9	n.d.	n.d.
TOTAL	7,946.4	8,082.4	9,105.9	9,168.0

The emissions of private vehicles for 2011 were recalculated using the same coefficients of 2012.

With account taken of the economic crisis in progress and of the consequent necessity to reduce costs, the Group pays particular attention to reducing waste in the use of all forms of energy, giving priority to action which does not require investments.

The **2012 Energy Programme** led to the implementation of a series of actions taken to improve energy consumption at zero cost:

- a map of inefficiencies in the use of resources (space, energy, water) in branches and their elimination in the most economical way possible, rationalising the use of space and increasing the efficiency of lighting and heating and air conditioning;
- extension to UBI Banca and UBI Sistemi e Servizi of the centralised system for switching PCs off at night, introduced in the network banks in 2010 and 2011;
- power factor correction for electric circuits to improve the performance of the circuits, thereby also reducing penalty payments for reactive energy;
- compilation of the technical specifications for contracts to install luminous signs in branches and the start of a study for a branch lit with LED technology in compliance with photobiological safety standards;
- the use of air conditioning equipment which uses low environmental impact refrigerant gas and condensing boilers with low harmful gas emissions in the construction of new branches and refurbishment work.

The Group has a number of large business centres consisting of the headquarters of the Parent, the Network Banks and the Product Companies on which problems of sustainable mobility and initiatives to solve them are concentrated. These matters are supervised by the Group **Mobility Manager** in the Human Resources Area. In order to encourage more sustainable to-and-from work mobility, for some years now protected parking areas have been provided for bicycles in some of the main headquarters of the Group and a coach shuttle service runs between Bergamo, Varese, Brescia and Milan (and actually within the city for the latter). In 2012, the service was used on average by 370 employees per day, thereby preventing emissions of well over 1,000 tons of CO₂ compared to the use of car travel¹.

VIDEO-CONFERENCES	2012	2011	2010
Offices equipped	326	337	134
Video rooms	183	182	185
Number of video-conferences	16,030	3,447	3,067
number of participants	35,000	10,341	9,199
average number of participants	3	3	3
Estimated CO ₂ emission savings (Ton)			
CO ₂	369	298	265
CO ₂ e	376	n.d.	n.d.

Both the procedures for recording the video conferences carried out (and the relative number of participants) and the calculation of emission savings were refined in 2012. Therefore the 2012 data are not comparable with previous years ones.

To demonstrate its environmental commitment, again in 2013 the Group participated in the initiative **M'illumino di meno** (I use less light), symbolically switching off the neon signs of the main

¹ The figure was estimated using a conversion factor indicated by the 2012 Defra (Department for Environment Food and Rural Affairs) guidelines.

headquarters of UBI Banca, UBI Sistemi e Servizi and of the network banks and some large Group branches and educating employees by publicising the initiative and an energy savings “Decalogue” on the corporate intranet portal UBILife.

EN19
EMISSIONS OF
OZONE-DEPLETING
SUBSTANCES

The only source of ozone-depleting substances involved in the activity carried out consists of air conditioning systems. Almost all of the new air conditioning systems installed in offices contain the non-polluting R410 refrigerant gas, while some remaining systems still use the R22 gas as well non polluting R407 and R134 gases.

With regard to the R22 gas, the maintenance firms which repair gas leaks have been asked to furnish reports on maintenance intervention carried out, giving the quantity of gas used to top up the system to the correct level for the functioning of the equipment. The quantity of the gas introduced into the systems repaired in 2012 was 427.6 kg. The Group has already allocated sums to budgets needed to replace systems which still use the R22 gas in the two year period 2013/2014.

EN20
OTHER SIGNIFICANT
AIR EMISSIONS

Significant polluting air emissions involved in the activity carried out regard those substances reported in table EN16 only, which also gives NO_x and SO_x emissions.

☞ EN16

EN21
WATER DISCHARGE

All water consumed (including water used in air conditioning systems, which cannot be quantified separately) is withdrawn from the public water mains and is discharged into the public sewers.

EN22
WASTE BY TYPE AND
DISPOSAL METHOD

All waste is separated and sent for recycling or recovery, except for solid urban waste, managed by the public collection service, for which we are unable to measure the quantity.

WASTE SEPARATION (Kg)	2012	2011	2010
Paper and cardboard/paper packaging	1,675,938	1,936,790	1,985,892
Toner	34,730	35,882	22,530
Glass, cans and iron	2,303	861	1,172
Plastic	3,718	3,484	3,468
Other waste	181,573	184,130	88,097
of which hazardous	7,266	10,566	n.a.
TOTAL	1,898,262	2,161,147	2,101,159
per employee	106.29	120.96	113.80
by surface area (Kg/Sq.m)	1.89	2.09	2.30

EN23
SIGNIFICANT
POLLUTANT SPILLS

In consideration of the activity carried out and its location, the indicator is not considered important.

EN24
HAZARDOUS WASTES

The dangerous waste reported for the EN22 indicator consisted primarily of retired electronic equipment containing dangerous substances (95% of hazardous waste), lead batteries (3%) and fluorescent tubes (2%) and they are entrusted to authorised local waste disposal companies.

EN25
WATER HABITATS
AFFECTED BY
DISCHARGES

In consideration of the activity carried out and its location, the indicator is not considered important.

Products and services

EN26 INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES

Given the activity carried out, it is not considered possible to identify the environmental impacts of the production and use of the Group's products and services, other than those already reported through the other indicators for environmental aspects of operations.

EN27 PRODUCTS SOLD AND THEIR PACKAGING MATERIALS THAT ARE RECLAIMED

In consideration of the activity carried out, the indicator is not considered important.

Compliance

EN28 SIGNIFICANT FINES AND NON- MONETARY SANCTIONS FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS

No significant sanctions were imposed for non-compliance with environmental regulations.

Transport

EN29 SIGNIFICANT ENVIRONMENTAL IMPACTS OF TRANSPORTING PRODUCTS AND MATERIALS USED AND OF TRANSPORTING PERSONNEL

In consideration of the activity carried out, the indicator is not considered important, except in relation to employee mobility, the impact of which has already been reported under other indicators EN16 and EN17.

Overall

EN30 ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENTS

No monitoring of expenditures and investments in environmental protection is currently performed.

LA. Labour practices and decent work

Personnel represent an asset with values, capabilities and competencies, the recognition and enhancement of which, considered in terms of capitalising and using the capabilities and competencies of individuals, constitute essential conditions for achieving UBI Banca's mission.

The principles endorsed by ILO (International Labour Organisation) conventions are applied throughout the Group. The local and national standards which Group companies and banks must observe are based on those principles. The policies and processes for personnel management comply with these principles and those of the Global Compact and they employ the values of fairness, consistency, meritocracy and uniformity to translate Group objectives into personal, team and corporate results.

Employment

LA1 PROFILE OF THE PERSONNEL

☞ LA13

UBI Banca has signed agreements with trade union organisations in favour of generation turnover and incentives for voluntary early retirement and lay-offs and reductions in working hours, in order to achieve the declared objective of recovering productivity and cutting costs – in connection with the generally negative performance of the economy and changes to the pension system introduced by the *Decreto Salva Italia* ("Save Italy Decree") – and to cushion repercussions in financial and social terms [☞ LA5].

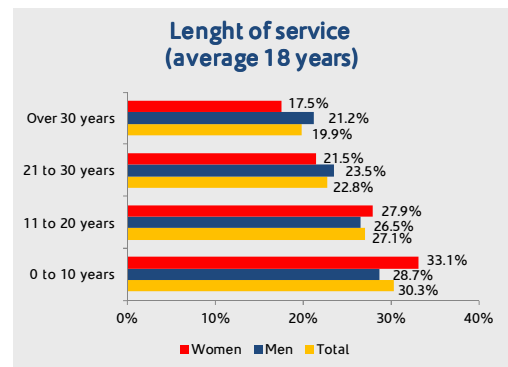
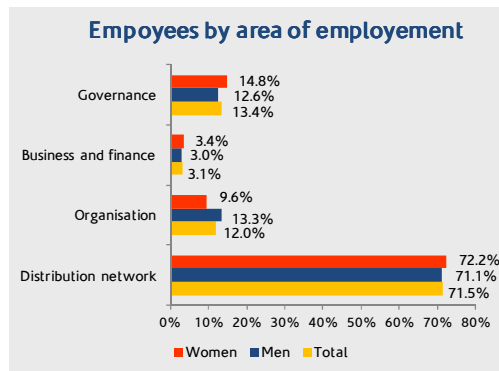
PERSONNEL	2012			2011			2010		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
Employees at the end of the year	19,105	12,054	7,051	19,391	12,251	7,140	19,616	12,413	7,203
of which:	19,010	12,004	7,006	19,270	12,192	7,078	19,420	12,303	7,117
permanent	87	42	45	104	47	57	171	95	76
on temporary contracts	8	8		17	12	5	25	15	10
apprentices	34	21	13	125	74	51	341	188	153
Associate workers at the end of the year	2	1	1	68	45	23	274	156	118
of which:	32	20	12	57	29	28	67	32	35
personnel leasing									
other contracts (e.g. internship/agency)									
TOTAL	19,139	12,075	7,064	19,516	12,325	7,191	19,957	12,601	7,356

At the end of 2012, 1,651 employees were employed on **part-time contracts** (8.6% of the total work force), 95% of whom were women. Over the last three years there has been a progressive increase in part-time contracts, which numbered 1,440 in 2010 and 1,526 in 2011. The main tools employed by the Group for **flexible working and the reconciliation of family and work time** are part-time contracts, the possibility to **reduce or suspend working hours** [☞ LA5], the **"time bank" scheme**, the possibility to **move closer to their homes** (exploiting where possible intragroup mobility opportunities) and service provision [☞ LA3].

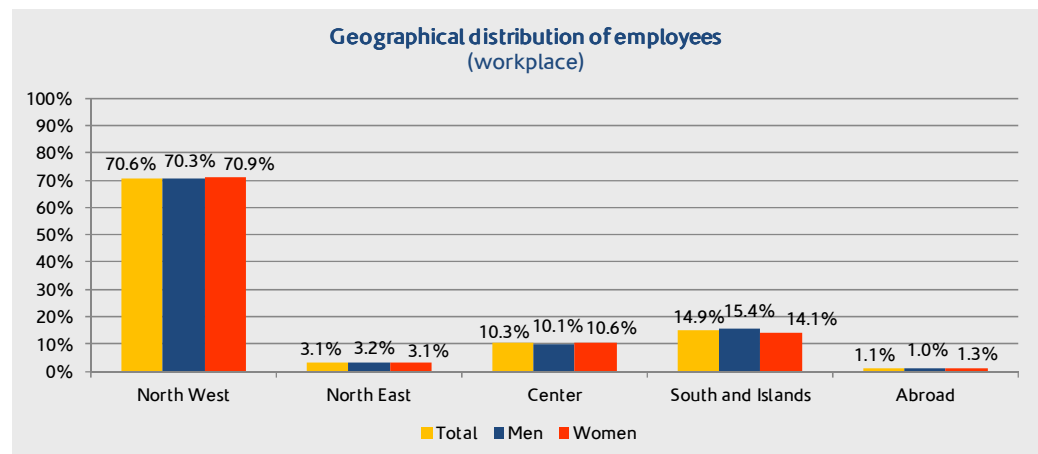
Priority is given in allowing part-time work contracts to applicants with good grounds and in particular to those justified by the need to care for children, whether biological or fostered (below maximum junior school age) or by serious family reasons and/or because of the health of the applicant, a spouse, first degree relatives and person's under the legal guardianship of the applicant.

Where possible, if compatible with the operating requirements of the company, employment solutions are sought within the organisational unit to which the person belongs or one close to it. Weekly and daily working hours are agreed between the company, the organisational unit in question and the employee, in the context of the provisions of the national labour contract and if compatible with service requirements. The duration of part-time contracts is for a maximum of four years and two-year extensions may be requested. These are granted on the basis of the places available and if they are compatible with service requirements and those of the employee. Female workers on part-time contracts who take leave from work for pregnancy, maternity and postnatal convalescence, may normally request a further part-time contract of four years.

Over 70% of employees work in the distribution network at the service of customers. The average length of service is 18 years (19 for men and 17 for women).



Geographical mobility affects 20.1% of employees, in terms working in a different province to that in which they are resident. The Group tries, where possible and if compatible with organisational requirements, to satisfy requests to work close to home made by employees classified as belonging to “professional areas” and special attention is paid to employees who have been working in organisational units at distances of over 40 km (to work and back) from their homes. Moving personnel closer to their homes may result in new or different duties from those performed in their original organisational units.



LA2 TURNOVER

LA5

The personnel search and selection activities at the service of normal staff turnover are centralised for the whole Group. The processes are based on criteria of transparency, independent judgement and respect for personal information on candidates, who are informed of job opportunities available in the Group and about selection methods and timing.

Candidates are acquired mainly through the **“Work” section of the corporate website of the Group** and selection is conducted by means of aptitude and behavioural tests, group assessment and individual interviews, with account taken of age, educational achievement, type of education and experience in relation to professional requirements for different roles in the Group.

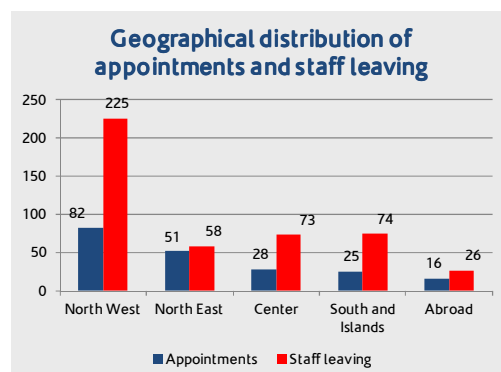
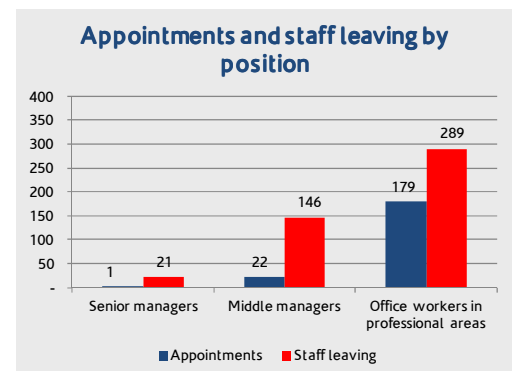
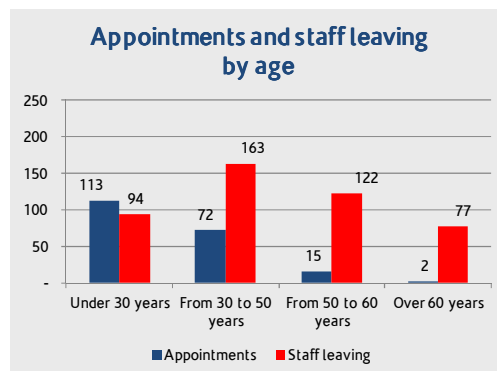
Over 31,000 CVs were received during the year and approximately 655 candidates were involved in the selection process, with a particular focus on both newly qualified graduates and middle management candidates with experience in various specialist fields.

The Group took part in 10 events in 2012 (career days and company presentations) organised above all by schools and universities, in order to let young people know the type of qualifications and experience in which the Group is interested, to acquire candidates and to carry out preliminary and counselling interviews. During the year 91 persons were appointed on internships in co-operation with these institutions, of which 59 were university undergraduates and graduates and 32 school leavers. These provide opportunities for specialist “on-the-job” training above all at the Parent and in the Product Companies.

APPOINTMENTS	2012		2011		2010	
	TOTAL	WOMEN	TOTAL	WOMEN	TOTAL	WOMEN
On temporary contracts	141	56.0%	222	56.8%	411	46.7%
of which from:						
personnel leasing	2	0.0%	4	75.0%	n.a.	n.a.
apprentices	0	0.0%	0	0.0%	n.a.	n.a.
internship	1	0.0%	4	0.0%	n.a.	n.a.
Permanent	61	34.4%	136	33.1%	293	43.7%
of which from:						
personnel leasing	1	0.0%	5	20.0%	n.a.	n.a.
internship	0	0.0%	1	0.0%	n.a.	n.a.
TOTAL	202	49.5%	358	47.8%	704	45.5%

CONVERSION FROM TEMPORARY CONTRACTS	2012		2011		2010	
	TOTAL	WOMEN	TOTAL	WOMEN	TOTAL	WOMEN
From apprentices	9	55.6%	8	62.5%	n.d.	n.d.
Other	15	20.0%	82	45.1%	n.d.	n.d.
TOTAL	24	33.3%	90	46.7%	510	n.d.

STAFF LEAVING	2012		2011		2010	
	TOTAL	WOMEN	TOTAL	WOMEN	TOTAL	WOMEN
Business Plan reductions	119	30.3%	82	43.9%	545	13.4%
of which:						
"solidarity fund"	2	100.0%	60	51.7%	153	22.9%
incentivised redundancies	117	29.1%	22	22.7%	392	9.7%
Voluntary resignations	112	26.8%	220	29.5%	250	25.6%
End of contract	143	62.2%	203	53.7%	198	48.5%
Retirement	9	33.3%	7	0.0%	21	28.6%
Dismissal	32	12.5%	23	21.7%	23	26.1%
Other	41	14.6%	48	37.5%	19	10.5%
TOTAL	456	36.8%	583	40.0%	1,056	23.4%



Turnover was 2.4% (0.6% voluntary turnover) down again compared to recent years: 3.0% in 2011 (1.1% voluntary turnover) and 5.4% in 2010 (1.3% voluntary turnover).

During the year 570 intragroup transfers occurred (34% women), 98 more than in 2011.

RATE	2012		2011		2010	
	NEW EMPLOYEE HIRES ¹	TURNOVER ²	NEW EMPLOYEE HIRES ¹	TURNOVER ²	NEW EMPLOYEE HIRES ¹	TURNOVER ²
By position						
Senior managers	0.2%	4.9%	1.8%	8.5%	0.8%	14.2%
Middle managers	0.3%	1.9%	0.8%	2.1%	0.7%	5.8%
Other personnel	1.6%	2.6%	2.5%	2.8%	5.6%	4.7%
By gender						
Men	0.8%	2.4%	1.5%	2.9%	3.1%	6.5%
Women	1.4%	2.4%	2.4%	3.3%	4.4%	3.4%
By age						
Under 30	12.2%	10.1%	15.5%	13.8%	26.6%	9.3%
30 to 50	0.6%	1.4%	1.2%	2.0%	1.1%	1.8%
50 to 60	0.2%	2.0%	0.3%	2.4%	0.3%	8.7%
over 60	0.4%	15.9%	0.4%	11.5%	0.7%	157.4%
By geographical area						
North West	0.6%	1.7%	1.3%	2.1%	2.7%	4.6%
North East	8.5%	9.7%	8.1%	18.4%	8.1%	11.6%
Central	1.4%	3.7%	2.0%	3.5%	3.6%	5.3%
South and Islands	0.9%	2.6%	2.3%	3.8%	6.4%	6.7%
Abroad	7.7%	12.5%	13.2%	26.0%	9.8%	17.1%
TOTAL	1.1%	2.4%	1.8%	3.0%	3.6%	5.4%

¹ Ratio between appointments over employees at the end of the year.

² Ratio between staff leaving over employees at the end of the year.

LA3
BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES

All Group employees, whether full-time or part-time, with the sole exclusion of personnel on temporary contracts, can benefit, depending on the company to which they belong, from **supplementary forms of pension and health care, insurance policies** covering death or permanent disablement, **gifts** on important occasions such as marriages, births and adoptions, degree awards, scholarship grants for children, **paid leave** to care for disabled family members, the emergency hospitalisation of family members, the birth or adoption of children and when they start nursery schooling. Cash grants are made to support single income families or families with disabled members. Services include **company crèches**, eight **company cultural and recreational clubs**, **holiday accommodation facilities** at tourist locations at attractive prices and **shuttle bus services** provided for travel to-and-from work at work places with large concentrations of personnel [EN18]. Favourable terms and conditions are granted on charges and commissions for banking services along with loans at special rates for the purchase of homes and automatic credit on easy terms in line with the best market conditions.

SERVICES AND CONCESSIONS FOR EMPLOYEES	2012				2011				2010			
	AVERAGE USERS	PLACES AVAILABLE	LEVEL OF USE	COSTS INCURRED (thousands of euro)	AVERAGE USERS	PLACES AVAILABLE	LEVEL OF USE	COSTS INCURRED (thousands of euro)	AVERAGE USERS	PLACES AVAILABLE	LEVEL OF USE	COSTS INCURRED (thousands of euro)
Children's nurseries	77	90	85.6%	277	72	90	80.0%	474	73	95	76.8%	350
of wich:												
Bergamo	40	46	87.0%		38	46	82.6%		38	46	82.6%	
Brescia	13	20	65.0%		10	20	50.0%		14	25	56.0%	
Milan	12	12	100.0%		12	12	100.0%		9	12	75.0%	
Jesi	12	12	100.0%		12	12	100.0%		12	12	100.0%	
Shuttle coach service				883	370			833	380			889
Company cultural and recreational clubs ¹	22,811			555	14,221			586	24,177			598
of wich for:												
sport	3,125				2,872				2,876			
tourist activities	3,485				2,160				3,817			
cultural activities	5,138				2,726				4,957			
recreational activities	9,660				4,759				10,043			
activities and services for children	1,403				1,704				2,484			
Supplementary pensions and insurance policies				52,570				50,455				48,577
Study grants and contributions to families				4,268				4,218				2,978
TOTAL COSTS				58,553				56,566				53,392

¹ Cral BPA, Cral BPB, Cral BPCI, Cral BSG, Cral CARIME, Circolo del Personale BRE and G.I.D UBI Banca, BVC

LEAVE	2012				2011				2010
	DAYS	EMPLOYEES	MEN	WOMEN	DAYS	EMPLOYEES	MEN	WOMEN	DAYS
Maternity and childcare	89,750	1,818	582	1,236	92,391	1,801	599	1,202	89,885
Study	935	148	83	65	1,249	201	115	86	1,391
Other personal needs	18,060	5,777	2,949	2,828	19,573	5,556	2,814	2,742	19,359
TOTAL	108,745	7,743	3,614	4,129	113,213	7,558	3,528	4,030	110,635



Since 2002 the families of employees both in service and retired, with disabled children who are not self-sufficient, have been able to count on the support of the **Clematis Onlus**. The association, formed by a group of employees and supported financially by the Group, has signed an insurance agreement to provide the children with an annual supplementary, revaluable, income of €12,000 payable on the death of both parents. The agreement has been signed by 66 families – of which 33 retired employees – for 70 disabled children. Other initiatives include grants toward the costs of “rehabilitation training” for the parents and their disabled children and for the purchase of facilities not reimbursed by public or private sector institutions.

LA15 RETURN TO WORK AND RETENTION RATES AFTER PARENTAL LEAVE

☞ LA7 and LA3

Under Italian law a period of parental leave is compulsory for women employees, normally during the two weeks prior to the presumed date of childbirth and three months after childbirth and leave from work is optional for both parents, normally for a maximum period of six months for each of them during the first eight years of a child's life.

In addition to parental leave, legislation and collective national and supplementary company labour contracts, allow for days of leave to be taken for maternity and to care for children (e.g. nursing) and to assist disabled family members.

COMPULSORY PARENTAL LEAVE ¹	2012	2011	2010
Employees taking leave during the year	474	494	526
of which:			
still on leave at the end of the year	162	170	181
returned from leave during the year	310	323	345
resigned when leave ended	2	1	-
Employees in work 12 months after leave ended	322	345	321
Rate of return ¹	99.4%	99.7%	100.0%
Retention rate ²	99.7%	100.0%	98.2%

¹ At the end of the parental leave.

³ One year after the end of the parental leave.

OPTIONAL PARENTAL LEAVE	2012	2011	2010
Employees taking leave during the year	623	521	452
of which women	95.3%	95.2%	95.4%

Labour/Management relations

LA4 EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

All employees are covered by national labour agreements and there is no restriction on the freedom of association and participation in trade unions.

There are eight trade union organisations in the Group to which 81.5% of employees belong. All trade union organisations operate freely without restrictions and the Group makes adequate operational means available to them to conduct trade union activities. In 2012 trade union representatives took 30,256 days of trade union leave (+0.7% compared to 2011).

Relations with trade union organisations are based on the search for agreement, as far as possible, on solutions to the issues which are discussed from time to time, through transparent, concrete and continuous dialogue even beyond the minimum required by institutional procedures. Work on trade union relations was intense in 2012 with 130 trade union meetings held for a total of 520 hours,

both to carry out negotiations in relation to the 2011-2013/15 Business Plan and to sign other agreements at a Group and single company level [LA5].

During the year trade union organisations carried out **strikes** for a total of 2,672 hours of absence from work, all at national level for reasons relating to the economic and political affairs of the country. No strikes occurred connected with grievances regarding the Group or the banking sector.

Important organisational changes were implemented in full compliance with the procedures set out in the Banking National Labour Contract which sets a minimum period of 45 days for negotiations with trade union organisations. Great attention was paid with the reorganisation measures, which met important requirements to improve and rationalise the organisation, to minimise repercussions for workers with regard to retraining, geographical mobility and reconciliation of work with family time. The change of role and retraining processes were managed with priority given to enhancing human and professional resources, pursued also by proposing training programmes, while intragroup mobility is managed, insofar as it is possible, as an opportunity for the occupational growth and enhancement of individuals, by assigning employees with new duties consistent with their qualifications, experience, potential and aptitudes.

Organisational changes were made in 2012, including action planned under the 2011-2013/15 Business Plan, with trade union negotiations which led to agreements being signed at Group and single company level. They included:

- two memorandums of understanding with trade unions for the merger of Banca 24-7 into UBI Banca and one for the merger of Banco di San Giorgio into Banca Regionale Europea, which involved limited geographical mobility measures, including some of a transitory nature and appropriate personnel retraining programmes for the staff concerned;
- a trade union agreement concerning the merger of Società Italiana Leasing e Finanziamenti Spa (SILF) into UBI Banca, an operation which did not cause employment and geographical mobility problems for the workers involved;
- a trade union agreement relating to the transfer of IW Bank operations to UBI Sistemi e Servizi, which did not cause employment problems at IW Bank and impacts on the occupational mobility of the workers involved and it had limited effects in terms of occupational mobility;
- negotiations concerning operations planned under the 2011-2013/15 Business Plan regarding on the one hand, a new series of actions to streamline the branch network of the Group and on the other hand to revise the distribution model at Banca Popolare Commercio e Industria, with the introduction of a “Head Branch” and “Group Branch” model already in operation in other Group banks, with limited geographical mobility measures;
- negotiations concerning the allocation of the training and professional and managerial development activities of Group companies to the new consortium company UBI Academy. This operation had no repercussions on the personnel concerned, on secondment at the new company, neither in terms of geographical mobility nor legal and professional status;
- a report made by law to trade unions on the sale by UBI Banca of a controlling shareholding in UBI Insurance Broker to Marine & Aviation, an operation which had no impacts at all on the working conditions of the UBI Banca staff involved.

Furthermore, negotiations were commenced on 28th August and concluded with a framework agreement on 29th November, during which trade unions were informed of the main lines of action designed to seek greater efficiency and productivity as part of the plan to change Group organisation and to cut costs.

These included action on the following: branches; the organisational structure of the private and corporate banking commercial network; procedures for interaction between the Parent and the network banks; integrated multi-channel banking; the evolution of the organisational structure of the Parent and UBI Sistemi e Servizi; and also further reorganisation of some product companies.

The framework agreement contained provisions for the period 2013-2015, which included a **voluntary early retirement plan** and the possibility of applying for the **suspension and/or reduction of working hours** through access to the “ordinary cheque” of the Solidarity Fund for Banking

Personnel. Employees applying for benefits from the fund receive a cheque amounting to 60% of the gross remuneration for the days/hours not worked up to a monthly maximum limit. The proposal to apply for a reduction in working hours is made to permanent employees in the professional areas and middle management categories, while that for suspension regards all permanent employees (including senior management). That same agreement also provides for a widening of the programme to convert temporary contracts to permanent contracts and 283 new appointments, designed to support **generation turnover** based on a criterion of proportionality between voluntary termination of employment contracts and new appointments.

☞ [Reports and Accounts 2012 pages 31-33](#)

Occupational health and safety

Occupational health and safety matters are regulated in great detail by Legislative Decree No. 81/08, the provisions of which are applied in all Group companies.

A function was created at the Parent, on the staff of the Chief Operating Officer, which has the duty of overseeing implementation of legislation on the matter throughout the Group and to officially fill the role of the Prevention and Protection Service for those Group companies for which a specific service provision contract is in place. The function is constantly supported by a leading consulting company.

In accordance with article 35 of Legislative Decree No. 81/2008, annual meetings are held in all companies, attended by company representatives (the employer and its representatives), the manager and the staff of the Prevention and Protection Service, the Corporate Physician and workers safety representatives, where appointed.

Additional meetings are held, sometimes separately, between the Prevention and Protection Service and each of the parties mentioned above, to study specific issues in detail. These include: developments in the risk assessment process and verification of the state of progress of risk mitigation projects; regulatory reviews and updates made necessary by changes in the legislative framework; operational problems which may emerge in individual environments; special projects launched in the Group. The Manager of the Prevention and Protection Service is also periodically convened by the 231 (administrative liability) Supervisory Bodies and/or by the Boards of Statutory Auditors.

A total of 73 meetings were held in 2012.

Again in 2011 the banking sector confirmed what had been recorded in previous years with regard to low levels of hazard for the risk of injury in work environments and processes.

In the INAIL (national insurance institute for accidents at the workplace) statistics it was positioned in the lowest class in terms of absolute severity, the frequency and seriousness of accidents, with the majority of total injuries occurring while travelling.

The Group is perfectly in line with the sector and pursues special policies designed to reduce road accident risks at the source, by encouraging the use of public transport for work activities and by making collective transport facilities available, where restructuring processes result in significant travelling requirements for personnel.

For potential sources of accident risk normally present at the workplace (such as those connected with the ordinary and extraordinary maintenance of properties and the relative wiring and services, in addition to continuous work to educate personnel performed by staff at UBI Sistemi e Servizi, which manages relations directly with the suppliers who perform the work, in cases of accidents attributable to failings or omissions by maintenance firms), the failings observed have been officially reported, and the firms reminded of the safety obligations agreed to in contracts.

LA6 WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT- WORKERS HEALTH AND SAFETY COMMITTEES

LA7 INJURY, DISEASES AND ABSENTEEISM

ACCIDENTS	2012							2011	2010
	TOTAL	MEN	WOMEN	NORTH WEST	NORTH EAST	CENTRAL	SOUTH AND ISLANDS	TOTAL	TOTAL
At work									
No. of events	51	26	25	28	1	2	20	57	46
Injury rate ¹	0.001	0.001	0.002	0.001	0.001	0.001	0.004	0.002	0.001
GRI Injury rate ²	0.39	0.30	0.56	0.31	0.23	0.15	0.93	0.43	0.37
Seriousness index ³	0.05	0.04	0.06	0.03	0.00	0.01	0.14	0.05	0.04
GRI Seriousness index ⁴	11.98	10.23	15.34	8.00	0.68	2.04	37.12	13.19	10.23
Commuting									
No. of events	175	101	74	119	6	17	33	176	182
Injury rate ¹	0.005	0.004	0.006	0.005	0.005	0.005	0.006	0.005	0.005
GRI Injury rate ²	1.35	1.18	1.67	1.31	1.36	1.28	1.53	1.31	1.45
Seriousness index ³	0.15	0.15	0.16	0.15	0.16	0.17	0.16	0.18	0.16
GRI seriousness index ⁴	40.53	39.35	42.79	39.11	42.26	46.00	42.78	47.07	41.33
TOTAL NO. OF EVENTS	236	133	103	155	7	19	55	233	228
Injury rate ¹	0.007	0.006	0.009	0.007	0.006	0.005	0.010	0.007	0.007
GRI injury rate ²	1.82	1.56	2.32	1.71	1.59	1.44	2.55	1.74	1.81
Seriousness index ³	0.20	0.19	0.22	0.18	0.16	0.18	0.30	0.23	0.19
GRI seriousness index ⁴	52.50	49.58	58.13	47.10	42.95	48.04	79.90	60.25	51.57

¹ Ratio of number of injuries to total days worked multiplied by 100.

² Ratio of number of injuries to total hours worked multiplied by 200,000.

³ Ratio of days of injury to total days worked multiplied by 100.

⁴ Ratio of days of injury to total hours worked multiplied by 200,000.

No fatalities at work and one fatality while commuting occurred in 2012.

ABSENCE (NO. DAYS)	2012							2011	2010
	TOTAL	MEN	WOMEN	NORTH WEST	NORTH EAST	CENTRAL	SOUTH AND ISLANDS	TOTAL	TOTAL
Illness	125,058	72,944	52,114	83,964	3,314	12,711	25,069	133,208	128,176
Accidents	6,812	4,231	2,581	4,265	189	636	1,722	8,069	6,481
of which: at work	1,554	873	681	724	3	27	800	1,766	1,286
commuting	5,258	3,358	1,900	3,541	186	609	922	6,303	5,195
Other absences	62,092	42,977	19,114	39,822	1,404	7,814	13,051	59,344	57,017
of which: public or elective positions	2,350	1,960	390	1,329	255	512	254	n.d.	n.d.
blood donations	1,893	1,594	299	1,522	45	203	123	n.d.	n.d.
assistance for disabled	21,089	10,156	10,933	12,905	479	2,603	5,102	n.d.	n.d.
union permits	31,122	25,928	5,194	19,581	524	4,044	6,973	n.d.	n.d.
security permits	62	61	1	57	4	0	1	n.d.	n.d.
strikes	385	217	168	381	2	2	0	n.d.	n.d.
other ¹	5,191	3,061	2,129	4,047	95	450	598	n.d.	n.d.
TOTAL	193,962	120,152	73,809	128,051	4,907	21,161	39,842	200,621	191,674

¹ The figures include permits for thermal treatment and for union meetings.

ILLNESS	2012							2011	2010
	TOTAL	MEN	WOMEN	NORTH WEST	NORTH EAST	CENTRAL	SOUTH AND ISLANDS	TOTAL	TOTAL
Illness seriousness index ¹	3.66	3.25	4.46	3.53	2.85	3.62	4.44	3.81	3.82
GRI seriousness index ²	963.89	854.74	1,173.69	927.27	753.03	960.11	1,163.14	994.70	1,019.84

¹ Ratio of days of illness to total days worked multiplied by 100.

² Ratio of days of illness to total hours worked multiplied by 200,000.

Risk situations are also recognised and managed, as part of the Prevention and Protection Service, that are connected with **occupational diseases** (e.g. work-related stress), however, it is not possible to report the number of days of absence because in order to ensure the right to privacy, the medical certificates do not state the type of illness.

RATE OF ABSENTEISM	2012							2011	2010
	TOTAL	MEN	WOMEN	NORTH WEST	NORTH EAST	CENTRAL	SOUTH AND ISLANDS	TOTAL	TOTAL
Rate of absenteeism ¹	5.68	5.35	6.32	5.38	4.21	6.03	7.05	5.74	5.72
GRI rate of absenteeism ²	11,366.51	10,705.01	12,637.57	10,757.26	8,429.91	12,063.66	14,106.10	11,488.75	11,437.94

¹ Ratio of days of illness to total days worked multiplied by 100.

² Ratio of days of illness to total hours worked multiplied by 200,000.

In 2012 activities concerning training, prevention and risk-control for health and safety mainly regarded employees and were focused on the following:

- the completion of the risk assessment stage for **work-related stress** through the acquisition, processing and comparison (against a sector benchmark) of numerically significant corporate data ("alarm bell" events and data relating to the working context and content indicators). Focus groups were organised to investigate subjective perceptions of work-related stress with Workers' Safety Representatives led by a psychologist and a project was commenced with support from a consulting firm to carry out a voluntary and anonymous survey;
- modifications to the corporate system for the Management of Safety at the Workplace to comply with **national UNI INAIL (national insurance institute for accidents at the workplace) guidelines**, to obtain an organisational model which gives greater protection against crime risks in terms of prevention (Legislative Decree No. 231/01) and also significant savings on the annual accident insurance premium, resulting from the lower tariffs which INAIL charges companies that can demonstrate that they have adopted virtuous practices on prevention and protection from occupational risks at the workplace, having taken additional action with respect to minimum regulatory requirements;
- the identification of more appropriate solutions to reduce **risks of theft and robberies** at source, partly through more effective technical deterrent measures, and also to guarantee the best forms of **assistance and qualified psychological support** for personnel involved in these events and for personnel subjected to **physical and verbal violence** by clients or others. Despite the substantial reduction in the number of robberies in absolute terms, both in the Group and in the sector nationally, most of the robberies carried out involve the prolonged presence of the criminals in branches, with employees held hostage, thankfully never violently. These methods make psychological assistance necessary for the personnel involved [[PR1](#)].

COSTS INCURRED FOR OCCUPATIONAL HEALTH AND SAFETY (euro)	2012	2011
Intervention required by Law No. 81/08	905,291	1,501,515
Prevention and protection at the workplace consulting services	981,277	776,957
Occupational health and safety training	172,620	185,500
Corporate Physician services (medical visits to monitor health) and post robbery psychological assistance	108,146	102,408
Services provided by the parent for prevention and protection at work	491,310	650,000
TOTAL	2,658,644	3,216,380

The costs incurred in 2012 for occupational health and safety and the number of technical measures taken to reduce risk were fewer than in the previous year, because a large number of risks were eliminated in 2011, which are no longer present.

Training and education

The Group has always paid great attention to training on health and safety matters, which plays a role of primary importance in risk prevention.

TRAINING ON HEALTH AND SAFETY¹	2012		
	PARTICIPANTS	SESSIONS¹	HOURS
Video terminal workers	2,345	1	2,287
Emergency personnel	1,565	102	8,827
of which:			
fire prevention	219	17	980
first aid	1,346	85	7,847
New recruits	-	-	-
Safety figures ²	1,818	13	5,684
Robbery risk	2,821	47	8,360
Other (updates)	15,812	3	33,779
TOTAL	24,361	166	58,935

¹ Training for senior managers, safety officers, company trade union representatives, etc.

² Data of FAD courses are calculated as 1 session.

The new Group training programme, which has been upgraded in terms of the subject matter and the duration of the courses to comply with legislation on health and safety, contains not only e-learning courses selected from the training catalogue of the Group's trade association, but also classroom training provided by qualified personnel both from the Prevention and Protection Service and from the firm which provides consulting services to the Group on health and safety matters.

The training programme provided for personnel exposed to the **risk of robbery** was particularly appreciated by participants. It consists of an entire day of classroom training given by specialist psychologists assisted by staff from the Prevention and Protection Service, supplemented by a preparatory e-learning course before the classroom training which, by simulating different types of robbery, provides personnel with a useful means of learning the correct behaviour to employ on those occasions.

In order to educate all personnel on the subject of the **risk of work-related stress**, a remote course providing information has been provided on the corporate training web platform, specifically prepared for the banking sector, by a leading member of the academic world in co-operation with the Italian Banking Association training department.

In order to increase personnel awareness of the importance of behaviour consistent with respect for their own health and those of others – also in implementation of the principles and contents of the Code of Ethics – a section exists on the Group intranet portal UBILife dedicated to health and safety. The following can be easily found on it: references to laws and Group regulations; news on safety organisation in the Group (e.g. emergency plans and exit routes to follow in different premises illustrated by actual photographs); material used in classroom training initiatives; and also useful advice and information on correct life-styles to remain in good physical and mental condition.

A series of meetings and workshops were organised in 2012 at the Bergamo and Brescia offices of UBI Banca in relation to the risks of smoking – in co-operation with the Umberto Veronesi Foundation – entitled “**No Smoking Be Happy**”. They were attended by communities in schools (pupils and teachers) and families as well as employees. Participants numbered over 1,600,

Prevention

All operational units are subject to programmed inspections and on-site visits on the basis of reports received from workers' safety representatives, trade union organisations and personnel from the operational units themselves or on the request of departments in the Group. All new units and also those subject to restructuring are inspected within 90 days of becoming operational.

The inspections may generate a series of “recommendations” to the functions normally responsible for the removal of the risk (Safety Officer, Real Estate, Security), which are entered into the IT system for managing the state of progress of the action taken to solve the problems.

Health monitoring performed by corporate physicians is designed to guarantee the same level of service and protection for health for all personnel and it involves periodic visits¹ and visits on request by personnel themselves. The doctors promptly report any problems which may be found during visits in order to identify the best solutions to improve or solve them.

PREVENTION AND ASSISTANCE ACTIVITY	2012	2011	2010
Medical visits	1,055	956	678
On site inspections	481	308	318
Training courses (number of participants)	22,048	24,417	2,518
Evacuation drills with assistance	41	42	26
Environment monitoring	53	60	60
Post-robbery psychological assistance	28	42	31

¹ Where required by legislation each employee is associated with a type of exposure to risk, with the consequent scheduling of the necessary medical appointments.

TECHNICAL INTERVENTION TO REDUCE RISKS	2012	2011	2010
Fire prevention, emergency management, emergency exits	1,961	6,637	3,920
Plant (machinery, maintenance)	395	2,737	1,415
Premises (floors, walls, window ledges, staircases, architectural)	566	3,098	592
Ergonomics (lighting, work stations, micro-climate)	299	1,567	626
Certificates and documents	30	174	106
TOTAL	3,251	14,213	6,659

During the year some Group companies were subject to on-site inspections by public authorities responsible for monitoring compliance with prevention regulations and with the degree of implementation of regulations for the assessment of the risk of work-related stress in particular. No fines were imposed.

Two agreements were signed with trade union organisations in 2011 to regulate the election and activities of Workers' Safety Representatives in two companies of the Group.

Training and education

All training activities are managed by **UBI Academy**, the Group consortium company [2.3 and 2.9] created in 2012 for the purpose of planning and providing life-long learning and professional and managerial development services for the personnel of Group companies. In order to assist in the achievement of these goals, UBI Academy has entered into partnerships with national and local institutional knowledge centres (universities and business schools), consistent with the Group's social responsibility policies.

The measurement of requirements and the formulation of training programmes is performed on a periodic basis using a variety of complementary tools: annual meetings with the Human Resources Departments of Group banks and companies, focus groups on specific career families, indications from the Group 2011-2013/15 Business Plan and Commercial Plan and training needs detected from the annual skills survey, in which all Group employees are involved. Appropriately structured and integrated with other systems for the development of human resources and accompanied by intense internal communication, training proposals are designed to be effective tools for improving and enhancing human assets consisting of technical and professional know-how, managerial experiences and skills and the ethical and cultural conduct of each worker and for developing corporate identity and culture through the dissemination of Group values and strategies.

The instructors involved in training activity consist of both colleagues from Group banks and companies and also outside professionals. The in-house instructor corps consists of over 400 staff, who taught on courses to produce a total of almost 30 thousand training days (approximately 54% of total classroom training) in 2012. Training and refresher courses for the instructor corps are organised in training and qualification programmes on the best techniques for teaching, classroom management and diffusion of virtuous conduct. Instructors are responsible not only for imparting knowledge but also for facilitating the sharing of experiences, positive examples and distinguished conduct in order to diffuse a common language, values and corporate culture and a sense of belonging to the Group. A satisfaction assessment questionnaire is completed for all activities, whether classroom or remote and a learning questionnaire must be compiled for technical and occupational courses, which assesses acquisition of the contents and successful completion of the course.

Group companies contribute to Joint Inter-professional Funds for the FONDIR Continuous Professional Development (fund for senior management training) and to the F.B.A. (fund for the training of the employees working in the credit and insurance sectors - *Fondo Banche Assicurazioni*). Applications for training programmes for a total of approximately 204,500 hours of training, with over 32,000 participants, were submitted in compliance with the contents and the

specifications of the notices and they were subsequently approved by the F.B.A. and FONDIR funds. All the training programmes submitted were agreed with the trade union organisations of the individual banks and companies involved except for the FONDIR notices for which the trade unions signed agreements at national level.

Training activities are supplemented by intense internal communication designed to convey the Group's values and strategies and its main projects. The goal is to help improve corporate efficiency by sharing knowledge and by creating involvement and participation and to guide processes of change with initiatives to promote and reinforce Group identity. The corporate intranet portal **UBILife** is the main tool for internal communication and became fully established in 2012 as a space that was constantly used by employees with 100,000 page views per week. The multi-media electronic magazine **E-Book Assemblea** was published on the corporate intranet during the year to inform employees of the main issues addressed at the Annual Shareholders' Meeting held in April 2012, while a series of videos – **UBIClick** – was posted to support everyday working activities and to furnish information on the life and strategies of the Group, on important projects such as corporate reorganisation [☞ LA5], on the incentive redundancy plans and on the suspension/reduction of working hours [☞ LA5]. The Group in-house organ **YOUBIMagazine**, which replaces the previous hardcopy version, can also be read on the intranet. Each article published can be commented on by readers.

A convention was organised in 2012 entitled **The opportunities of a crisis**, which brought together approximately 1,400 staff from all Group companies, while the first edition was published of **Almanacco YOUBI**, with news of the main events involving the Group in 2011 and at the beginning of 2012 and the quarterly periodical **Noi docenti UBI** for employees who act as in-house instructors was also published.

LA10 AVERAGE HOURS OF TRAINING PER EMPLOYEE

☞ Reports and
Accounts 2012
pages 71-74

Ninety five percent of personnel took part in 2012 in at least one training activity and the hours of training delivered were much higher than the minimum training to be performed during working hours in accordance with the National Labour Contract. Classroom training and/or internships accounted for 64% of training activity, while the remaining 36% consisted of remote online training.

TRAINING	2012	2011	2010
Group			
Hours of training	745,943	775,793	712,583
of which compulsory training ¹	365,370	331,928	n.d.
Cost of training (million euro) ²	4.4	4.8	
Employees involved	95%	94%	92%
Average hours of training per capita	41	42	39
Average satisfaction in hundreds (objective 69)	78	79	79
Network Banks			
Employees involved	96%	99%	99%
Average hours of training per capita	47	48	46

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

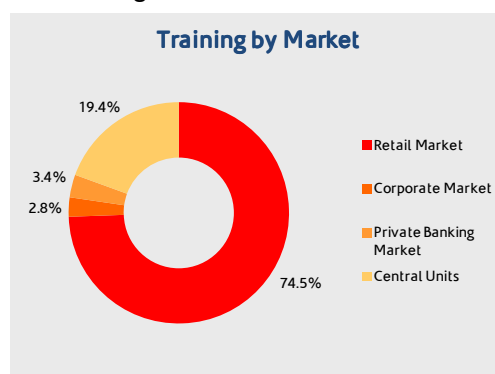
² The cost of training includes figurative costs of internal trainers.

TRAINING BY POSITION AND GENDER	2012			2011		
	EMPLOYEES	HOURS	AVERAGE HOURS PER CAPITA	EMPLOYEES	HOURS	AVERAGE HOURS PER CAPITA
Senior managers	339	11,648	29	398	12,330	30
of which women	29	1,020	30	41	801	20
Middle managers	7,062	300,210	40	7,324	322,050	44
of which women	1,568	62,325	38	1,558	62,800	40
Professional areas	9,922	434,084	42	10,411	441,413	41
of which women	4,778	203,768	42	4,109	203,050	41
TOTAL	17,323	745,943	41	18,133	775,793	42
of which women	6,375	267,113	41	5,708	266,651	41

The programming of training was designed for the **completion and/or introduction of strategic**

projects and they improved specific skills and enhanced roles (with particular reference to business management and governance roles). They regarded the following:

- the extension of the "Value Programme" to include other strategic business roles (Small Business Managers, Corporate Account Managers and Private Bankers);
- support for the rollout of the branch "Mass Market Team" service model, for Customer Contact Staff;
- the training project to qualify and hone the skills of staff for the new developer roles, a focus point of the new branch network service model;
- initiatives relating to "Optimising the anti-Money-Laundering Model" to improve employee knowledge when dealing with customers on anti-money-laundering legislation;
- educating staff on the subjects of "pricing excellence" and "customer satisfaction". More specifically, a remote online training course was put in place to diffuse a culture of quality and customer satisfaction. The course was taken by 70% of the employees to which it was proposed, numbering over 11,000 staff;
- reinforcement of financial expertise in the branch network by focusing on the analysis of financial markets and asset allocation.



Activities to **reinforce basic professional skills** (operational, commercial, credit and finance) accounted overall for 51% of training. Insurance topics continued to represent a significant proportion of the training programmes (29%), with programmes differentiated by market and by customer segment. They were designed to qualify personnel to sell insurance products and to update them, in compliance with ISVAP (Insurance Authority) regulation No. 5/2006. Other updates on regulations and legislation (20% of the total) regarded aspects with a significant impact on banking operations such as transparency, health and safety at the workplace and anti money-laundering already mentioned.

In this period of substantial discontinuities and change in competition scenarios, it is of strategic importance for the Group to provide management the chance to participate in opportunities to update their professional skills and reflect on management topics. In 2012 the **managerial training programme** was focused on addressing organisational and management complexity, with reference above all to employee management and motivation to foster a greater sense of team spirit. Staff were invited to participate in a programme of discussions on economics, political and social issues held in meetings with leading managers, businessmen, academics and university luminaries.

TRAINING BY SUBJECT AREA	2012			
	HOURS	PARTICIPANTS ¹		
		SENIOR MANAGERS	MIDDLE MANAGERS	PROFESSIONAL AREAS
Insurance	214,748	13	3,322	3,765
Regulatory	147,464	267	6,707	9,360
Finance and MiFID	40,103	48	1,186	1,729
Behavioural/Managerial	93,255	286	4,938	6,919
Credit	55,080	34	2,464	2,413
Operational/IT/languages	77,010	75	1,988	3,737
Commercial	115,125	97	3,858	4,267
Social responsibility and Code of Ethics	3,159	18	827	1,435
TOTAL	745,943	339	7,062	9,922

¹ 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.

DETAILS OF REGULATORY TRAINING ¹	2012			
	HOURS	PARTICIPANTS ²		
		SENIOR MANAGERS	MIDDLE MANAGERS	PROFESSIONAL AREAS
Administrative liability of entities (Legislative Decree No. 231/2001)	1,719	5	167	310
Transparency and usury	378	1	58	56
PattiChiari (banking services charter)	3,167	5	1,999	3,866
Safety (Legislative Decree No. 81/2008 – formerly Legislative Decree No. 626/94)	58,934	222	6,234	8,503
Privacy	12,624	63	2,362	3,646
Anti Money-Laundering	48,039	195	4,918	7,541
Other regulatory subjects	22,602	151	2,424	2,255
TOTAL	147,464	267	6,707	9,360

¹ Does not include regulatory training on the MiFID Directive, which is included in the subject area “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.

For “young talent” in the Group, a two-year “Level II University Masters” programme in “Management of banking companies” was launched, developed in partnership with the Milan Polytechnic School of Business on which 45 young employees were enrolled.

All Group personnel have free access to remote training programmes in computer science and English, Spanish, French and German.

LA11 PROGRAMS FOR SKILL MANAGEMENT AND LIFELONG LEARNING

The main tool used to support the management and professional development of personnel and to plan training activities is the **Skill Assessment** process periodically proposed (usually on an annual basis) to all employees of the companies in which it has been introduced (for a total of 18,685 employees accounting for 97.9% of total Group employees), with the sole exception members of the General Management team. The process consists of three main stages: assessment and self assessment of skills, delivery of the results and individual interviews by managers of workers. All managers are required to assess the skills of their workers, while self assessment is not compulsory, but useful to workers to acquire knowledge of their strengths and areas for improvement and to be able to participate actively in their career counselling. As part of this process, managers inform workers of the results of the assessment, propose appropriate skill development action and supervise it and monitor professional advancement throughout the year. Workers may express an opinion on a special form of their degree of agreement with the result of the assessment made by managers and in discussions with them, they make suggestions and come to an agreement on the skill development action proposed.

SKILL ASSESSMENT	2012				2011			
	EMPLOYEES		PARTICIPANTS		EMPLOYEES		PARTICIPANTS	
Senior managers	373	93.0%	221	59.2%	393	92.7%	216	55.0%
of which women	31	86.1%	15	48.4%	40	95.2%	17	42.5%
Middle managers	7,473	98.8%	6,852	91.7%	7,426	98.7%	6,961	93.7%
of which women	1,656	97.4%	1,483	89.6%	1,605	97.4%	1,484	92.5%
Professional areas	10,364	96.6%	9,535	92.0%	10,576	95.7%	10,082	95.3%
of which women	4,863	95.2%	4,437	91.2%	4,919	93.9%	4,635	94.2%
TOTAL	18,210	97.5%	16,608	91.2%	18,395	96.8%	17,259	93.8%

As part of differentiated management of human resources, which responds to the requirements of different personnel groups, particular attention is paid to **Key Personnel**, who are periodically involved in assessment activity designed to verify managerial performance and to trigger consequent development action. This may range from training to remuneration policies and incentive schemes, with account taken of both the demands encountered and the opportunities for growth sought and identified. Affected by the significant changes in the Group’s organisational structure of [LA5], in 2012 managerial assessments were valuable tools used to guide initiatives concerning managers

**LA12
PERCENTAGE OF
EMPLOYEES
RECEIVING REGULAR
PERFORMANCE AND
CAREER
DEVELOPMENT
REVIEWS**

with a view to matching the personnel selected to business strategies as closely as possible.

In almost all the Group companies (for a total of 18,991 employees accounting for 98.2% of total Group employees), all employees, with the sole exception of members of General Management, are involved in a **performance assessment** process, or in other words in an assessment of the contribution made to achieving company results.

PERFORMANCE ASSESSMENT ¹	2012		2011	
	EMPLOYEES	PARTICIPANTS	EMPLOYEES	PARTICIPANTS
Middle managers	7,368 98.0%	7,239 98.2%	7,228 98.6%	6,947 96.1%
of which women	1,610 97.8%	1,576 97.9%	1,559 97.9%	1,470 94.3%
Professional areas	10,651 96.6%	10,546 99.0%	10,845 96.3%	10,322 95.2%
of which women	5,031 96.0%	4,971 98.8%	5,137 96.7%	4,802 93.5%
TOTAL	18,019 97.1%	17,785 98.7%	18,073 97.2%	17,269 95.6%

¹ Performance for senior management personnel formed part of the relative incentive scheme.

The performance assessment process takes place in three stages each year – planning the expected performance, intermediate verifications and final assessment – and it involves various parties who are in continuous contact with each other: the manager-assessor (who communicates team objectives, assigns individual performance objectives to each worker, supervises them throughout the process and assesses the results achieved); the second level supervisor (who supervises the assessment process and verifies the consistency of the results at the level of the organisational unit); and the workers (who take an active part in all stages of the assessment, furnishing suggestions for the success of the process. Workers express their degree of agreement with the assessment received and they verify the achievement of their objectives in person, themselves). All managers are required to carry out performance assessments of their workers. Result objectives and the knowledge requested (which forms part of the skill objectives) in the assessment of managers vary as a function of the position occupied, while the capabilities required are the same for all. The latter concern risk taking and decision making, the formulation of plans and strategies, human resource management, the management of uncertainties and difficulties and agreement negotiation skills.

Performance assessment, together with all other human resource management tools, represents an important and indispensable pool of information which supports personnel management units to plan the career development of all workers. It is connected with skill assessment in particular, because the performance objectives that are set for workers are divided into result objectives (usually operating and project objectives) and skill objectives (capabilities and role knowledge assessed during skill assessment processes).

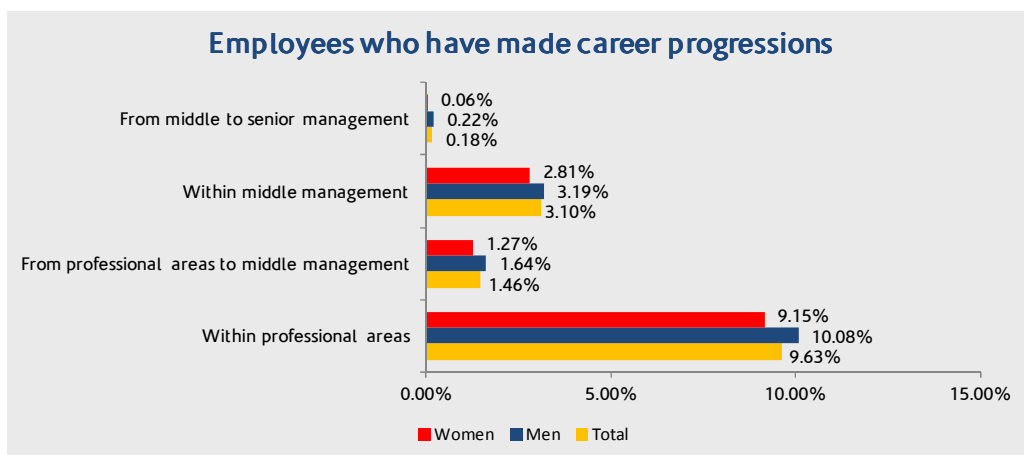
The results of the performance assessment, together with those of the Skill assessment and information from other tools such as position weighting (with the relative external benchmarks), the measurement of potential, managerial appraisal and career paths/growth tables defined contribute to the definition of **career progressions** on the basis of fairness, consistency, meritocracy and uniformity.

CAREER PROGRESSIONS	2012	
	TOTAL	WOMEN
Within professional areas	1,061	45.4%
From professional areas to middle management	161	41.6%
Within middle management	238	20.6%
From middle to senior management	14	7.1%
TOTAL	1,474	40.6%

Each worker is in fact assigned an organisational role, on the basis of which she/he is required to perform a series of activities which presume the possession of specific occupational skills and experience and the achievement of determined objectives. The degree of acquisition of the skills and the achievement of the objectives constitute the basis for assessments of the suitability to fill more complex roles. The information as a whole is then assessed and set within the broader

corporate framework to obtain an overall vision which ensures fair, consistent and professionally valid management for all Group personnel. For some corporate figures (above all in the distribution network) career progressions are governed by agreements entered into with trade unions on job gradings.

On an operational level, activities are also supported by IT tools such as new **Employee Relationship Management** system (ERM), which is used to acquire all information on employees and allows more proactive management, which is faster to identify development actions focused on single workers.



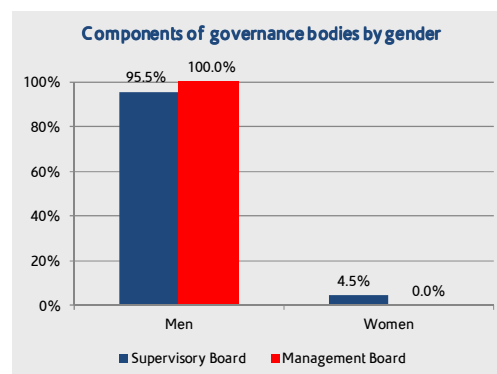
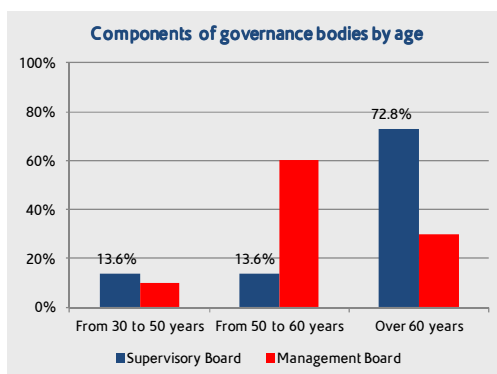
Diversity and equal opportunity

A continuous increase in the female component of personnel has been recorded over the last three years, which in 2012 accounted for 36.9% of employees compared to 36.8% in 2011 and 36.7% in 2010. Women in managerial positions account for 9.2% of senior managers (compared to 9.8% in 2011 and 9.4% in 2010) and 22.7% of middle managers (compared to 22.2% in 2011 and 22.1% in 2010).

The Group complies with compulsory legislation and regulations with regard to the employment of disabled persons.

LA13 COMPOSITION OF GOVERNANCE BODIES AND OF EMPLOYEES PER INDICATORS OF DIVERSITY

4.1 and LA1



DIVERSITY INDICATORS OF EMPLOYEES (BY CATEGORY)	2012		
	SENIOR MANAGERS	MIDDLE MANAGERS	PROFESSIONAL AREAS
Gender			
Men	3.2%	49.1%	47.7%
Women	0.6%	24.7%	74.7%
Age			
under 30	-	0.1%	8.4%
30 to 50	36.2%	56.4%	65.1%
50 to 60	59.3%	40.0%	24.7%
over 60	4.5%	3.4%	1.8%
Minority groups			
Immigrants	0.5%	0.4%	1.1%
	of which non EU	0.3%	0.4%
Protected categories	0.8%	4.2%	8.5%
of which:	disabled	0.8%	2.8%
	widows and orphans		1.3%
	others		0.1%

DIVERSITY INDICATORS OF EMPLOYEES (BY GENDER)	2012			2011			2010
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Position							
Senior managers	2.2%	3.2%	0.6%	2.3%	3.3%	0.6%	2.4%
Middle managers	40.1%	49.1%	24.7%	39.4%	48.6%	23.8%	38.5%
Professional areas	57.6%	47.7%	74.7%	58.3%	48.1%	75.6%	59.1%
Minority groups							
Immigrants	0.8%	0.6%	1.2%	0.8%	0.5%	1.2%	0.8%
	of which non EU	0.4%	0.3%	0.3%	0.2%	0.5%	0.3%
Protected categories	6.7%	6.6%	6.6%	6.6%	6.6%	6.5%	6.6%
of which:	disabled	4.9%	5.1%	4.4%	4.9%	5.2%	4.4%
	widows and orphans	1.6%	1.3%	2.0%	1.6%	1.3%	2.0%
	others	0.2%	0.2%	0.1%	0.1%	0.2%	0.1%
Qualification							
Degree	54.3%	56.0%	51.2%	59.6%	61.3%	56.7%	62.8%
University degree	28.2%	25.9%	32.4%	28.0%	25.6%	32.0%	27.6%
Other	17.5%	18.1%	16.4%	12.4%	13.1%	11.3%	9.6%
Age							
under 30	4.9%	4.2%	6.0%	6.4%	5.3%	8.3%	10.4%
30 to 50	61.0%	57.1%	67.6%	62.0%	58.6%	67.8%	64.4%
50 to 60	31.6%	35.0%	25.9%	30.4%	34.3%	23.6%	24.5%
over 60	2.5%	3.7%	0.6%	1.3%	1.8%	0.3%	0.7%
Average age	45 years			44 years			43 years

LA14 REMUNERATION OF WOMEN COMPARED TO MEN

EC5

Group remuneration and incentive policies do not provide for any difference in salary treatment based on gender, because it is based on principles of fairness – interpreted as the recognition of equal opportunities for each employee, on the basis of their possession of the required characteristics and the roles and responsibilities undertaken – and meritocracy. Female personnel salaries are lower than those for men above all because affected heavily by part-time contracts, 95% of which involve female personnel.

AVERAGE GROSS SALARIES OF WOMEN TO MEN	2012		2011		2010
	TOTAL SALARY	FIXED REMUNERA TION	TOTAL SALARY	FIXED REMUNERA TION	TOTAL SALARY
Senior managers	93.0%	94.2%	89.3%	90.1%	90.3%
Middle managers	87.3%	87.6%	87.8%	87.8%	88.2%
Professional areas	92.0%	92.1%	92.2%	92.2%	92.7%

HR. Human rights

UBI Banca is continuing with the commitment entered into in 2003 by the former BPU Banca, to support and promote, within its sphere of influence, the universal principles of the **UN Global Compact** on human rights and in particular, in accordance with the Group Code of Ethics, the right to personal integrity and dignity and the right to individual and collective health and safety.

This commitment is implemented in different areas of the Group's activity and in its relations with its various stakeholders both through activities performed by control functions and risk management and compliance functions in particular with regard to money-laundering and the fight against terrorism and through the quality of its business processes and in detail:

- policies and procedures to manage personnel in compliance with Italian law and with the main international standards regarding it;
- ethical standards in contracts with suppliers;
- commercial and credit policies attentive to the needs of the socially vulnerable, with particular reference to the issue of financial inclusion and the prevention of over indebtedness and the risks connected with involvement in particular economic sectors and in the arms sector above all;
- support for social organisations that work for the promotion and protection of individuals through action in the fields of health, welfare and humanitarian assistance.

🔗 [LA, FS1, FS2, FS7, EC8](#)

Investment and procurement practices

The UBI Banca Group operates almost exclusively in Italy, where the laws ensure a high standard of respect for and protection of human rights. Therefore the risks relating to respect for and the protection of human rights are only considered substantial in relation to a few specific areas of activity and that is commercial and lending processes relating to operations in the arms and defence sector and purchasing processes in relation to the supply chain.

As concerns the **arms sector**, UBI Banca has pursued a special policy since 2007, which:

- forbids any relationship with companies involved in the production, development, storage, marketing and/or sale of nuclear, biological and chemical arms of mass destruction, missiles able to carry arms of mass destruction, controversial conventional arms such as cluster munitions, land mines, incendiary and laser arms, as defined by the principal international conventions on the subject;
- puts an authorisation regime in place for financing and payment and receipt activities for transactions involving international trade in arms and armaments systems whether they fall within the provisions of Law No. 185/1990 (arms for military use) or are excluded from it (light arms except for sports and hunting arms and replicas of antique arms), on the basis of an independent assessment of the countries of origin or final destination of the goods and services involved in the transactions which takes account of international sanctions and other criteria connected principally with respect for human rights.

These transactions regard a total of around ten corporate customers and are performed mainly with EU countries and NATO. The number and value of the authorisations granted by the Bank in accordance with Law No. 185/1990¹ and the transactions performed are absolutely marginal compared to the volumes of business of the Group and they are publicly disclosed by country and type of counterparty and arm in the social responsibility section of the Group's corporate website.

🔗 [Policy for the management of transactions with counterparties operating in the arms and](#)

HR1
INVESTMENT
AGREEMENTS AND
CONTRACTS THAT
INCLUDE CLAUSES ON
HUMAN RIGHTS OR
THAT HAVE
UNDERGONE HUMAN
RIGHTS SCREENING

HR2
SUPPLIERS AND
OTHER BUSINESS
PARTNERS THAT
HAVE UNDERGONE
HUMAN RIGHTS
SCREENING

¹ In accordance with the provisions of Law No. 185/1990, all import and export transactions and transit of arms and weapons materials for military use must be authorised by the Foreign Ministry with applications submitted by the importing or exporting firm and the relative bank transactions must be authorised by the Ministry of the Treasury, following notification by the bank in question.

As concerns the **supply chain**, since 99.1% of the Group's suppliers are located in Italy where legislation governing human rights and labour is very stringent, all the Group's suppliers are required to fully comply with legislation on workers' rights and also with ethical principles consistent with those contained in the Code of Ethics when orders are granted or contracts are signed.

☞ EC6

**HR3
EMPLOYEE TRAINING
IN HUMAN RIGHTS**

In consideration of the activity carried out and its geographical location, no specific training activities are carried out on the subject of human rights, but it is dealt with in training activities performed to implement the Code of Ethics.

☞ FS4

Non discrimination

**HR4
INCIDENTS OF
DISCRIMINATION AND
ACTIONS TAKEN**

The Code of Ethics expressly provides for respect for the **principle of equality and non-discrimination** [☞ Code of Ethics p. 11] and therefore conduct is not admissible which might cause harm to the integrity and dignity of persons, nor is discrimination based on preferences or arbitrary exclusion (i.e. not linked to the importance of the contribution that a relationship with a party may offer or the interest that the party may represent for the achievement of the Group's mission).

As in previous years, no reports of discrimination were received in 2012 for cases of discrimination against personnel or other stakeholders [☞ 4.8].

Because the principle of non-discrimination is considered particularly important in employment relations, UBI Banca has adopted specific guidelines for disciplinary procedures which:

- set out official investigation, decision-making and judgement processes which subsidiaries must follow for the more serious cases of contestations and disciplinary provisions for reprimands;
- provide unequivocal recommendations to the body which must decide sanctions in relation to the type of provision and the position of the employee subject to sanction;
- defines information which companies must report periodically to the Parent for full visibility of disciplinary procedures taken by the Group.

All the Group companies inform the Parent of the start of disciplinary procedures and the Parent monitors all procedures providing advice where requested and also assistance in drafting the contestation, examining the justifications and proposing the relative sanctions to the companies. Companies in turn are also required to inform the Parent of all litigation the nature of which could be of importance for the entire Group and the Parent provides advice whenever requested by companies, with support given in investigating the case, attendance at meetings with outside advisors to formulate strategies and represent companies at hearings before judges.

A total of 95 disciplinary measures were adopted in 2012 (37 less than in the previous year) due mainly to operational irregularities and negligence of various kinds (72), to irregularities in the disbursement and management of loans (12), to undue appropriation/diversion of funds administered (9) and irregularities in the management of investments (2).

DISCIPLINARY MEASURES	2012	2011	2010
Verbal or written reprimand	46	86	99
Suspension from work and pay (from 1 to 10 days)	31	35	29
Dismissal for just cause or on justified grounds	18	11	7
TOTAL	95	132	135

At the end of 2012 the number of cases of outstanding litigation (139 legal actions) had fallen slightly compared to 2011 (-9) and no cases concerning discrimination were recorded. There were

two outstanding cases of litigation for anti-trade union conduct regarding the transfer of senior trade union representatives and the interpretation of supplementary Group company labour agreements.

CASES PENDING AT THE END OF THE YEAR CONCERNING EMPLOYMENT RELATIONS	2012	2011	2010
Pension and social security	5	7	88
Remuneration	45	50	60
Termination of contract of employment	27	30	35
Duties and job descriptions	24	32	31
Job appointments and performance of work	27	18	3
Cases in progress (initiated against employees)	7	6	6
Anti trade union conduct pursuant to Art. 28	2	2	2
Other	2	3	1
TOTAL	139	148	226

Freedom of association and collective bargaining

HR5
OPERATIONS IN WHICH THE RIGHT TO FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK

In consideration of the activity carried out and its location, and also of what has already been reported on the management of labour relations [[↗ LA4](#)], the indicator is not deemed to be important.

Child labour

HR6
OPERATIONS WITH A HIGH RISK OF CHILD LABOUR

In consideration of the activity carried out and its location, the indicator is not considered important. Furthermore, as part of its charitable activities, the Group makes contributions to the fight against child labour through support for non-government organisations which work to assist minors with projects in the food, health and educational spheres in countries where this still exists [[↗ EC8](#)].

Forced labour

HR7
OPERATIONS WITH A SIGNIFICANT RISK OF FORCED LABOUR

In consideration of the activity carried out and its location, the indicator is not considered important.

Security practices

HR8
SECURITY PERSONNEL TRAINED ON HUMAN RIGHTS

In consideration of the activity carried out and its location, the indicator is not considered important.

Indigenous rights

HR9 VIOLATIONS OF THE RIGHTS OF INDIGENOUS PEOPLE AND THE ACTIONS TAKEN

In consideration of the activity carried out and its location, the indicator is not considered important.

Assessment

HR10 OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS AND/OR IMPACT ASSESSMENT ON HUMAN RIGHTS

Operations that have been subject to human rights reviews and/or impact assessment on human rights.

☞ FS1, HR1, HR2

Remediation

HR11 GRIEVANCES RELATING TO HUMAN RIGHTS RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS

The classification of complaints or grievances employed by the Group, which reflects the approach requested by the Italian Banking Association, does not allow independent identification of this specific type of grievance. Nevertheless a semantic analysis of the texts of complaints found no grievances relating to alleged violations of human rights and the absence of contestations of this type was confirmed by the operational units responsible for processing complaints.

SO. Society

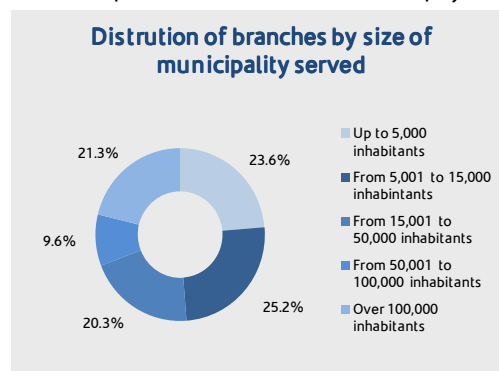
Local communities

SO1 OPERATIONS WITH IMPLEMENTED LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENT AND DEVELOPMENT PROGRAMS

In consideration of the activity carried out and its location, the indicator is not considered important, except for project finance activities which, however, mainly involve investments in infrastructures for the generation of energy from renewable sources. [🔗 FS8]

FS13 BRANCHES IN LOW POPULATED OR ECONOMICALLY DISADVANTAGED AREAS

Presence in communities is an important value for the Group and it takes the form in a physical sense of the distribution of branches in over 1,150 towns and cities in 85 provinces¹, with a significant presence in small towns and villages: 239 branches and 169 mini-branches, accounting for 24% or the total, in towns with less than 5,000 inhabitants. The Group is the only bank present in 175 municipalities and it has 319 branches (18.5% of the total) in regions with low development rates which receive subsidies from the European Union as part of the “Competition and Employment” objective programmes.



🔗 http://ec.europa.eu/regional_policy/atlas2007/italia/index_it.htm

FS14 INITIATIVES TO IMPROVE ACCESS TO FINANCIAL SERVICES FOR DISADVANTAGED PEOPLE

UBI Banca considers the ability to access financial services to be an important condition for the social integration of individuals, which it is committed to pursuing through:

- a range of products and services for socially vulnerable consumers and businesses (young people, “atypical” workers, immigrants and small businesses), partly through co-operation with other institutions and social organisations [🔗 FS7];
- support for the growth of social enterprises and other nonprofit organisations, which represent a significant factor for social cohesion and human development [🔗 FS7, EC8];
- the elimination of physical and cultural barriers to guarantee the use of services and access to offices and branches to all customers.

🔗 [Code of Ethics page 23](#)

For persons with **physical disabilities**, Group premises and branches are equipped with ramps, stair lifts, elevators and conveniences that are rendered accessible according to actual need. In 2012, thirteen new ramps, ten stair lifts/elevators and 27 conveniences were installed. With regard to **sensory disabilities** and that of sight in particular, the IT platforms for the internet banking services Qui UBI (for the private individual segment) and Qui UBI Affari (for the small business segment) comply with the main navigation requirements for partially sighted persons – strong colour

¹ The figure relates to all the branches (branches, mini-branches, company branches) of the national network of the Group, including IWBanck.

contrast, alternative texts to accompany images and functions to enlarge character sizes – and 26 ATMs exist for use by partially and non sighted persons. Finally, with regard to the **cultural disadvantage** – in relation to language and banking literacy – of immigrant citizens, the range of products and services on the Group's commercial site (www.ubibanca.com) is presented in the principal foreign languages (English, French, Spanish and Portuguese) and a toll free number (800.759.759) is available at the Contact Centre with operators able to provide information and assistance in different languages.

SO9
OPERATIONS WITH
NEGATIVE IMPACTS
ON LOCAL
COMMUNITIES

In consideration of the activity carried out and its location, the indicator is not considered important, except for project finance activities [FS2 and FS8] which, however, mainly involve investments in infrastructures for the generation of energy from renewable sources.

SO10
PREVENTION AND
MITIGATION OF
NEGATIVE IMPACTS
ON LOCAL
COMMUNITIES

Corruption

UBI Banca provides full co-operation with the authorities in **anti money-laundering and anti terrorism** activities by making adequate resources and tools available for the prompt performance of the operations requested in observance with the legislation and regulations in force. Oversight of these issues is performed centrally in the Group and is carried out by a special organisational unit, the Anti Money-Laundering Area, in the Risk Control Macro Area of UBI Banca. It is based on the following:

- an effective and efficient IT system, which uses various software applications (e.g. Gianos Gpr, Gianos Inattesi) to monitor all transactions (according to the amount limits set by the relative legislation);
- clear and easy to follow internal regulations, aligned with legislative regulations;
- precise regulations for the conservation of documents acquired to identify customers, to consult their financial profiles and to perform accounting and all other operations in full compliance with civil law regulations and anti money-laundering legislation.

In order to ensure effective oversight, information (lists) is acquired – from reliable and independent sources – on persons politically exposed or on terrorists and special IT procedures have been developed or acquired from major software houses which supports adequate controls of customers and complete and accurate recording of transactions and accounts and reporting of suspect transactions.

All transactions – with the amount limits set by the relative legislation – are subject to monitoring by IT software applications to identify activities suspected of being connected with money-laundering or other illegal activities. The software applications consider exceptions in order to detect movements on accounts which might give rise to suspicion and which subsequently are assessed by line and/or control functions.

In 2012 new software applications were created and organisational controls were improved to promptly detect transactions and customer relationships that present a potential risk or which do not conform to the relative regulations and the full and detailed training programme to improve the culture and awareness of personnel was continued.

As already programmed the training commitment will continue in 2013 with the same intensity and a budget has been allocated to further improve the systems.

SO2
BUSINESS UNITS
ANALYSED FOR
CORRUPTION RISKS

☞ 2.5, LA10, FS7

By signing the Global Compact, the Group has committed itself to fighting all types of corruption within the sphere of its responsibilities.

This crime is also disciplined in Italy by Legislative Decree No. 231/2001 on the administrative liability of businesses in implementation of which UBI Banca has adopted a model of organisation, management and control (Model 231/2001), which provides for rules and procedures designed to prevent the crimes covered by the decree from being committed, for the creation of a Supervisory Body to ensure the proper functioning and for constant updating of the Model and reporting and penalty systems. The Supervisory Body reports to Corporate Bodies on the adoption and effective implementation of the model, on the oversight of its functioning and on the supervision of updates. All activities and organisational units are subject to monitoring connected with implementation of the Model.

UBI Banca, as the Parent, informs subsidiaries of the policies it has set in relation to the prevention of crimes pursuant to Legislative Decree No. 231/2001 and recommends general criteria which subsidiaries may follow. More specifically, each subsidiary adopts its own Organisational, Management and Control Model with the same characteristics of those reported above, which is periodically updated with support from the Parent.

In compliance with the policies set and with the relative regulations, the Internal Audit Function audited the proper functioning of risks and changes in them and it assessed the functioning of the overall internal control system. In this respect it carried out on site and remote inspections of the organisational units of the Parent and its subsidiaries into compliance by staff of external and corporate regulations including the Code of Ethics, to which the 231/2001 Model makes reference, and the related Code of Conduct for group personnel.

SO3
EMPLOYEES TRAINED
ON ANTI-
CORRUPTION
POLICIES AND
PROCEDURES

☞ LA10

All employees are trained in anti-corruption policies and procedures as part of their training to implement the project to **revise the anti money-laundering model**. In 2012, 48,039 hours of specific training was carried out both in the classroom and through the e-learning platform, with the involvement of 16,037 employees. Anti corruption policies and procedures were then addressed as part of training on the principles derived from Legislative Decree No. 231/2001, delivered to 466 employees for a total of approximately 1,718 hours. The training procedures differed according to the level of responsibility.

SO4
ACTIONS TAKEN IN
RESPONSE TO
INCIDENTS OF
CORRUPTION

No cases of corruption by Group personnel occurred either in 2012 or in prior years.

SO5
PUBLIC POLICY
DEVELOPMENT AND
LOBBYING ACTIVITY

Public policies

The Group contributes to the development of public policies through its active and constructive participation in the initiatives of trade associations (e.g. Italian Banking Association, National Association of "Popular Banks", Italian Private Banking Association, *Associazione fra le Società italiane per Azioni* – association of joint stock companies – Italian Association of Financial Analysts, etc.) and other associations active in specific areas (Italian Compliance Association, Italian Anti Money-Laundering Association), which express the position of the sector on issues of interest, both on the request of the authorities (e.g. the Bank of Italy) and political decision-makers (e.g. Parliamentary Commissions) and by taking own initiatives.

**SO6
CONTRIBUTIONS TO
POLITICAL PARTIES,
POLITICIANS AND
RELATED
INSTITUTIONS**

In compliance with the Code of Ethics, no payments – neither direct nor indirect and in any form – are made within the Group to political parties, movements, committees and other political organisations, their representatives and candidates, congresses or festivals having political propaganda purposes.

☞ Code of Ethics page 27

**SO7
LEGAL ACTIONS FOR
ANTI-COMPETITIVE
BEHAVIOUR, ANTI-
TRUST AND
MONOPOLY
PRACTICES**

Anti-competitive behaviour

In November the Antitrust Authority notified IW Bank of the start of a procedure on the time required to close current accounts, which is still ongoing, in response to which this bank submitted a series of commitments to the Authority on action to refine procedures and to raise the level of transparency.

☞ Reports and Accounts 2012 page 196

**SO8
SIGNIFICANT
SANCTIONS FOR
NON-COMPLIANCE
WITH LAWS AND
REGULATIONS**

Compliance

Only one of the inspections carried out by the Bank of Italy concluded with the imposition of a penalty. This was a fine of €63 thousand notified to UBI Banca (as the survivor of the B@nca 24-7 merger) and to officers of B@nca 24-7, in relation to failings found in its organisation and internal controls: UBI Banca paid with the obligation to charge the amount on to those responsible.

☞ Reports and Accounts 2012 page 196

Furthermore, like other large companies, the UBI Group is subject to tax inspections by the competent regional departments of the tax authorities, following which, tax assessment reports and notices of assessment were issued. The total amount contested, inclusive of extra taxes, fines and interest, was €319.5 million. In 2012, €264 thousand of fines and interest were paid in relation to acceptance of tax assessment reports relating to two companies (Banca Carime and Silf).

☞ Reports and Accounts 2012 pages 200-204

PR. Product responsibility

The main elements of product responsibility are identified in the commitment to adopt policies, processes and commercial and marketing practices that ensure the following:

- respect for the interests of customers;
- support for economic activities which create value for the community;
- the development of products and services able to produce high social benefits for local communities.

☞ Code of Ethics pages 22-23

More specifically, respect for the interests of customers is assessed from the viewpoint of the following: **security** (in terms of both business continuity and physical security in branches), **labelling 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 commercial contact), **respect for privacy** (from the viewpoint both of protecting IT systems from data loss or unauthorised access to data and respect for customer consent for processing personal data for commercial and marketing purposes) and, in general, **compliance** with legislation and regulations – including voluntary codes of conduct – which govern the sale and use of products and services.

All these items are governed in Italy by specific laws which the Group applies through its own internal regulations, which are communicated to all staff through the Group's intranet and they are also the subject of specific updating courses. Implementation of these regulations occurs through a series of organisational and technical controls. The Chief Business Officer is responsible for organisational controls of operating activities and first level controls and the Chief Risk Officer (the Compliance Function in particular) and the Chief Audit Officer are responsible for second level controls. The technical controls consist 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 personal life cycle and behavioural profile and therefore of their possible unsatisfied financial needs) and of locks and protection tools on IT systems.

FS15 POLICIES FOR THE FAIR DESIGN AND SALE OF FINANCIAL PRODUCTS AND SERVICES

The Group has a specific process in place for the development of new products and services and for the modification of those already marketed by the network banks (including UBI Banca Private Investment) and by the Parent, with the exception of products and services for which specific regulations apply or are currently being issued (e.g. subsidised loans). This process is designed to help achieve objectives of quality, technological innovation, competitiveness and compliance objectives.

In terms of **quality**, the process is designed to ensure that products and services are consistent with the relative customer characteristics and needs and with reducing the time taken to respond to market demands (**time to market**) and it requires the involvement of different organisational units some of which at the Parent must always be involved: Communication and Marketing, Legal Affairs and Litigation, Risk Management, Administration and Tax, Compliance.

Corporate functions responsible for **compliance** matters are responsible for preventing any misalignments with internal regulations, the most important of which is Group's Code of Ethics, and with external regulations. The characteristics (e.g. age, occupation, investment plans) and needs of the customers (e.g. financial, protection) are surveyed both 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 customer satisfaction survey project or complaints management [☞ PR5]) and through the analysis of competitor's products and services.

Active participation in observatories and working groups (e.g. through the Italian Banking Association) or research centre initiatives (e.g. at the MIP of the Milan Polytechnic) are also valuable sources of information, for example in relation to the possibilities offered by new

technologies.

Technological innovation is pursued mainly at **multi-channel bank** level [2.5]: requests received from staff through the Group's intranet and from customers through contact forms on Group websites, emails and call centres are analysed each month to assess their feasibility and to plan corrective action.

Competitiveness is based on a pricing policy oriented towards transparency and fairness to customers and it involves analysis and constant monitoring of the relationships between the risk assumed (if present), the return, the costs incurred and the market context, with account taken of the need to provide financial support to local communities and businesses. A **pricing excellence project** has been ongoing since 2011. It is designed to achieve: (i) higher revenues and greater customer satisfaction at the same time through better management of pricing by commercial units at the Parent and network banks, (ii) savings on time and therefore shorter response times and also greater flexibility in the range of products and services through operational streamlining and (iii) lower operating risks and respect for regulatory and compliance issues, through improved operational instruments, monitoring process quality and greater automation and integration of information.

FS16
INITIATIVES TO
ENHANCE FINANCIAL
LITERACY

The possession of proficient economic and financial expertise helps to create knowledgeable citizens, to increase economic democracy and legality and to make local businesses and economies and the Bank itself more competitive. UBI Banca is aware of this and in playing its role as a bank in local communities, it has built relationships over the years and forms of co-operation with schools, training institutes and universities.

Activities in schools

The Group continued in 2012 with its commitment to teaching on economics and financial subjects in schools, by making specific professional resources available, in the form of tutors, as part of financial training and educational programmes organised by the **PattiChiari Consortium**¹. The significant contribution made by the Group's network banks, which again received explicit recognition from the Consortium, is designed to constitute both a concrete response to the growing demand for financial education from the world of schools and also a tool to develop an increasingly more open and positive relationship with the Group's local markets.

The Group's commitment was concentrated on three educational programmes in the academic year 2011-2012:



for primary school children, to stimulate initial thinking about the value of money and the need to manage it responsibly, for oneself and for the community, with a view to knowledgeable citizenship;



to introduce secondary school pupils to economic and financial subjects and to stimulate them to reflect on the principal functions of finance, by illustrating their impact on people's everyday lives;



to study economics and financial subjects, by introducing upper secondary school children to the social, professional and economic reality that surrounds them. At the end of the course, taught in the classroom, the project involves a "Develop your business idea"

¹ Confirmation of the importance of financial education activities at national level is seen in the co-operation agreements signed in 2012 by the PattiChiari Consortium with both the Ministry of Education, Universities and Research and the Ministry for Territorial Cohesion.

competition, with the preparation of a business plan for the start-up of a socially useful enterprise in the local community.

During the year Group banks also organise or take part in other initiatives: events, seminar and projects. One of these is **"Popotus"**, supported by UBI Banca and organised for primary and lower secondary schools by the Avvenire newspaper to introduce children to reading newspapers. Every Thursday and Saturday during the first and third terms of the school year, Avvenire and Popotus are distributed to junior and lower secondary classes in two thousand schools, which also creates an opportunity for bank personnel to provide education on the management of money and household budgets.

Another is the project **"Legality is worth it"** organised by the Department of Culture of the Region of Calabria, supported by Banca Carime, designed to introduce children at all levels and types of school to basic economic mechanisms so they can acquire the underlying principles of the responsible management of financial instruments. The far reaching vision of this both laudable and demanding initiative is to succeed in making young people understand that it is worth keeping to the rules because that is the only way that everyone can benefit in the long run.

PATTICHIARI FINANCIAL EDUCATION PROGRAMMES	2012					
	PROVINCES CONCERNED	SCHOOLS	CLASSES	STUDENTS	BANK TEACHERS	HOUR OF TEACHING
L'Impronta Economica Kids (economics footprint Kids)	Bergamo, Varese, Monza e Brianza, Lecco, Como, Roma, Cosenza, Crotone, Reggio Calabria, Vibo Valentia, Catanzaro, Cuneo	64	175	4,025	59	537
L'Impronta Economica Junior (economics footprint Junior)	Bergamo, Varese, Monza e Brianza, Lecco, Como, Roma, Cosenza, Crotone, Reggio Calabria, Vibo Valentia, Catanzaro, Cuneo	37	110	2,390	33	287.5
L'Impronta Economica Teens (economic footprint Teens)	Bergamo, Varese, Cosenza, Crotone, Reggio Calabria, Vibo Valentia, Catanzaro, Matera, Potenza, Cuneo	35	117	2,175	22	264.5
TOTAL		136	402	8,590	114	1,089

Relations with universities and research centres

The Group has a series of arrangements with universities (the state universities of Bergamo, Brescia, Pavia, Turin, Genoa and Bari, the Bocconi, the Catholic and the Bicocca universities of Milan, the Insubria University of Varese, the LIUC University of Castellanza, the Polytechnic University of the Marches and the University of Calabria). As part of these relationships, the Group also provides unsecured loans and "Enjoy" cards to students [FS7] and it participates in **career counselling days** and offers internship programmes [LA2].

Again in 2012, co-operation with Italian universities included support for the Ancona University **Campus World** programme, by accepting ten students on internships of approximately three months each in its representative offices abroad to acquire experience in international financial centres.

Organisation of events

Each year the Parent and the network banks organise training and educational events on topical economic subjects, which are important opportunities in terms of image for the Group where it involves people and acts at the service of customers and society in general. The most important is the annual series of meetings for the presentation of the **"Report on the global economy and Italy"** published by the Einaudi Centre. The XVII report, entitled **"Sull'Asse di Equilibrio"** ("On axis of balance"), was presented in ten towns and cities with over 1,200 participants, mostly businessmen and representatives of local economies.

As part of support for the internationalisation of Italian small to medium-sized enterprises, the Group not only participated in conventions and conferences through its representatives who spoke at them but again in 2012 it organised and/or sponsored various events as follows:

- the **UBI International Open Day**, with workshops on different subjects, round tables and one-to-one meetings attended by over 800 professionals, businessmen and staff;
- training meetings on **"Business networks as a means to support the growth and**

internationalisation SMEs", in co-operation with Associazione Italiana Politiche Industriali (AIP – Italian industrial policy association), with over 230 participants consisting of staff and businesses in the Milan and Pavia areas;

- the **China Trader Award**, in partnership with Cathay Pacific, an important and prestigious award for Italian companies that have excelled in the development of business relations with Hong Kong and China;
- the conferences, **India Trade & Export Finance Conference** and **The situation on world financial markets and trade relations with Italy** and the conventions **Internationalisation strategies for the Far East: focus on China, South Korea and Singapore, India Day** and **International Meeting – Focus on foreign markets**.

Again as part of its support for business internationalisation, UBI Banca co-operated, through its representative offices, on the organisation of a **business mission in Russia**, reserved to the food and agriculture sector (participants: nine Italian businessmen and 15 Russia companies) and it took part in a joint multi-sector, **Government-Regions-Chambers of Commerce mission in Brazil** (aerospace, food and agriculture, automobile, contract, construction, energy, social housing, wood-furnishing, logistics, machinery, nautical, fashion), which involved discussions with experts, visits to manufacturing centres and B2B meetings with selected local counterparts (600 participants).

Customers health and safety

Safety and security is overseen at the conception, distribution and marketing stages of products and services supplied on the market.

A number of controls are in operation to ensure the **safety and security of multi-channel banking services** [2.5] as follows: the use of cards with code numbers to confirm payment transactions; the certification of the beneficiaries of credit transfer, reloading and post office account transactions; SMS and email advice of transactions performed using payment cards. Furthermore, in order to prevent the most frequent and common types of IT fraud, customers are constantly informed of the most appropriate security procedures and measures for the use of internet banking services, which include the prompt update of information on online channels.

Specific monitoring services were developed in 2012 for new interactive channels introduced by the Group and new initiatives were developed to guarantee secure internet banking and payment card services. These regarded verification of the security status of services and systems, transaction monitoring, surveys of the most recent types of IT attack (trojans, malware, phishing) and action to prevent possible fraud. As a result of the measures adopted, no cases of fraud were recorded involving QuiUBI internet banking services and the number of cases involving payment cards was considerably reduced.

The main actions scheduled for 2013 include the introduction of remote digital signatures on the online sales platform.

The **security of IT systems** involves the adoption of the most advanced standards for data transfer and access to information, constant monitoring both with proprietary tools and in co-operation with the police and prompt reporting in cases of suspected attempts at computer fraud.

Operational continuity is guaranteed by a special plan, which involves both a series of technical and organisational measures designed to ensure that the most critical processes will be operational even in emergency situations and also a series of periodic disaster recovery controls and tests.

Physical safety concerns safety in branches from the viewpoint of accident prevention and risk of robbery. Activities continued in 2012 to upgrade equipment in accordance with Legislative Decree No. 81/08 (emergency exits and medical emergency alarm systems) and to improve processes to control and manage robbery risk in compliance with the standards defined in the relative Group policy. This involved testing and if necessary upgrading security measures in branches and administrative headquarters and monitoring the work of staff responsible for alarms.

ROBBERIES AND THEFTS	2012			2011			2010		
	EVENTS	FREQUENCY INDEX ¹	EMPLOYEES INVOLVED	EVENTS	FREQUENCY INDEX ¹	EMPLOYEES INVOLVED	EVENTS	FREQUENCY INDEX ¹	EMPLOYEES INVOLVED
Thefts (inclusive of ATMs)	15	0.7	-	21	1.1	-	19	1.0	-
Robberies committed	39	2.1	218	38	2.0	216	88	4.67	264
TOTAL	54	2.8	218	59	3.1	216	107	5.67	264

¹ Number of events every 100 branches.

☞ LA8

PR2
INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING HEALTH AND SAFETY OF PRODUCT AND SERVICES

No cases of non-compliance with regulations and voluntary codes concerning the safety of products and services were recorded.

PR3
PRODUCT AND SERVICE INFORMATION REQUIRED BY COMPANY'S PROCEDURES

Product and service labelling

In compliance with the corporate ethics [☞ Code of Ethics page 22] and in observance of the relative legislation and regulations, UBI Banca is committed to ensuring the maximum transparency with regard to the products and services supplied by means of:

- accurate, clear and non misleading pre-contractual information and full, clear and understandable contract clauses which facilitate full knowledge of the choices and agreements signed;
- clear and prompt communications on the state of existing business relations, on changes in the conditions that govern those relations and on any other changes to existing contracts;
- accurate identification and management of possible conflicts of interest, with adequate information provided on the matter;
- abstention from any improper commercial practices and from any form of advertising that is deceptive or which in any case does not fully reflect the quality of the products and services advertised;
- clear and full information on the complaints procedures and on access to independent bodies to resolve disputes (e.g. ombudsman and financial banking arbitrator).

Direct communication is a determining factor in the establishment of a clear and transparent relationship with customers. The main news about services provided is conveyed to customers by using all the available channels (e.g. websites, campaigns organised by Customer Services, special newsletters, detailed information sheets, SMSs, etc.) to ensure the prompt provision of full information. Information is provided in full observance of the privacy consent given by customers, who if they wish may at any time request either via email or directly to operators for commercial communications to cease.

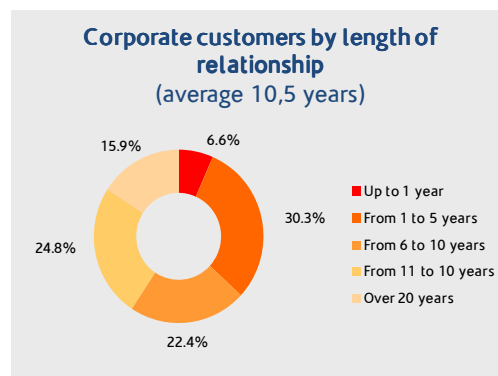
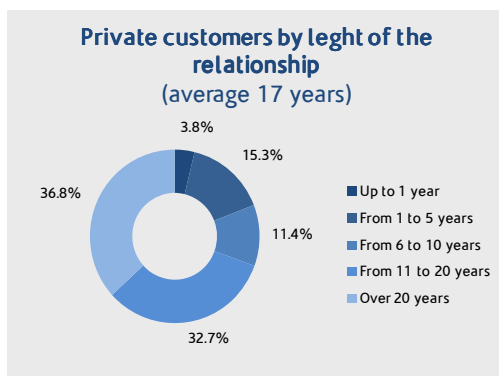
PR4
INCIDENTS OF NON-
COMPLIANCE WITH
REGULATIONS AND
VOLUNTARY CODES
CONCERNING
PRODUCT AND
SERVICE
INFORMATION

No incidents of non-compliance with regulations and voluntary codes concerning information and labels on products and services were recorded.

PR5
PRACTICES OF
CUSTOMER
SATISFACTION,
INCLUDING RESULTS
OF SURVEYS
MEASURING

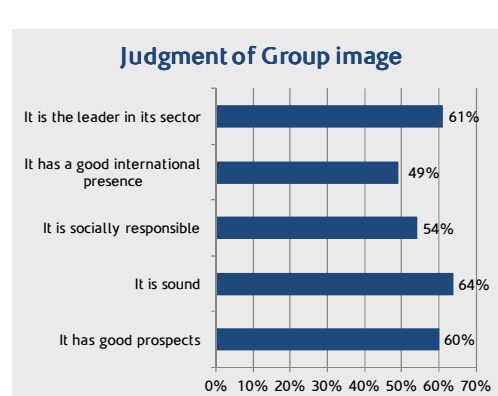
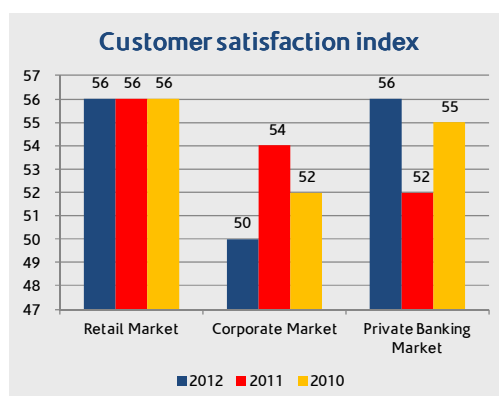
The centrality of the customer is the first of the values declared in the Group Charter of Values and it refers to customer satisfaction as the guide to corporate decision-making, in order to build lasting relations of trust.

Customers satisfaction is monitored constantly both in daily commercial relations and through fidelity indicators such as the duration of customer relationships and also through the results of systematic customer satisfaction surveys (Consultation Project) and the analysis of complaints by the Parent's **Customer Care Service**.



The Consultation Project

The Consultation Project is a systematic programme to measure customer satisfaction, conducted by means of telephone interviews of a sample of customers representative of all market segments on general aspects such as the image, reputation and social responsibility of their specific bank and of the Group and on specific aspects concerning the products and services used, the branches and relations with staff. The weighted sum of four variables, which measure the degree of satisfaction (overall satisfaction and recommendability) and fidelity (probability of repurchases and advantage over the competition) generate an overall **satisfaction index** calculated monthly by bank, market, local department and branch, which also forms part of the criteria for setting **incentives** for Group staff. Approximately 130,000 interviews were conducted during the year with the customers of the network banks and with 12,000 customers of competitors' banks to construct comparison data at local level.



The retail market satisfaction score was unchanged in 2012 at 56 points and the corporate market score fell by four points (50), which confirmed the difficulties of a crisis which has not yet been resolved, while the score for the private banking market increased by four points (56). 92% of private individual customers and 87% of business customers said they were satisfied on the basis of all factors governing the relationships with Group customers. On one aspect which affects customer satisfaction to a large extent – the quality of relationships in branches with habitual contacts – the Group obtained an average score of 8.5 out of 10 for helpfulness and politeness, execution time and the speed and accuracy with which transactions were performed. The main areas for improvement regarded requests for more proactive proposal making and better post-sales care. High satisfaction is expressed, in relation to those social and environmental responsibility issues considered most important by customers, with the following: information on privacy, an honest marketing approach, responsibility in granting loans (prevention of over indebtedness by households) and environmental commitment. However, less satisfaction was found with: information on complaints and dispute settlement; clarity and ease of understanding contracts; and, as a consequence of the crisis, commitment to access by vulnerable groups to financial services and support for households and businesses in difficulty.

Complaints

Complaints management also forms part of Group customer care processes. This takes place initially at the operational point where the complaint is made and where the contact staff are called upon to investigate in person. At this point a central unit (Risk Control Staff Unit) is involved, present in each network bank, which manages the more structural and administrative stages (entries in the complaints IT register, management of replies, decisions, approvals, etc.), required to process official complaints. The complaints unit of each network bank may decide from time to time which central or Parent units to involve to process single complaints, since no “complaints commission” exists within the organisational structure of the Group.

COMPLAINTS	2012	2011	2010
Total complaints received	4,551	4,621	4,256
of which:			
ordinary on products and services	3,951	3,855	3,627
for compounding of interest	330	340	242
for securities in default	80	290	211
on privacy	190	136	176
on human rights		-	n.a.
Complaints received through remote channels	1,691	1,561	917
Complaints processed ¹	4,629	4,518	4,188
of which accepted	1,599	1,759	1,636
Amounts acknowledged (thousands of euro) ²	464	649	1,036
of which settled during the year (thousands of euro)	460	638	n.a.
Average days for response ³	23	25	22
Appeals to the Ombudsman	6	5	10
Appeals to the Ombudsman completed	5	7	8
of which in favour of the customer	2	3	2
Appeals to the Financial Banking Arbitrator	101	78	64
Appeals to the Financial Banking Arbitrator completed	92	62	32
of which in favour of the customer	32	30	13
Appeals to the Consob Chamber of Reconciliation and Arbitration	-	4	
Appeals to the Consob Chamber of Reconciliation and Arbitration	-	4	
of which in favour of the customer		-	
Mediation cases pursuant to Legislative Decree No. 28/2010	642	278	-
Mediation cases completed	660	215	-
of which with a settlement agreement	71	39	

¹ Total complaints concluded in the year, independently of the year of presentation.

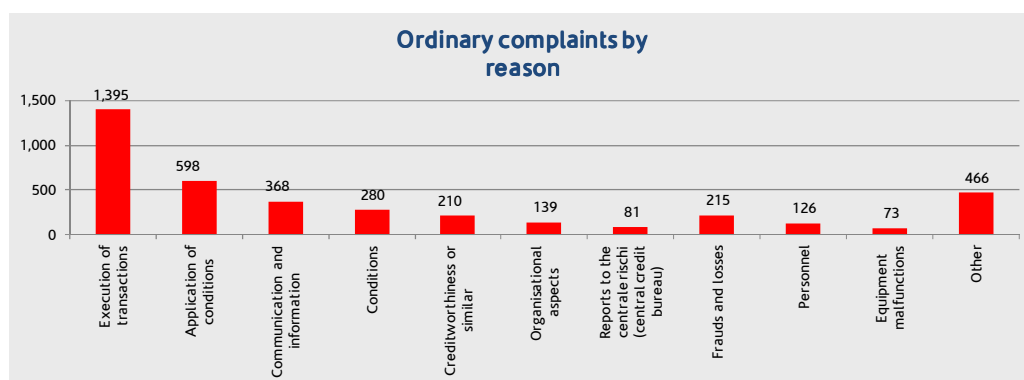
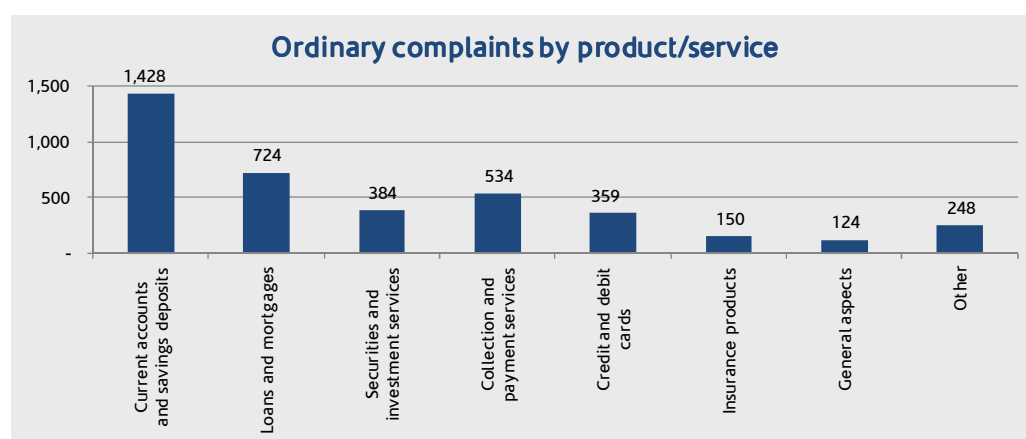
² Amounts acknowledged for complaints accepted during the year, independently of the year of presentation.

³ Overall average, inclusive of both ordinary complaints and investment service complaints.

An operational Complaints Management Unit is in place to manage disputes at the Parent to support the whole organisational structure (it forms part of the Customer Care Service). It performs co-ordination and policy functions and interfaces directly with both the other units involved at Parent level (Legal Affairs, Compliance, Organisation) and outside bodies (Italian Banking Association and Financial Banking Conciliator).

That same unit also constitutes the operational interface for UBI Sistemi e Servizi units which manage the Complaints Software Application (IT platform shared across all the Group's network banks) and also the operational units of the Parent, which manage the complaints sections of the Group's websites.

The Complaints Management Unit also performs interface and specialist support functions for the complaints management units that operate in the Group's product companies, which currently still operate with IT systems not resident on the centralised systems at the Parent.



☞ LA8 and Reports and Accounts 2012 pages 55-58

Users of services provided can contact local operational points directly or they may use a large variety of channels for access: traditional means (letter, fax); electronic mail; the websites of the network banks and the Parent; and via telephone to Customer Services. All the available channels are widely advertised on information pamphlets and dedicated sections of the Group's websites.

Marketing and communication

PR6 COMPLIANCE WITH LAWS, STANDARDS AND VOLUNTARY CODES RELATED TO MARKETING AND ADVERTISING

All advertising initiatives are screened by the competent units to ensure compliance with legislation and regulations concerning commercial practices, with particular attention paid to privacy, transparency and protection of the consumer. Account is taken of the provisions of the Voluntary Code on Advertising when advertising messages are formulated, even when outside advertising agencies are brought in.

**PR7
INCIDENTS OF NON-
COMPLIANCE WITH
REGULATIONS AND
VOLUNTARY CODES
ON MARKETING AND
ADVERTISING**

A case occurred in 2012 of violation of the Consumer Code by UBI Banca brought by the Antitrust Authority for incomplete information conveyed in an advertising campaign on the radio and internet entitled "3% Sposaci per interesse e poi ti innamorerai di noi" (Marry us out of 3% interest and then you will fall in love with us). The Authority held that the arguments put forward by UBI Banca were insufficient. These were based on that fact that, in consideration of the limited time (radio advertisement) and space (web page banner) available, they should be necessarily brief and use ordinary expressions of language to facilitate understanding of the product by customers and that in any event the advertising messages invited consumers to read the information pamphlets available in branches and on the Bank's website.

☞ Reports and Accounts 2012 page 196

Customer privacy

The acquisition and treatment of personal data on customers and all other persons, always takes place in observance of the rights and fundamental freedoms, as well as the dignity of those concerned in compliance with Legislative Decree No. 196 of 30th June 2003 (**Privacy Code**) on the protection of personal data. [Code of Ethics pages 16-17]

In order to achieve this the Group employs a "**Protection of privacy**" handbook and a series of organisational and technical measures, with locks and other protective instruments on IT systems, which ensure not only the necessary compliance with security and data protection requirements, but also systematic observance of the consents granted by customers regarding the processing of their personal data for commercial and marketing purposes.

**PR8
COMPLAINTS
REGARDING
BREACHES OF
PRIVACY AND LOSSES
OF DATA OF
CUSTOMER**

The majority of complaints related to the subject of privacy are due to information concerning compulsory reporting of personal data on credit to institutional data banks (central credit bureaux: Centrale dei rischi, CRIF, etc.). [☞ PR5]

As concerns complaints relating to personal data losses or thefts, the current criteria for the classification of complaints, which are based on recommendations made by the Italian Banking Association, do not allow accurate identification of any cases of this kind that there may be.

Compliance

**PR9
FINES FOR NON-
COMPLIANCE WITH
LAWS AND
REGULATIONS
CONCERNING THE
PROVISION AND USE
OF PRODUCTS AND
SERVICES**

UBI Banca paid a fine of €100,000 imposed by the Antitrust Authority in relation to the advertising campaign "3% Sposaci per interesse e poi ti innamorerai di noi" ("Marry us out of 3% interest and then you will fall in love with us"). [☞ PR7]



We are interested in receiving the opinions of readers on this report and we will consider any suggestion, indication, criticism or appreciation made as valuable.

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