

Sustainability Report 2016

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Strategy and analysis

Statement of the Chairwoman and Chairman

G4-1

*The first year of the mandate of the new Supervisory Board elected by a Shareholders' Meeting held on 2nd April 2016 and the first year of the Management Board that it nominated concludes with this report. It is a year that saw two events of great importance for the Group: the approval of a **Business Plan for the period 2016-2019/2020** and the start of the adoption of a single operating unit – the “**Single Bank**” – in accordance with the Business Plan, with the merger of two network banks (Banca Regionale Europea and Banca Popolare Commercio e Industria) into UBI Banca.*

The creation of a Single Bank responds to the needs to simplify operating processes in order to achieve greater operational efficiency and effectiveness through the rationalisation of corporate governance, of central units and of geographical market coverage. The relationship between the bank and its customers is also simplified and improved with greater use of digital processes, to provide a banking experience that is constantly accessible through all the available channels.

By rationalising branches, we intend to free up human resources to work on more specialist activities, while maintaining our roots in communities that have always distinguished the success of our bank. Multichannel access allows us to add new value to our local presence by means of “digital” customer relationships with particularly effective procedures that simplify the lives of our customers and add value to their time. Physical proximity nevertheless remains strategic and it is guaranteed by the commercial distribution networks of the five Macro Areas and the 36 Local Departments, with a substantial presence even in small towns (almost one quarter of branches) and in depressed areas of the country (17.6% of branches).

The Business Plan has important operating, financial and capital goals, especially in terms of capital strength. This is the first aspect of “Fare Banca Per Bene” (to bank fairly and well), which we have always done. To do this means first of all to bank with sound and prudent management. And then to bank fairly and well is to be a bank that follows rules of conduct based on respect for customers and for all our stakeholders. Then last, but not least, it is to be a bank that is attentive to the common good as the ultimate goal also of the economic activities by which communities live. This orientation can be clearly seen in the priorities described in this Sustainability Report. The first of these include the issues of integrity, risk management and the creation of value in the long-term for shareholders and for all our stakeholders. These are issues closely linked to the promotion of the principles of the United Nations' Global Compact on human rights, labour, the environment and the fight against corruption which the Bank has signed up to and is committed to sharing, supporting and applying in its sphere of influence.

This report is bursting with data. Some of this testifies to levels of excellence, such as in customer satisfaction scores (94% of customers are satisfied) or in personnel management for which our policies have received the award of “Top Employer” certification for the third consecutive year. Here we are thinking for example of gender diversity and equal opportunities indicators (the female component of employees now accounts for over 39% and more than half of new recruits), of training indicators for career growth and to keep staff continuously up-to-date (over 89,000 training days for more than 96% of employees) and of company welfare with a remarkable package of supplementary benefits and initiatives to reconcile private and working life, which also include smart working.

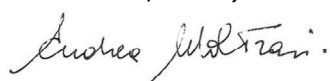
Other data describes our role as a bank at the service of the real economy in communities (almost three quarters of balance sheet assets are used to finance consumption and family and business investments) with special initiatives also to facilitate the access to credit (€6.3 billion disbursed during the year on programmes for SMEs, for study and youth employment, for start-ups and female entrepreneurship) and to support families and businesses in difficulty due to the economic crisis or to the consequences of natural disasters (repayments deferred on almost €1.5 billion of the principal on loans and mortgages to households and SMEs). And then there is also almost €14 million of donations and sponsorships for social initiatives.

Still other data illustrates virtuous progress, such as the development of UBI Comunità, which has achieved a market share of 8.3% in the third sector (double the Group's market share as a whole), the innovation with the Social 4 Future Sicav and social project finance and the figures for energy consumption and the related emissions (-5.4% and -1.9% respectively). And yet further data points to room for improvement as with the total loans granted for renewable energy or with the percentage of consumable materials purchased (paper in particular) with environmental certifications.

Our present and future efforts are designed to maintain and if possible further consolidate the positive results, but above all to grasp opportunities to improve, by bringing economic, social and environmental strategies increasingly into line one with the other. The aim is to create shared values with a view to sustainability not just for our own business but for the economic environment in which we live and for its model of development.

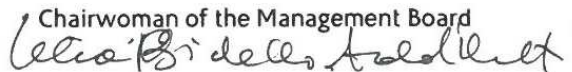
Andrea Moltrasio

Chairman of the Supervisory Board



Letizia Brichetto Arnaboldi Moratti

Chairwoman of the Management Board



Key impacts, risks and opportunities

G4-2

UBI Banca operates in a market and in a national context that contains very pervasive regulation of the bank's governance models and of the contractual relationships with the different categories of its stakeholders. It is not considered a systemic bank, which means that if it were to become unstable it could not trigger a global financial crisis and an economic crisis at international level as a consequence. However it is considered a significant bank for the European financial system and as such it is one of those banks subject to single European supervision.

With market share of 5.2% in terms of branches, 4.3% in terms of funding and 5.4% in terms of lending, its activities have a significant impact in the domestic economic context. This is especially so when it is considered that in various provinces, which include the most developed in the country, it has a market share that is twice or three times greater than its national market share, holding almost one third of the loans at sector level in the provinces of Bergamo and Brescia.

And in a still difficult and unstable macroeconomic context, the ability to manage risks adequately and to grasp business opportunities at the same time, means the bank can have a positive impact on the performance of individual local areas and prevent the negative impacts that situations where sound and prudent management is not followed can have on customers and on the community in general. This applies not just in strictly economic and financial terms but also with regard to the broader issues of social inclusion and cohesion and to the prospects for local development.

UBI Banca has a risk governance and management system in place which continuously carries out accurate identification of risks to be measured. In consideration of the nature and location of the activities carried out by the UBI Banca Group – primarily credit intermediation and transaction banking services within Italy – environmental risks which may have an impact on the Group's activities are not identified.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 183-186

On the other hand, certain trends which may constitute important opportunities even in terms of strategic positioning are clearly evident when formulating commercial strategies and objectives. These include the following: the huge progress with new technologies; the development of welfare needs as a consequence of demographic changes and the retrenchment of government services; the rise of nonprofits in the economy as a new market segment with interesting dynamics from a banking viewpoint; and the emergence of new styles of consumption and production models which reward quality, social responsibility and environmental sustainability.

We can find direct responses here in the Business Plan in the following: digital innovation projects [☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 59-61]; the objectives of the new Wealth & Welfare Division [☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 63]; the development of UBI Comunità with an increase in particular in financial support for social enterprises [☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 57-59]; attention to customer satisfaction [☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 64-66]; and a new approach to businesses following an "industrial policy" by sector/supply chain, rewarding Italian excellence such as in the food and farm and tourist sectors and in the "champion" businesses of today and tomorrow.

This is all done with constant attention to the quality of assets and capital strength, which in the new bail-in regulatory context can be leveraged as a distinctive feature to increase customer loyalty and attract new customers. And the updated Business Plan for the "combined entity", resulting from the acquisition, now completed, of the three "bridge banks" resulting from the rescue of Banca Marche, Carichieti and Banca Etruria, forecasts growth in the CET1 capital ratio from 11.2% at the end of 2016 for the UBI Banca stand alone plan to around 13.5% at the end of 2020 for the new entity, mainly as a result of profits generated.

The acquisition by UBI Banca of these three "Bridge Banks", constitutes the first transaction authorised by Brussels to manage crisis situations in Italy This is also an opportunity that UBI Banca was able to grasp thanks to its capital strength, in order to growth further to reach a size that is more adequate for successful competition on the market.

Group profile

Name of the organisation

G4-3 Unione di Banche Italiane S.p.A. (UBI Banca in abbreviated form) is the parent bank of the UBI Banca Group and was formed on 1st April 2007 following the merger of Banca Lombarda e Piemontese into Banche Popolari Unite, with the consequent integration of the two groups of the same name [↔ G4-7].

Primary brands, products and services

G4-4 The Group operates mainly in the retail banking and financial services sector, with a distribution network composed of seven locally-based brands together with the brands of the online bank and the Group's product companies. IT activities and other support functions are managed by UBI Sistemi e Servizi, while training and professional and managerial development is carried out by UBI Academy. The local brands are those of the network banks that originally joined the Group and which were then integrated into the Parent, UBI Banca, with the "Single Bank" project launched in November 2016 with the mergers of Banca Regionale Europea and Banca Popolare Commercio e Industria.

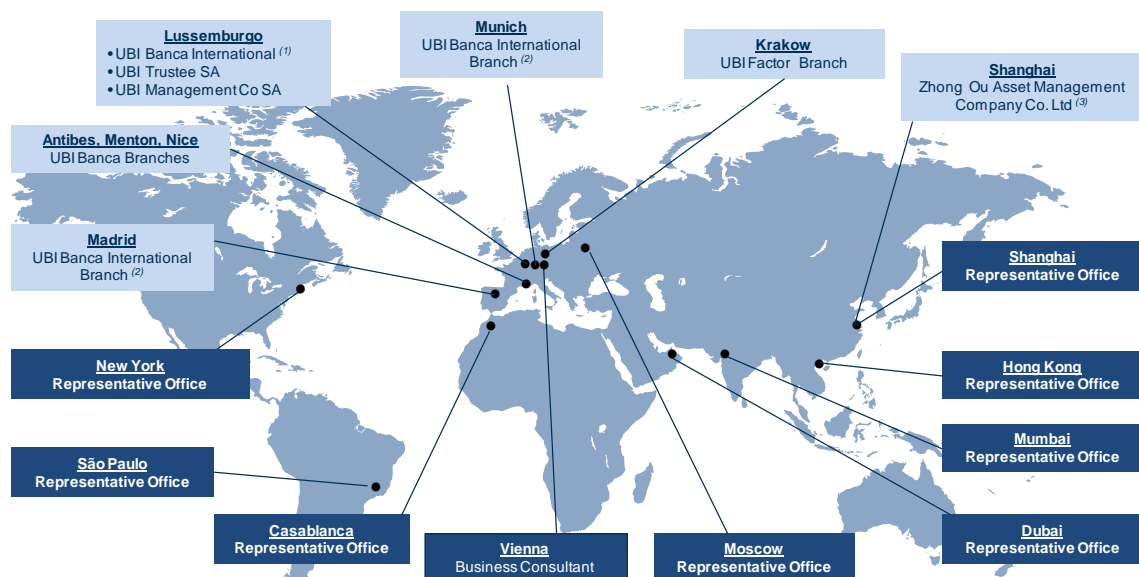
↔ 2016 CONSOLIDATED FINANCIAL REPORT P. 10-11

Headquarters

G4-5 The Company's registered office is in Bergamo and it also has operating headquarters in Bergamo and Brescia. As laid down in the Articles of Association, shareholders' meetings are held alternately in the city or province of Bergamo and in the city or province of Brescia, while the Supervisory Board and the Management Board meet alternately in the city of Bergamo and in the city of Brescia and generally once a year in the city of Milan.

Countries where significant operations are carried out or that are specifically relevant to sustainability

G4-6 The UBI Banca Group operates mainly in Italy and it has a very limited number of branches in other European countries. Its presence in non-European countries consists solely of representative offices in areas of major interest for the international business projects of Italian small and medium-sized enterprises and of an asset management company located in China.



⁽¹⁾/⁽²⁾ On 28th April 2016 UBI Banca signed a contract for the sale of 100% of the share capital of UBI Banca International S.A. to EFG International AG. Upon completion of the transaction (expected during the first half of 2017), Madrid and Munich branches will become UBI Banca branches.
⁽³⁾ Joint-venture in which UBI Banca holds 35% of the total share.

The Group operates in a total of 14 countries, which include no “tax havens” or other financial centres that do not yet comply with international tax standards as recommended by the OECD, or countries 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. As concerns Brazil, China, India and Russia, in which the Group has representative offices, and which, according to the assessment criteria contained in the Group’s armaments policy, are classified as countries at risk with regard to respect for human rights, we do not provide any banking and financial services connected with international arms trade transactions.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 71-73

Presence in low populated or economically disadvantaged areas

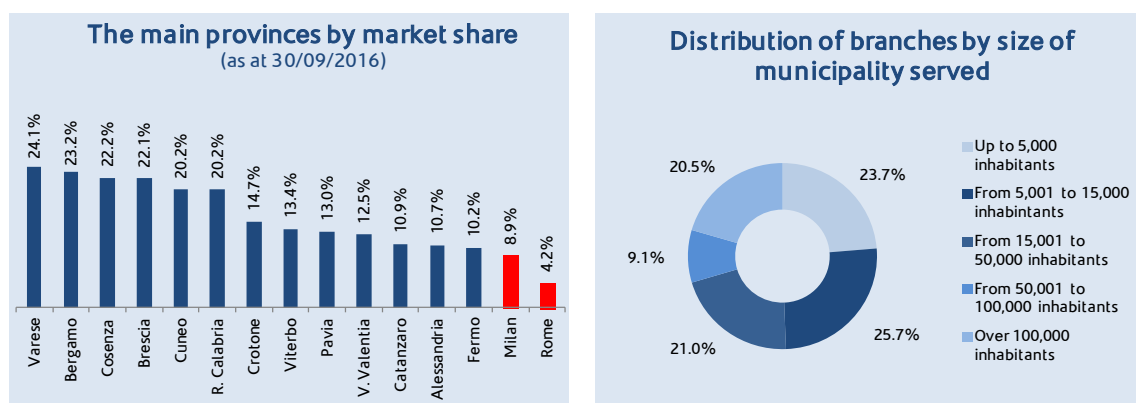
G4-FS13

The Group is present in all the regions of Italy, with the sole exception of Sicily, with 1,524 branches and 123 private and corporate banking units.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 9

The majority of branches are located in the more developed and richer areas of central and northern Italy, but there is also a significant presence in regions with lower growth rates, which receive subsidies from the European Union as part of the “Competition and Employment” objective programmes (268 branches accounting for 17.6% of the total).

Geographical coverage also includes small towns and villages in rural or mountain areas: 23.7% of branches are in municipalities with less than 5,000 inhabitants and the Group provides the only banking facility present in 146 municipalities.



Physical proximity remains an important feature of geographical coverage and of the quality of customer relationships, although in a context of a progressive reduction in the size of the geographical network as a consequence of increasingly greater recourse by customers to telephone services and to the services of the online digital bank.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 59-62

Nature of ownership and legal form¹

G4-7

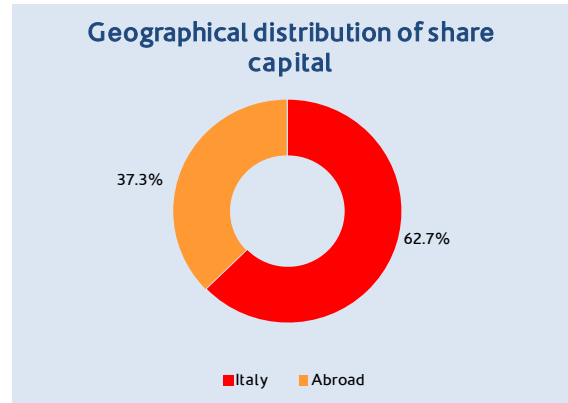
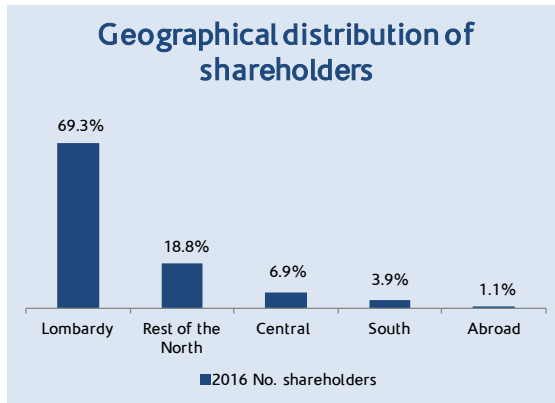
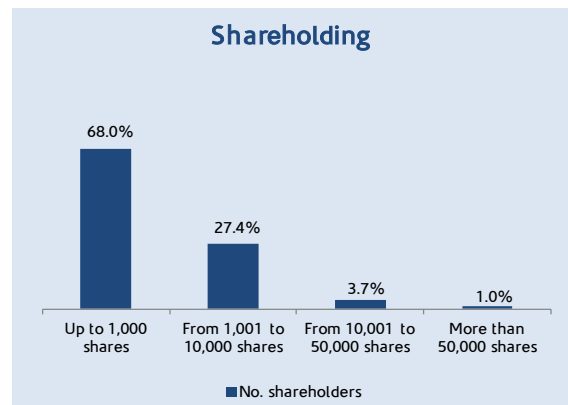
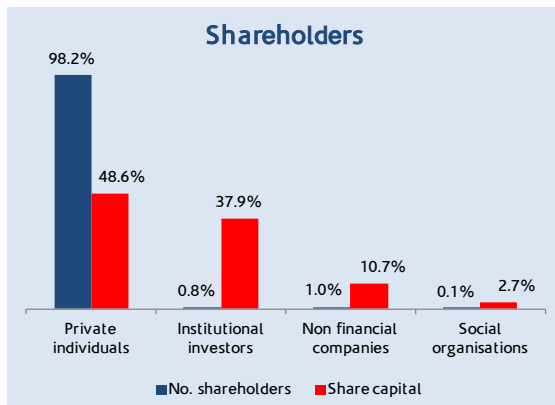
Formed in 2007 as a “popular” co-operative bank, UBI Banca acquired its current legal form as an ordinary joint-stock company following a resolution of an Extraordinary Shareholders’ Meeting held on 10th October 2015 in accordance with Law No. 33 of 24th March 2015².

The share capital as at 31st December 2016 was composed of 976,300,395 ordinary registered shares with no nominal value, listed by Borsa Italiana on the *Mercato Telematico Azionario* (MTA - electronic stock exchange) in the FTSE MIB index (companies with the largest capitalisation) and on the “after hours” market (TAH).

There is only one single class of ordinary shares, each of which grants the right to vote in a shareholders’ meeting. The Articles of Association also place a transitional limit on voting rights equal to 5% of the share capital until 26th March 2017 (24 months following the entry into force of the reform law for “popular” co-operative banks).

¹ The figures for shareholders are taken from dividend payment requests (May 2016).

² The reform requires “popular” co-operative banks that exceed the threshold of €8 billion of total assets to take one of the following measures within twelve months of exceeding that limit, (18 months from the date of entry into force of the decree for “popular” banks which on that date were already authorised to carry on banking business): the reduction of assets below that limit; transformation into an ordinary joint-stock company; voluntary liquidation (Art. 29, Para. 2-ter, Consolidated Banking Act).



2016 SEPARATE FINANCIAL REPORT P. 46*-50*

The UBI Banca share is covered by 22 brokerage houses, 16 of which international, and is also included in 100 of the main international stock market indices³ and in some of the most important **national and international ethical and sustainability indices**:



ECPI EMU Ethical Equity



FTSE4Good Global, FTSE4Good Europe



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



Italian Index, Italian Banks Index (rating EE)



ESI Excellence Europe



Rating Outperformer

[HTTP://WWW.UBIBANCA.IT/PAGINE/RATINGS-AND-ETHICAL-INDEXES-EN.ASPX](http://www.ubibanca.it/pagine/ratings-and-ethical-indexes-en.aspx)

Markets served

G4-8

UBI Banca operates mainly on the domestic retail market at the service of families and small to medium-size companies in the community and it has around 3.9 million customers.

A total of 7.6% of individual customers are from abroad and come mainly from Eastern Europe (33.85%), Western Europe (21.39%), North Africa (10.51%) and Latin America (9.55%).

³ Data as at 30/12/2016, source Bloomberg.

CUSTOMER PROFILE		2016	2015	2014
Number of customers (thousands)		3,866	3,786	3,753
<i>of which:</i>				
	<i>UBI Banca</i> ¹	875	780	786
	<i>Banca Popolare di Bergamo</i>	975	967	967
	<i>Banco di Brescia</i>	557	560	565
	<i>Banca Popolare di Ancona</i>	473	470	470
	<i>Banca Carime</i>	717	729	816
	<i>Banca di Valle Camonica</i>	79	79	78
	<i>IW Bank</i> ²	190	202	72
Retail Market		97.8%	97.7%	97.7%
<i>of which:</i>				
	<i>Mass</i>	78.6%	75.9%	79.4%
	<i>Affluent</i>	12.0%	14.9%	13.7%
	<i>Small Business (POE e PMI)</i>	6.4%	6.3%	5.7%
	<i>Enti e istituzionali</i>	0.7%	0.7%	1.1%
Corporate Market		0.7%	0.8%	0.7%
Private banking market		1.5%	1.5%	1.6%
Private individuals		89.5%	89.1%	89.1%
Businesses		8.3%	8.7%	8.7%
Authorities and Institutions		1.7%	1.7%	1.7%
Other		0.5%	0.5%	0.5%
North		66.0%	65.0%	61.5%
South and Island		23.4%	24.2%	27.3%
Center		10.6%	10.8%	11.2%

¹ Includes the customers of Banca Popolare Commercio e Industria and Banca Regionale Europea due to the merger into UBI Banca with effect from 21st November 2016.

² Company resulting from the merger between IWBank and UBI Banca Private Investment in 2015.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 49, 62-63

Exposure by geographical region, size and business sector

G4-FS6

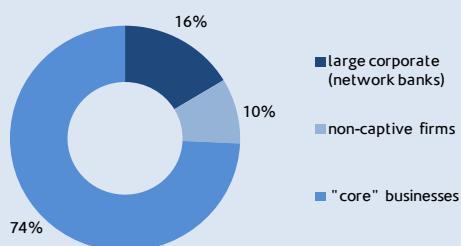
The Group's *core business* is the provision of banking and financial services to private individuals, firms and local authorities and institutions. The large majority of balance sheet assets (72.8%) consist of loans to customers, while 15.9% consists of financial assets (almost all of these are government and central bank securities, derivative instruments and units of UCITS).

CORPORATE CUSTOMERS by economic sector ¹	2016
G - WHOLESALE AND RETAIL COMMERCE; MOTOR VEHICLE AND MOTOR CYCLE REPAIR	25.1%
C - MANUFACTURING ACTIVITIES	15.4%
<i>of which</i>	
<i>metallurgy, fabrication of metal objects and processing of non metallic minerals</i>	28.2%
<i>foodstuff, beverage and tobacco industries</i>	11.8%
<i>fabrication of machinery</i>	7.9%
<i>textile industries, tailoring of articles in leather and fur, fabrication of articles in leather and similar</i>	13.5%
<i>fabrication of oil refinery, chemical and pharmaceutical products</i>	2.6%
<i>fabrication of computers, electronic and optical products, electrical and non-electrical equipment</i>	5.6%
<i>fabrication of articles in rubber and plastic</i>	4.2%
<i>timber industry and fabrication of furniture</i>	9.3%
<i>fabrication of paper and paper products, printing and reproduction of recorded media</i>	4.8%
<i>repair, maintenance and installation of machinery and equipment</i>	5.3%
<i>fabrication of motor vehicles, trailers, semitrailers and other means of transport</i>	1.9%
<i>other manufacturing industries</i>	5.0%
F - CONSTRUCTIONS	13.2%
M - PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	8.0%
I - ACCOMMODATION AND CATERING SERVICES	7.6%
L - REAL ESTATE PROPERTY ACTIVITIES	7.2%
A - AGRICULTURE, FORESTRY AND FISHING	5.3%
S - OTHER SERVICE ACTIVITIES	3.9%
H - TRANSPORT AND WAREHOUSING	3.1%
N - HIRE, TRAVEL AGENCY, BUSINESS SUPPORT SERVICES	2.8%
J - INFORMATION AND COMMUNICATION SERVICES	2.5%
Q - HEALTH AND SOCIAL SERVICES	1.6%
K - FINANCIAL AND INSURANCE ACTIVITIES	1.3%
R - ARTISTIC, SPORTS AND ENTERTAINMENT AND LEISURE ACTIVITIES	1.1%
D - SUPPLY OF ELECTRICITY, GAS, STEAM AND AIR CONDITIONING	0.5%
P - EDUCATION	0.4%
E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND CLEANUP ACTIVITIES	0.4%
B - EXTRACTION OF MINERALS FROM QUARRIES AND MINES	0.1%
Z - OTHER	0.5%
TOTAL corporate customers	100.0%
	320,158

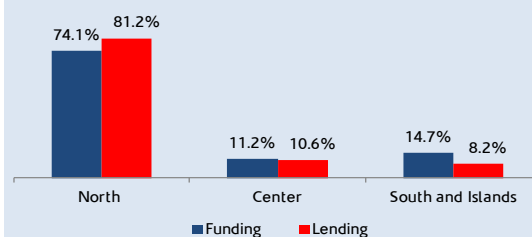
¹ ATECO classification of industrial sectors based on the International Standard Industrial Classification of All Economic Activities (ISIC)

Loans to businesses by company size

(as at 30/09/2016)



Geographical distribution of lending and funding¹



¹ The figures relate to the banking perimeter only (UBI Banca, the Network Banks, IWBank). Funding includes current account deposits, saving deposits and certificates of deposit. The figures relate to June 2016.

With regard to the possible environmental and social impact of the activities that are financed, the exposure and provision of services to companies operating in certain sectors considered "controversial", above all from the viewpoint of social impacts, are monitored and/or subject to controls and limitations.

Scale of the Group

G4-9

At the end of 2016, UBI Banca was the third-largest banking concern⁴ in Italy by stock market cap, the fourth for funding and lending and the fifth by number of branches⁵.

ECONOMIC DIMENSION (thousands of euro)	2016	2015	2014
Funding from customers	167,282,629	171,060,356	169,099,677
of which			
<i>indirect funding</i>	82,116,612	79,547,957	75,892,408
<i>assets under management</i>	54,631,219	48,567,539	43,353,237
Net loans to customers	81,854,280	84,586,200	85,644,223
Total assets	112,383,917	117,200,765	121,786,704
Equity ¹	8,989,578	9,981,862	9,804,048
Revenues ²	4,114,951	4,688,299	5,158,949
Profit for the year	(830,150)	116,765	(725,767)
Economic value created	1,630,239	2,732,089	2,747,782
Contributions to communities for donations and sponsorships	13,852	14,916	10,997

¹ Inclusive of profit/loss for the year.

² This has been recalculated compared with the 2015 edition as the sum of items 10, 40, 70, 80, 100 (a+b+d), 110, 130 (b), 220 and 240 in the Consolidated Income Statement.

SOCIAL DIMENSION	2016	2015	2014
Personnel ¹	17,598	17,757	18,168
of which:			
<i>employees²</i>	17,571	17,734	18,144
<i>permanent</i>	99.5%	99.5%	98.9%
<i>Women in management positions (out of total senior managers)</i>	10.7%	10.7%	9.9%
Customers (thousands)	3,866	3,786	3,753
<i>of which private individuals</i>	89.5%	89.1%	89.1%
Shareholders ³	150,085	148,427	151,992
Suppliers	11,288	9,655	10,120
<i>of which strategic and/or regular on the approved list</i>	876	874	818

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

² Recognised on the payroll.

³ Shareholder numbers are taken from dividend payment requests (May 2016).

⁴ Stock market capitalisation as at 29/12/2016.

⁵ Lending, funding and branches as at 30/09/2016.

ENVIRONMENTAL DIMENSION	2016	2015	2014
Total floor area of offices and branches (sq.m.) ¹	969.919	982.431	977.068
Energy consumption (Gj) ²	528.742	559.140	584.997
CO ₂ Emissions (tons) ²	10.176	10.371	11.480
Paper consumption (tons) ³	2.377	2.600	2.245
Waste products (tons)	1.493	1.394	1.748
Portfolio of loans granted for environmental investments (€million)	1.855	2.022	2.058

¹ Floor area on which environmental data are calculated

² This does not include energy consumption outside the organisation and the consequent emissions.

³ Consumption in 2015-2016 is not comparable with that for 2014 due to the enlargement of the reporting scope to include new types of consumption (e.g. unstamped paper, diaries, calendars) and additional outside printing firms. [G4-EN1]

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 71-73

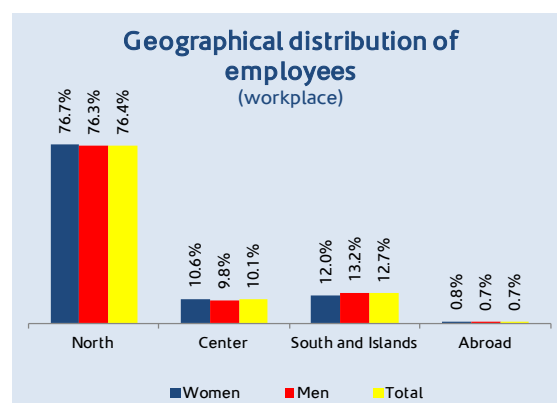
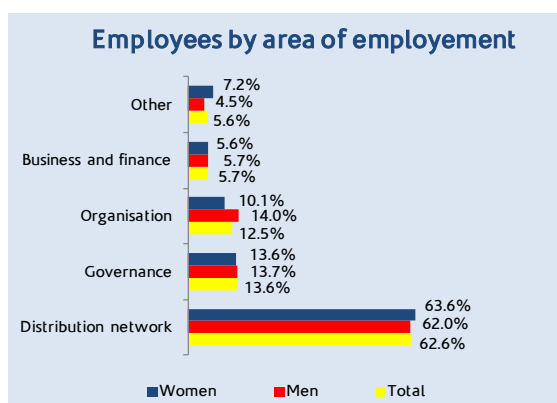
The Group workforce

G4-10

99.9% of the workforce is composed of ordinary employees. The average number of associate workers employed in 2016 was 41, 18 of whom women, almost all students on internships under arrangements with the universities in which they were enrolled.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 74-76

PERSONNEL AT THE END OF THE YEAR	2016		2015		2014	
	Totale	Women	Totale	Women	Totale	Women
Employees	17,571	6,870	17,734	6,825	18,144	6,860
of which:						
<i>permanent</i>	17,478	6,821	17,647	6,775	17,947	6,759
<i>on temporary contracts</i>	93	49	84	48	153	78
<i>apprentices</i>	0	0	3	2	44	23
<i>placement</i>	0	0	-	-	-	-
Associate workers	27	10	23	14	24	11
of which:						
<i>personnel leasing</i>	-	-	-	-	-	-
<i>other contracts (e.g. internship/agency)</i>	27	10	23	14	24	11
TOTAL	17,598	6,880	17,757	6,839	18,168	6,871



Percentage of employees covered by collective bargaining agreements

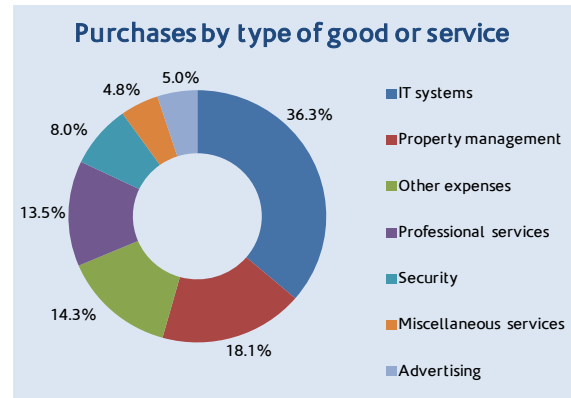
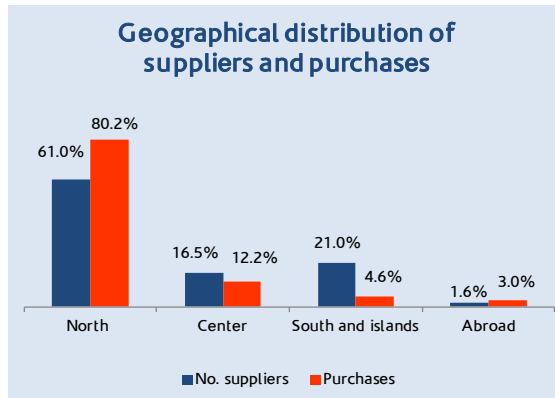
G4-11

All employees in banks and other companies registered in Italy (over 99% of total Group employees) are covered by national collective bargaining agreements, supplemented by level II company agreements, in compliance with the conventions and recommendations of the International Labour Organisation (ILO).

Description of the supply chain

G4-12
G4-EC9

The Group operates almost exclusively in Italy and 97% of purchases are from local suppliers, defined as suppliers resident in Italy. Where possible and appropriate, depending on the type of products or services, use is made of suppliers who operate in the vicinity of our individual operating premises.



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

Suppliers are selected on the basis of cost, service quality and technical, commercial and financial reliability. The Code of Ethics states that where requirements are the same, preference is given to those suppliers who demonstrate the implementation of **good practices of 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 the offices requesting the supplies (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. At the end of 2016 suppliers on the list numbered 876 (+2 compared with 2015, as a result of 43 new suppliers and 41 removed from the list). Management of the supplier list and the vendor rating system is supported by dedicated software that interfaces with the SAP accounting system. All buyers in the Purchasing Department can use the corporate intranet to consult a supplier's vendor rating, the class of goods sold, figures on invoicing over the last three years, the amount of orders in progress and an indicator of dependence on the Group.

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

[CODE OF ETHICS P. 15-16](#)

Contractual conditions and terms of payment are constantly updated to comply with the legislation in force and with market conditions on the basis of periodic 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, when an order is placed or a contract is signed, all suppliers are required to comply with the principles of the Group's Code of Ethics. Standard contract clauses provide for the power of UBI Sistemi e Servizi to verify or have verified by its agents – at any time and using the inspection procedures considered most appropriate – that the supply of goods or the provision of services is carried out and that this complies with the applicable legislation and regulations. They also provide for a commitment by the supplier to facilitate the exercise of these verification powers, by providing UBI Sistemi e Servizi with all the information required, including the documentation, written communications and/or documents needed to carry out appropriate controls.

Significant changes during the year

G4-13 No significant changes occurred in 2016 in the size of the Group, in its ownership and in its supply chain. Significant changes occurred from an organisational viewpoint with the start of the process to merge the network banks into the Parent, UBI Banca, (the “Single Bank” project) and the consequent revision of UBI Banca’s organisational structure.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 32-34

Risk management approach

G4-14 UBI Banca operates in a heavily regulated sector at national and European level from the viewpoint of a prudential approach to risk management. In any event it has always maintained a prudential orientation designed to maintain a high level of capital strength and control over risks including reputational risk, with a view to social responsibility and sustainability.

☞ GOVERNANCE AND RISK MANAGEMENT

Adherence to charters, principles and other external initiatives

G4-15 UBI Banca is maintaining its commitment, first made voluntarily in 2003 by the then BPU Banca, to apply the ten universal principles of the **Global Compact** in favour 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.

In 2014 it adhered voluntarily to the **Italian Responsible Payments Code** promoted by Assolombarda (Lombard employers association), making a commitment to comply with terms and conditions agreed for the payment of suppliers and more generally to spread a culture of efficient, punctual and rapid payment practices.

At present Group suppliers have signed contracts which involve payment terms ranging from on-receipt-of-invoice up to a maximum of 120 days from the date of invoice (a very marginal proportion accounting for 0,012% of the total). The average supplier settlement time in 2016 was approximately 32.5 days.

The Bank has adopted governance and commercial processes as soon as they were issued compliant with the recommendations of the **Corporate Governance Code for Listed Companies** since that was issued in 1999 by the Corporate Governance Committee promoted by Borsa Italiana S.p.A., and also with the recommendations of the **European Code of Conduct for Home Mortgages**, signed by European banking and consumer associations. Although it has not adhered to the Istituto di Autodisciplina Pubblicitaria (Italy’s advertising standards authority), it complies with the principles of the **Codice di autodisciplina della Comunicazione Commerciale** (code of conduct for commercial communication) drawn up by that Institute, the first edition of which dates back to 1966.



Membership of associations and other advocacy organisations

G4-16 UBI Banca is a member of the **Associazione Bancaria Italiana (ABI – Italian Banking Association)**. As a member of the ABI, it is a participant in **ABI Energia – ABI Lab Competence Centre** for energy efficiency in the banking sector and in various working groups including the **Working Group on Financial and Social Inclusion and Bank-Migrant Relationships**, the **Consumer Bank Working Group**, which also deals with issues of access to banks, and the newly formed **Working Group on Banking Activities, Environment and Climate Change**.



It is also a member of various other associations and foundations, including some in particular which pursue goals and carry out initiatives and projects of substantial importance for the corporate social responsibility of the Bank:

- **Associazione Italiana degli Analisti e Consulenti Finanziari (AIAF – Italian association of financial analysts and advisors)**, whose aims are to develop the profession of financial analyst and advisor, to oversee professional qualification to the highest standards and to promote the study and culture of financial analysis in order to contribute to the transparency and efficiency of markets (UBI Banca is a supporting member);
- **Fondazione per l’Educazione Finanziaria e al Risparmio** (foundation for financial education and savings), which promotes financial education in the broader sense of education for knowledgeable and active economic citizenship through the development and spread of financial and economic knowledge among young people and in schools above all;



- **International Capital Market Association (ICMA)**, whose mission is to promote resilient and well-functioning debt capital markets, a necessary condition for economic growth;
- **Associazione Italiana Responsabili Antiriciclaggio (AIRA – Italian association of anti-money laundering managers)**, whose aim is to combine the demands to bring people together, share experiences and reflect on the issues in order to develop a culture of legality to the benefit of stakeholders on the financial intermediation and insurance market.
- **CSR Manager Network Italia**, a centre for the promotion and experimentation of sustainability, which helps to spread a culture of sustainability through the development of expertise and active participation in national and international debates;
- **Human Foundation**, a nonprofit organisation which promotes collaboration between companies, government organisations, social enterprises, foundations, institutional investors, economic operators and the world of finance in order to generate and implement innovative solutions to social problems. UBI Banca is a “Gold Ambassador” member and makes a scholarship grant available for participation in the Executive Master in Social Entrepreneurship (Mhuse);
- **Social Value Italia**, an association which promotes the development in Italy of a culture and the practice of social impact assessment as well as the use of methods to measure it (UBI Banca is a founding member together with the Human Foundation and it is represented on the Management Board);
- **Social Impact Agenda for Italy**, an association which is continuing the work of the Italian Advisory Board of the Social Impact Investment Task Force (SIIT), promoted in 2013 during the British presidency of the G8 in order to bring social impact investments to the forefront in the agendas of member countries. The purpose of the association is to reinforce the ecosystem of social impact investments in Italy in order to encourage the growth of social enterprises (UBI Banca is a founding member together with the Human Foundation and it is represented on the Management Board);
- **Sodalitas Foundation**, whose mission is to contribute to the development of the third sector and the growth of a corporate social responsibility culture (UBI Banca supports the Sodalitas Social Innovation award and with Sodalitas it implements its own voluntary corporate programme entitled “Donate one day”.
- **Valore D (D Value)**, the first association of companies that promotes diversity and female talent and leadership for the growth of companies and the country, through the promotion of inclusive and balanced leadership and governance models and models of social innovation and sustainability in order to orient personal study programmes for young women and overcome gender stereotypes in the family and at work.
- **Triulza Foundation** (located in Cascina Triulza, in the civil society Pavilion at EXPO Milan 2015), whose mission is to be a special centre for representing the needs and proposals of organisations in civil society in order to encourage the active involvement of citizens and to guarantee acceptance and inclusion (UBI Banca is a founding member).



Report parameters

Report profile

G4-28 The reporting period for this document is from 1st January 2016 until 31st December 2016, the same as that of the consolidated financial report.

G4-29 It is the **tenth consecutive report** since the formation of UBI Banca in 2007. The previous edition relating to 2015 was published in May 2016.

G4-30 The Sustainability Report is published annually and it is prepared by the Management Board and approved by the Supervisory Board. It is published, in Italian and translated into the English language, in electronic (PDF) format only, in the Social Responsibility section of the Group's corporate website.

A hardcopy summary report is distributed to Shareholders who attend Shareholders' Meetings, which presents the main highlights of the Sustainability Report in a simple and direct manner. This document, which is also designed for use in official presentations of the Group, is printed in 20,000 copies in Italian and a few hundred copies in English and it is also published in electronic (PDF file) format in the Social Responsibility section of the Group's corporate website.

G4-31 The address for information on the Sustainability Report and on the Social Responsibility section of the corporate website of the Group is:

UBI Banca Spa
Corporate Social Responsibility
Piazza V. Veneto, 8
24122 Bergamo
Tel. 035-392925
Fax 035-392996
e-mail: csr@ubibanca.it

Copies of the summary report and of the full report (in both Italian and English) may be requested from the above address or by using the "toolbox" on the website www.ubibanca.it.

GRI Contents

G4-32 This document has been prepared according to the table of contents of **version G4** of the **Guidelines for Sustainability Reporting** and the **Financial Services Sector Disclosures** issued in 2013 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 the documents **Reporting to Stakeholders. A Guide for Banks (2006)** and **Guidelines on the Application in Banks of Environmental Indicators of GRI version G4 (2017)** and also of the **Global Compact** rules for the periodic Communication on Progress which companies who have signed up to the ten principles of the compact are required to observe.

Two options are available for the application of the GRI-G4 Guidelines, "core" and "comprehensive" depending on the breadth of the reporting. UBI Banca has declared the **in accordance- comprehensive** option, as reported in the GRI Content Index which reports only those indicators relevant for the Group's activities according to the Materiality Matrix [[G4-19](#)].

INDICATOR G4	DESCRIPTION	PAG. OR REASON FOR OMISSION	GLOBAL COMPACT
STRATEGY AND ANALYSIS			
G4-1	Statement from the Chairman	1	
G4-2	Key impacts, risks and opportunities	2	
GROUP PROFILE			
G4-3	Name of the organization	3	
G4-4	Primary brands, products and services	3	
G4-5	Headquarters	3	
G4-6	Countries where significant operations are carried out or that are specifically relevant to sustainability	3	
G4-7	Nature of the ownership and legal form	4	
G4-8	Markets served	5	
G4-9	Scale of the Group	7	
G4-10	The Group workforce	8	
G4-11	Percentage of employees covered by collective bargaining agreements	8	1,3
G4-12	Description of the supply chain	9	1-10
G4-13	Significant changes during the year	10	
G4-14	Risk management approach	10	7
G4-15	Adherence to external code and principles	10	1-10
G4-16	Membership of associations	10	1-10
IMPORTANT ASPECTS AND BOUNDARIES			
G4-17	Boundary of the report	19	
G4-18	Process for the identification of material topics	19	
G4-19	Materiality matrix	19	
G4-20	Boundary of the impact of material topics - internal	20	
G4-21	Boundary of the impact of material topics - external	20	
G4-22	Restatement of data furnished in previous reports	20	
G4-23	Significant changes in the scope and topic boundaries	20	
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder groups engaged	25,40	
G4-25	Procedures for selection of stakeholders for engagement	25	
G4-26	Stakeholder engagement activities	26	
G4-27	Key topics and concerns that have been raised through stakeholder	26	
REPORT PARAMETERS			
G4-28	Reporting period	12	
G4-29	Date of the most recent previous report	12	
G4-30	Reporting cycle	12	
G4-31	Contacts for informations	12	
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G4-33	Policy and practice for external assurance	17	
GOVERNANCE			
G4-34	Governance structure	21	1-10
G4-35	Delegating process	21	
G4-36	Appointment	21	
G4-37	Process for consultation between stakeholders and governing bodies	21	1-10
G4-38	Composition of governing bodies and their committees	22	1-10
G4-39	Divisions of function between the Chair of the highest governing body and the CEO	22	1-10
G4-40	Selection process for members of the highest governing body and committees	22	1-10
G4-41	Process for the management of conflicts of interest	22,30	1-10
G4-42	The role of the highest governing body in the definition of mission, values and strategies	22	
G4-43	Initiatives to enhance the highest governing body's knowledge of economic, environmental and social topics	22	
G4-44	Assessment of the highest governing body's performance and consequent actions	22	1-10
G4-45	The Highest Governing Body's role in the identification and management of economic, environmental and social impacts, risks and opportunities ità in ambito economico, ambientale e sociale	19,23	1-10
G4-46	The highest governing body's role in reviewing the effectiveness of the risk management processes for economic, environmental and social	23	
G4-47	The frequency of the highest governance body review of economic, environmental and social impacts, risks and opportunities	23	
G4-48	The Highest Governing Body's role in the sustainability reporting process	23	

INDICATOR G4	DESCRIPTION	PAG. OR REASON FOR OMISSION	GLOBAL COMPACT
G4-49	Process for communicating critical concerns to the highest governing	23	
G4-50	Nature, number and management of critical concerns communicated to the highest governing body	23	
G4-51	Remuneration policies for the highest governing body and senior management	23	
G4-52	Process for determining remuneration	24	
G4-53	Stakeholders and remuneration	25	
G4-54	Ratio between remuneration received	25	
G4-55	Ratio of increases in remuneration	25	
INTEGRITY IN CORPORATE CONDUCT			
G4-56	Values, principles and norms of behaviour	29	1-10
G4-57	Advice on ethical and lawful behaviour	29	1-10
G4-58	Violations of the Code of Ethics	29	1-10
ECONOMIC PERFORMANCE			
ECONOMIC PERFORMANCE			
Management approach		37,49	
EC1	Economic value created and distributed and contributions for social initiatives	37,49	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	39	7
EC3	Coverage of the organization's defined benefit plan obligations	58	
EC4	Financial assistance received from government	39	
MARKET PRESENCE			
Management approach		23,33,55	
EC5	Entry-level wage	36	1
EC6	Appointments of local personnel	57	6
INDIRECT ECONOMIC IMPACTS			
Management approach		37,44,47,66,68	
EC7	Development and impact of infrastructure investments and services supported	47	
EC8	Significant indirect economic impacts	39	
PROCUREMENT PRACTICES			
Management approach		9 (non material)	
EC9	Local suppliers	9 (non material)	
ENVIRONMENTAL PERFORMANCE			
MATERIALS			
Management approach		71	7,8,9
EN1	Material used	71	8
EN2	Recycled raw materials	71	8,9
ENERGY			
Management approach		72	7,8
EN3	Energy consumption within the organisation	73	7,8
EN4	Energy consumption outside the organisation	74	7,8
EN5	Energy intensity	75	
EN6	Reduction of energy consumption	75	7,8
EN7	Reduction in energy requirements of products and services	Not applicable	7,8
EMISSIONS			
Management approach		72	7,8,9
EN15	Direct greenhouse emissions (scope 1)	75	7,8
EN16	Indirect greenhouse emissions (scope 2)	75	7,8
EN17	Other indirect greenhouse emissions (scope 3)	76	7,8
EN18	Greenhouse gas emissions intensity	76	
EN19	Reduction of greenhouse gas emissions	77	7,8,9
EN20	Emissions of ozone-depleting substances	77	7,8
EN21	NOx, SOx and other significant air emissions	77	7,8
EFFLUENTS AND WASTE			
Management approach		71	7
EN22	Water discharge	Not applicable	7
EN23	Waste by type and disposal method	72	7
EN24	Significant spills	Not applicable	7
EN25	Hazardous waste	72	7
EN26	Water habitats affected by organization's discharges	Not applicable	7

INDICATOR G4	DESCRIPTION	PAG. OR REASON FOR OMISSION	GLOBAL COMPACT
COMPLIANCE			
Management approach		29	7,8
EN29	Significant fines and sanctions for non-compliance with environmental laws and regulations	36	7,8
TRANSPORT			
Management approach		78	7,8
EN30	Significant environmental impacts of transporting products and materials used and of transporting personnel	78	7,8
OVERALL			
Management approach		69,72	
EN31	Environmental protection expenditures and investments	78	
LABOR PRACTICES AND DECENT WORK			
EMPLOYMENT			
Management approach		55	3-6
LA1	Employment and personnel turnover	8,55	6
LA2	Benefits and other supplementary contributions	57	
LA3	Return to work and retention rates	58	
LABOR/MANAGEMENT APPROACH			
Management approach		59	3
LA4	Minimum notice period for operational changes	59	3
OCCUPATIONAL HEALTH AND SAFETY			
Management approach		59	1
LA5	Health and safety committees	59	1
LA6	Injury, diseases and absenteeism	60	1
LA7	Roles at high risk of injury	61	1
LA8	Trade union agreements on health and safety	62	1
TRAINING AND EDUCATION			
Management approach		63	
LA9	Annual training per employee and by category of worker	63	
LA10	Programmes for skills management and lifelong learning	65	
LA11	Employees regularly receiving performance and career development	65	
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Management approach		33	1,6
LA12	Composition of governance bodies and of employees per indicators of diversity	34	1,6
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Management approach		33	1,6
LA13	Ratio of basic salary of women to men	35	1,6
LABOR PRACTICES GRIEVANCE MECHANISMS			
Management approach		33	
LA16	Grievances about labour practices	33	
HUMAN RIGHTS			
NON-DISCRIMINATION			
Management approach		33	1,2,6
HR3	Incidents of discrimination and corrective actions taken	33	1,2,6
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
Management approach		33	
HR4	Activities in which the freedom of association and collective bargaining may be violated and measures taken	8,34	1-3
SOCIETY			
LOCAL COMMUNITIES			
Management approach		44,49	
SO1	Operations with implemented local community engagement, impact assessment and development programs	48	
SO2	Operations with negative impacts on local communities	48	
FS13	Presence in low-populated or economically disadvantaged areas	4	
FS14	Access to financial services for disadvantaged people	67	
ANTI-CORRUPTION			
Management approach		30	10
SO3	Operations assessed for risk related to corruption	31	10
SO4	Communication and training on anti-corruption policies and procedures	31	10
SO5	Casi di corruzione accertati e azioni intraprese	31	10

INDICATOR G4	DESCRIPTION	PAG. OR REASON FOR OMISSION	GLOBAL COMPACT
PUBLIC POLICY			
	Management approach	30,49	
SO6	Contributions to political parties and related institutions	31,53	
ANTI-COMPETITIVE BEHAVIOUR			
	Management approach	32	
SO7	Number of legal actions for anti-competitive behavior and monopoly practices	32	
COMPLIANCE			
	Management approach	29	
SO8	Significant fines and non-monetary sanctions for non-compliance with laws and regulations	30	
PRODUCT RESPONSIBILITY			
PRODUCT AND SERVICE LABELING			
	Management approach	32,40	
PR3	Product and service information required by the organization's	33	
PR4	Incidents of non-compliance with regulations and voluntary codes concerning products and services information and labeling	33	
PR5	Surveys measuring customer satisfaction and results	32,40	
MARKETING COMMUNICATION			
	Management approach	32	
PR6	Sale of banned or disputed products	32	
PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	32	
CUSTOMER PRIVACY			
	Management approach	42	
PR8	Complaints regarding breaches of customer privacy and losses of customer data	43	1
COMPLIANCE			
	Management approach	29	
PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	32	1
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FS6	Customer profile	6,67	
FS7	Products and services with social benefits	66	
FS8	Products and services with specific environmental benefits	68	
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	Management approach	29	

As with previous reports, the 2016 Sustainability Report has been audited by an independent entity, which also verifies its compliance with regard to the option declared by the Bank for the application of the GRI Guidelines.

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 2012-2020.

The auditor carries out its activities on the basis of the principles recommended by the International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Assurance Standards Board (IASB) and it issues a certification of compliance with the relative guidelines declared by the Bank.

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INDEPENDENT AUDITORS' REPORT ON THE SUSTAINABILITY REPORT

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

We have carried out a limited assurance engagement on the Sustainability Report of the Unione di Banche Italiane S.p.A. and its subsidiaries (the "Unione di Banche Italiane Group") as of December 31, 2016.

Management Board's responsibility on the Sustainability Report

The parent's Management Board is responsible for the preparation of the Sustainability Report in accordance with the "G4 Sustainability Reporting Guidelines" and the "Financial Services Sector Disclosures", both issued in 2013 by GRI - Global Reporting Initiative, as stated in the chapter "Report parameters" of the Sustainability Report, and for such internal control as they determine is necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to frauds or unintentional behaviours or events. The Management Board is also responsible for defining the Unione di Banche Italiane Group's objectives regarding the sustainability performance and the reporting of the achieved results, for the identification of the stakeholders and the significant aspects to report.

Auditors' responsibility

Our responsibility is to issue this report based on the procedures performed. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatement.

The procedures performed on the Sustainability Report included inquiries, primarily with company personnel responsible for the preparation of the Sustainability Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

These procedures consisted in verifying its compliance with the principles for defining report content and quality set out in the "G4 Sustainability Reporting Guidelines", and are summarized as follows:

- comparing the economic and financial information and data reported in the chapter "Creation of value" of the Sustainability Report with those included in the Unione di Banche Italiane Group Consolidated Financial Statements as of December 31, 2016, on which we issued the auditors' report pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27 January, 2010, dated March 2, 2017;
- analysing, through interviews, the governance system and the management process of the matters related to sustainable development regarding the strategy and operations of the Unione di Banche Italiane Group;
- analysing the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova 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

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- analysing how the processes underlying the generation, collection and management of quantitative data of the Sustainability Report operate. In particular, we have performed:
 - interviews and discussions with the management of the Unione di Banche Italiane Group to gather information about the accounting and reporting systems used in preparing the Sustainability 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 Sustainability Report;
 - analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability 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 Sustainability Report;
- analysing the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the guidelines identified in the paragraph “Management Board’s responsibility on the Sustainability Report” of this report;
- analysing the stakeholders engagement process, in terms of methods applied, through the analysis of the minutes of the meetings or any other available documentation about the main topics arisen in the discussion with them;
- obtaining the representation letter signed by the Chief Executive Officer of Unione di Banche Italiane S.p.A., on the compliance of the Sustainability Report with the guidelines identified in the paragraph “Management Board’s responsibility on the Sustainability Report” of this report, as well as the reliability and completeness of the data and information disclosed.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Unione di Banche Italiane Group as of December 31, 2016 is not prepared, in all material respects, in accordance with the “*G4 Sustainability Reporting Guidelines*” and the “*Financial Services Sector Disclosures*” both issued in 2013 by GRI - *Global Reporting Initiative*, as stated in the chapter “Report parameters” of the Sustainability Report.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
July 10, 2017

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

Material topics

Boundary of the report

G4-17

Unless specified otherwise, the boundary of the report is that of the Consolidated Financial Statements and it is consistent with the GRI-G4 guidelines. In terms of scale, it comprises 17,518 employees and associate workers, accounting for 99.5% of the Group total, and 969,919 sq m of net indoor floor space.

The boundary for the data and information on the direct environmental impacts of the Group comprises the following companies: UBI Banca, UBI Sistemi e Servizi, UBI Academy, the network banks now merged into UBI Banca (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), IWBank, UBI Pramerica, Prestitalia, UBI Factor, UBI Leasing, UBI Fiduciaria and BPB Immobiliare.

Process for the identification of material topics

G4-18

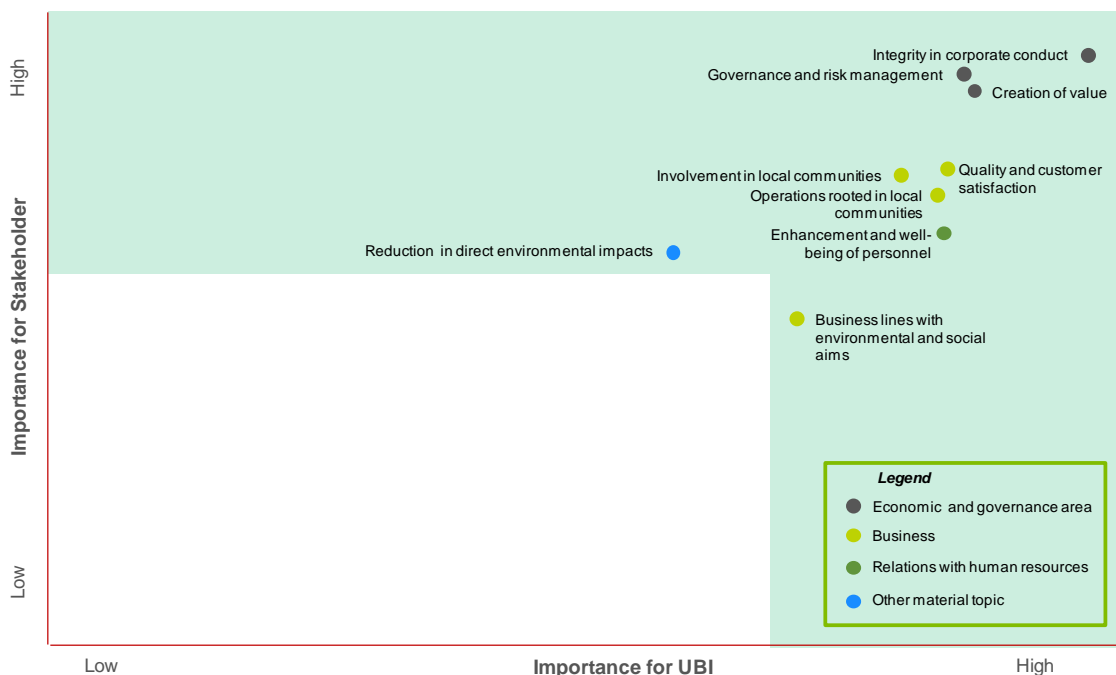
The contents of the document – primarily of a non-accounting nature – have been defined by means of an analytical and structured process (an **analysis of the materiality**) which led to the identification in 2015 of sustainability-related topics that are material for UBI Banca and its stakeholders. The analysis was conducted in compliance with the recommendations furnished in the GRI-G4 Guidelines and it consisted of the following steps:

1. identification of **potentially relevant sustainability-related topics** by considering a variety of sources e.g. the GRI-G4 Sustainability Reporting Guidelines, Financial Services Sector Disclosures, other banking Group benchmarks, an analysis of topics assessed by SRI analysts and rating agencies;
2. **assessment of the materiality of each topic for the Bank**, on the basis of stakeholder priorities and business strategies, carried out (in a forward-looking manner) by the senior management of UBI Banca and by the CSR liaison officer network [🔗 GOVERNANCE AND RISK MANAGEMENT];
3. estimation of the **materiality of each topic for stakeholders**, weighted with the materiality attributed to them, on the basis of the results of customer satisfaction surveys and other stakeholder engagement activities carried out and SRI analyst and rating agency assessments (including the annual report of the Carbon Disclosure Project on environmental matters);
4. identification of the **materiality threshold** (the average of the materiality assessments described in the two previous items) and therefore of the genuinely material sustainability-related topics.

The topics are grouped into strategic **planning areas**, represented graphically in the **Materiality Matrix**. A section of the Sustainability Report is devoted to each area identified in the Materiality Matrix [🔗 G4-45].

Materiality Matrix

G4-19



The Materiality Matrix was not revised in 2016. Nevertheless, on the basis, amongst other things, of reporting experience acquired with the first application of the matrix, some changes were made in the hierarchical tree structure of the relevant topics and the related aspects. More specifically, the topic “Communication and dialogue” has been incorporated in the topic “Governance and risk management”.

MATERIAL TOPICS	GRI ASPECTS	
Integrity in corporate conduct	Environment: Compliance	Management of trade union relations
	Society: Compliance	Diversity and equal opportunity
	Product and service labeling	Equal remuneration for women and men
	Marketing and communication	Labor practices grievance mechanisms
	Product responsibility: Compliance	Non discrimination
	Audit	Freedom of association and collective bargaining
	Anti-corruption	Anti-competitive behaviour
Governance and risk management	Governance	
Creation of value	Economic performance	Indirect economic impacts
Quality and customer satisfaction	Product and service labeling	Rispetto della privacy
Operations rooted in local communities	Product portfolio	Indirect economic impacts
	Local communities	
Involvement in local communities	Indirect economic impacts	Public policies
	Local communities	Product and service labeling
Enhancement and well-being of personnel	Employment	Economic performance
	Market presence	Occupational health and safety
	Training and education	
Business lines with social and environmental aims	Product portfolio	Local communities
	Materials used	Emissions
Reduction in direct environmental impacts	Effluents and waste	Transport
	Energy	Overall

Boundary of the impact of material topics

G4-20
G4-21

RELEVANT TOPICS	BOUNDARY IMPACT	
	INTERNAL	EXTERNAL
Integrity in corporate conduct	Group	Customers, Shareholders, Public authorities, Financial market, Community, Opinion leaders, Suppliers
Governance and risk management	Group	Customers, Shareholders, Public authorities, Financial markets, Community
Creation of value	Group	Shareholders, Public authorities, Community
Quality and customer satisfaction	UBI Banca, Network bank, Product companies	Shareholders, Community
Operations rooted in local communities	Network banks	Customers, Community
Involvement local communities	Network banks	Community
Enhancement and well-being of personnel	Group	Shareholders, Customers, Community
Business lines with environmental and social aims	UBI Banca, Network bank, Product companies	Customers, Community
Riduction in direct environmental impact	Group ¹	Community

¹ See G4-17.

Restatements of data furnished in previous reports

G4-22

Any changes made to information contained in previous reports are reported in footnotes to tables, charts and texts.

Significant changes in the scope and topic boundaries

G4-23

No changes occurred during the reporting year in the Group's structure and activities which might affect the general comparability of the information content of the 2016 Sustainability Report with that of previous years. Any reasons which might make the historical data series for single indicators non-comparable are given in the respective tables and charts.

Governance and risk management

UBI Banca's governance is based on full compliance with the regulatory framework in force and the voluntary codes of conduct adopted and also its corporate values and the principles of its Code of Ethics. Its priority is to maintain its capital strength, as an indispensable condition for the creation of sustainable value, and to control risks of all types, pursued by seeking the best mix between the interests of shareholders and other stakeholders.

Structure and composition of the governing bodies

UBI Banca has adopted organisational and corporate governance solutions which make a clear distinction between roles, with an appropriate balance of powers and separation of duties, and also a balanced composition of bodies, effective controls, management of all corporate risks and adequate reporting. The organisation of UBI Banca and the Group is subject to constant review, to take account of changes in the environment and requirements over time to achieve the best configuration in terms of streamlining and operational efficiency and adequate management of all components of risk and market opportunities.

G4-34 UBI Banca has adopted a two tier governance system consisting of a Supervisory Board and a Management Board. A Shareholders' Meeting appoints the Supervisory Board, which then appoints a Management Board. The Supervisory Board performs the duties of strategic policy-making and supervision (including control of performance) of the management of the Bank. The Management Board has exclusive responsibility for the management of the Bank and for performing all those operations necessary to implement the objects of the Bank in compliance with the general strategies and plans drawn up by the Supervisory Board.

Committees have been created within the Supervisory Board which oversee specific issues. These include an **Appointments Committee**, which oversees the update of corporate governance rules and principles of conduct adopted by the Parent and its subsidiaries, also with regard to developments on the matter at national and transnational level, and it assesses the adequacy of the commitment made to corporate social responsibility issues.

[CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE P. 7-8, 15-29, 44-51](#)

G4-35 The Register of Powers defines responsibilities delegated by the Supervisory Board at different organisational levels on the basis of the organisation chart. The General Corporate Regulations define missions and responsibilities in relation to each aspect of management for every organisational unit.

G4-36 Ethical, social and environmental aspects of operations are co-ordinated by the **CSR Manager**, who is responsible for the **Corporate Social Responsibility Function** formed as part of the Financial Reporting, Accounting Principles and Controls Service. This service reports to the Chief Financial Officer, who is on the staff of the Chief Executive Officer.

Specific responsibilities are delegated to the following:

- the **Welfare and Mobility Manager**, in the Human Resources Area under the Chief Operating Officer, who is responsible for optimising systematic travel by employees and for the conception and co-ordination of action to improve the quality of life of persons inside and outside the Bank, from the viewpoint of both organisational well-being and personal well-being, offering concrete opportunities in terms of services and benefits;
- the **Health and Safety Manager**, head of the Prevention and Protection at the Workplace Unit, who reports to the Chief Operating Officer, responsible for the management of all aspects relating to the health and safety of workers, by means of occupational risk assessment, prevention and monitoring action and the appropriate corrective and training action [[LA5](#)];
- the **Energy Manager**, manager of the Energy Management Operational Unit in the Real Estate Department of UBI Sistemi e Servizi, who is responsible for analysing the energy requirement and for taking action to optimise consumption and improve the energy efficiency of buildings and services.

The only position that reports directly to the Supervisory Board is that of the Chief Audit Executive.

G4-37 No formal process exists for the direct consultation of stakeholders by the Supervisory Board other than that which is governed by the Articles of Association. Nevertheless, when important events occur in the life of the Group, stakeholders (both shareholders and others) are involved in opportunities for discussion with the participation of the Chairs of the Supervisory Board and the Management Board as well as the Chief Executive Officer. Furthermore, the Supervisory Board is informed by means of internal reporting processes of the results of consultation with stakeholders carried out by different company units in the exercise of their duties.

With regard to employees, their interests are upheld by company and Group trade union representatives as part of periodic discussions required under the various trade union agreement 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.

- G4-38 The composition of the Supervisory Board, as well as that of the Management Board, complies with the provisions of Borsa Italiana's Corporate Governance Code for Listed Companies which lays down best practices followed at both national and international level.
- ☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P. 7-8, 15-29, 44-51
- G4-39 The governance system adopted involves separation between the roles of the Chair of the highest governing body – the Supervisory Board – and all executive officer roles, including that of the Chief Executive Officer (CEO), who is a member of the Management Board.
- ☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P.44-51
- G4-40 Procedures for the election and nomination of members of the Supervisory Board and its committees are regulated by the Articles of Association and by the Regulations for the Supervisory Board, in compliance with the applicable legislation and regulations, which include the Borsa Italiana Corporate Governance Code for Listed Companies.
- ☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P.15
- G4-41 Conflicts of interest are regulated by the provisions of the law and by the Corporate Governance Code for Listed Companies just mentioned, with reference both to their management and their disclosure. UBI Banca pursues policies and procedures for conflicts of interest that are compliant with the applicable legislation and regulations.
- ☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P. 35-36, 42-43, 54, 64-65

The role of the highest governing body in the definition of mission, values and strategies

- G4-42 The Supervisory Board defines the Group's principles, values and strategies, which are formalised in the Group's Code of Ethics, its regulations and policies and in its business plan.
- ☞ G4-34, G4-36
- ☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P.7-8

Expertise and assessment of the highest governing body's performance

- G4-43
G4-44 A self-assessment process was commenced in December 2016 relating to the year 2016 on the size, composition and functioning of the Supervisory Board and its internal committees with support from the firm Korn Ferry, whose independence had been verified beforehand.
- The procedures for the self-assessment process are laid down in the internal regulation entitled "Self-assessment Process for Governing Bodies of the UBI Banca Group", drawn up to implement supervisory regulations on the subject of Corporate Governance (Bank of Italy Circular No. 285 of the 17th December 2013 – Part One – Title IV – Chapter 1). The annual self-assessment process is carried out in relation to the three-year term of office of the Governing Bodies and, in the context of the UBI Banca Group and on the basis of criteria of proportionality, it follows the rules laid down by the Supervisory Authority. The document also includes guidelines for the organisation of training activities for members of Governing Bodies.
- The self-assessment was conducted, amongst other things, on the following factors: the quality and completeness of expertise, experience and knowledge existing within the Board; the degree of effectiveness of the functioning of the Board and the contribution of each of the internal committees; the quality of meetings; the quality and promptness of reporting and presentations to the Board; the effectiveness and efficiency of decision-making processes within the Board; the clarity, agreement and satisfaction with regard to policies, performance and risk objectives and to the results achieved; relations with the Management Board and Senior Management.
- ☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P. 26, 47

The highest governing body's role in risk management

UBI Banca carries out **risk management, monitoring and measurement** by means of a governance system which covers the organisational, methodological and regulatory aspects, with the objective of integrating its policies and the applicable

regulations in an adequate risk management framework. In this manner it pursues the sustainable creation of value in the long-term and maintains a positive reputation in the economic and financial community.

To achieve this the **Internal Control System** adopted by UBI Banca is designed, in compliance with the principles of sound and prudent management: to constantly verify that corporate policies and strategies are implemented and that corporate processes are effective and efficient; to safeguard the value of assets and protect them from losses; to ensure that corporate information and IT procedures are reliable and secure; to maintain the current types of risk below set limits; and to prevent the risk that the Group may be involved, even involuntarily, in illicit activities (including money-laundering, usury and the financing of terrorism).

☞ INTEGRITY OF CORPORATE CONDUCT

☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P. 38

G4-45 The activities of the Supervisory Board focus primarily on economic impacts, risks and opportunities and therefore the expertise required and performance assessments are mainly of an economic nature.

Nevertheless, with the introduction of a **reputational risk management policy**, the Highest Governing Bodies also oversee social and environmental responsibility, which is constantly monitored and subject to reporting. Reputational risk is defined as the present or future risk of incurring loss of profits or capital resulting from a negative perception of the image of the Bank by customers, counterparties or shareholders of the bank, or investors or supervisory authorities.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 183-186

G4-46 Environmental and social aspects of operations – and the related risks and opportunities – fall specifically within the responsibilities overseen by the Appointments Committee [☞ G4-35, G4-36] and by the entire Board as part of the Reputational Risk Policy and of the process for the preparation of the Sustainability Report, with regard in particular to agreement on the Stakeholder Map and the Materiality Matrix [☞ G4-18].

☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P. 28

The role of the highest governing body in the sustainability reporting process

G4-48 The Supervisory Board as a whole analyses and approves the Sustainability Report, normally in a meeting following that in which the Consolidated Annual Financial Report is approved.

The highest governing body's role in the assessment of economic, environmental and social performances

G4-49 G4-50 The only official process for direct communication between stakeholders and the highest governing body consists of ordinary and extraordinary Shareholders' Meetings. These may be convened by shareholders themselves in compliance with the provisions of the Articles of Association. Shareholders may also ask for matters to be added to the agendas of Shareholders' Meetings as well as to submit motions for approval on matters already on the agenda.

If they are shareholders of the Bank, employees may take part in Shareholders' Meetings and speak following the same procedures that apply to all shareholders.

Critical concerns, remarks and proposals may also be put forward by trade union representatives of companies and the Group in periodic meetings required under the various trade union agreement 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.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 77 ☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P. 66-69

Remuneration and incentives

The Group has adopted remuneration and incentive policies designed to support medium and long-term strategies with the objective of creating value over time and pursuing sustainable growth for shareholders, employees and customers.

G4-51 Remuneration for members of the Supervisory Board and the Management Board does not include variable forms of pay. The only exceptions to this are the remuneration of the Chief Executive Officer and members of the Management Board classified as senior management, who may receive variable forms of pay in the same way as other Group employees.

The principles and procedures for management remuneration are regulated as part of Group Remuneration and Incentive Policies and these provide for remuneration packages that are differentiated in terms of the fixed,

variable and benefit components for the category to which staff belong. The variable component of remuneration is mainly based on performance measurement, on both an annual and long-term basis, with the objective of involving and orienting staff towards the pursuit of long-term policies, by recognising the value of individual and team contributions.

To ensure a more direct correlation between results and rewards a bonus pool has been set, to which access is gradual on the basis of the satisfaction of preliminary trigger conditions by the Group and the achievement of risk-adjusted profit targets set at the level of both the Group and the individual business entity. The measurement is related to risk-adjusted income statement and balance sheet indicators, to internal and external customer satisfaction levels, to strategic projects and to assessments of the effectiveness of behaviour.

Performance-based variable remuneration consists of:

- short-term incentive schemes (annual);
- long-term incentive schemes (multi-year);
- the company productivity bonus (or, a result bonus, as defined in the current national trade union agreement);
- commercial “contests”.

Again in relation to the variable performance-based component, provision has also been made for the repayment of bonuses that have already been paid, using clawback mechanisms that take individual behaviours into account, as set out in the regulatory framework, whether or not there are compensation or disciplinary issues. These mechanisms were not applied to any member of staff during the course of 2016.

Total fees for the financial year 2016 paid to members of the governing bodies of the Group came to approximately €12.8 million, down compared with the previous year (-5%), accounting for approximately 1% of total staff costs.

☞ [CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - REMUNERATION REPORT - 2017 SHAREHOLDERS' MEETING P.3, 10-11, 30-31, 37-57](#)

G4-52

The main parties involved in the process to determine remuneration are as follows:

- the UBI Shareholders' Meeting
- the Supervisory Board
- the Remuneration Committee
- the Risk Committee
- the Management Board
- the Shareholders' Meetings of the Italian subsidiary banks
- the Boards of Directors and Boards of Statutory Auditors of banks and companies
- Corporate Strategy
- Human Resources (for the sole purposes of remuneration regulations in accordance with the provisions of Bank of Italy Supervisory Regulations on remuneration policies and practices)
- Risk Management, Compliance and Internal Audit, as corporate control functions.

A UBI Shareholders' Meeting not only determines the total remuneration for the members of the Supervisory Board, it also approves the remuneration policies of the Supervisory Board and Management Board, the incentive component based on financial instruments, the criteria and limits for determining remuneration in the event of the early termination of employment relationships or of corporate offices held, as well as increasing the ratio of variable to fixed remuneration up to a maximum of 2:1.

The Supervisory Board, on the basis of a proposal from the Management Board within the scope of its remit (remuneration policies for the governing bodies are excluded from the Management Board's remit), and after prior consultation with the Remuneration Committee (which involves the competent corporate functions in the matter) and with the Risk Committee for verification of compliance with the “Risk Appetite Framework”, sets and reviews the Group's remuneration and incentive policies on at least an annual basis and approves the Report on Remuneration, Section I of which is subject to a non-binding vote by a UBI Shareholders' Meeting.

The policies are then submitted for approval by the Shareholders' Meetings of the Italian banks and by the Boards of Directors of subsidiary banks and companies, except for the incentive component based on financial instruments, which is subject to approval by a UBI Shareholders' Meeting. Information is provided to the above bodies by means of the Annual Report on Remuneration within the Group.

The Management Board, having incorporated any general recommendations made by the Remuneration Committee, formulates – with support from the competent functions – a proposal, within the scope of its remit, for Remuneration and incentive policies and the relative tools to implement them which is submitted to the Supervisory Board for its approval after prior consultation with the Remuneration Committee. That same Management Board and the Boards of Directors of the subsidiary banks and companies, in accordance with the policies set, approve the relative means to implement them and, with the support of Human Resources and the other competent functions, makes recommendations for choices concerning the management and remuneration of staff. Having taken account of any proposals from the Remuneration Committee in those cases where it is required by the regulations in force, the Management Board also determines the remuneration of Senior Management and of personnel belonging to the “Material Risk Taker” perimeter at UBI and recommends remuneration for Senior Management and personnel belonging to the Material Risk Taker

perimeter of subsidiary banks and companies to be submitted to the Boards of Directors of those companies.

The foregoing is submitted to the Supervisory Board for verification of compliance, after prior consultation with the Remuneration Committee.

The corporate control functions are involved ex ante, working together to ensure the adequacy and regulatory compliance of the policies and practices adopted, and they carry out ex post monitoring of their proper functioning and application.

[CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE P. 30](#)

G4-53 As well as determining the total remuneration for the members of the Supervisory Board, the UBI Shareholders' Meeting also approves the following:

- remuneration policies for the Supervisory Board and the Management Board;
- the incentive component based on financial instruments;
- the criteria and limits for determining remuneration in the event of the early termination of an employment relationship or of an office held;
- an increase in the ratio of the variable to fixed components of remuneration up to a maximum of 2:1.

Shareholders meetings of the Italian banks and Boards of Directors of the subsidiary banks and companies are responsible for approving remuneration policies except for the incentive component based on financial instruments, which is subject to approval by a UBI Shareholders' Meeting.

Information is provided to the above bodies by means of the Annual Report on Group Remuneration.

All the resolutions submitted to the UBI Shareholders' Meeting regarding the previous year were passed with a very large majority in favour.

[CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - REMUNERATION REPORT - 2017 SHAREHOLDERS' MEETING P.3](#)

G4-54 The member of staff with the highest remuneration in the Group earned €1.49 million in 2016, 31 times the median amount of remuneration for all employees, with the exclusion of the member of staff with the highest remuneration.

These calculations included both full and part-time employees (using a "full time equivalent pay rate") and fixed and variable remuneration as well as non-monetary benefits were considered inclusive of incentive schemes (figures estimated on the 2016 cash quota), one-off bonuses, company bonuses and commercial contests.

G4-55 The highest remuneration paid in the Group did not increase compared with the previous year, while the median increase in remuneration for all employees, with the exclusion of the highest-paid member of staff and personnel with foreign contracts, was approximately 1% (0.5% in 2015). These calculations included both full and part-time employees (using a "full time equivalent pay rate") and fixed and variable remuneration as well as non-monetary benefits were considered inclusive of incentive schemes (figures estimated on the 2016 cash quota), one-off bonuses, company bonuses and commercial contests.

Consultation with stakeholders

The UBI Banca Group believes in the value of communication and dialogue with stakeholders to seek, where possible, shared solutions for the economic, social and environmental problems that affect the communities in which it operates and society in general. UBI uses the tool of dialogue in its corporate governance as an integral part of its work to build strategies and manage and to contain risk. It is through listening to people that it strives to constantly improve its decision-making processes, its products and the efficiency of its service and to pursue relationships of trust with all its stakeholders.

G4-24 The UBI Banca Code of Ethics defines Group stakeholders by dividing them into three classes:

- organisations and parties which have essential or significant interests with respect to carrying on business, due to the direct and specific nature of the relationships established or of the investments made (e.g. customers, personnel, suppliers, investors);
- entities and parties who have significant interests, not based on direct business relationships, that are affected by the external impacts of the Group's activities or by which UBI's activity is directly influenced or conditioned (the community, with particular reference to local communities);
- organisations and institutions which represent widespread interests or interests specific to different categories of stakeholder which are able to exert influence over UBI (e.g. public authorities, operators on financial markets, the media and opinion leaders, stakeholder organisations).

[CODE OF ETHICS P. 5-6](#)

G4-25 The stakeholder map contained in the Code of Ethics was drawn up as part of the project for the transition to the new G4 guidelines on the basis of six characteristics (direct influence, responsibility, dependence, closeness, political and strategic intention, representativity) and with account taken of the Bank's existing

activities and strategic objectives.

☞ CODE OF ETHICS P. 5-6

G4-26
G4-27

Stakeholder engagement activities are structured with consideration given to the intensity 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, customer satisfaction surveys).

Investors and the financial market

All disclosures, and financial reporting and other compulsory disclosures in particular, must always be made punctually and must always be full, truthful and accurate, for the benefit not only of shareholders and investors but also of all stakeholders. Particular attention is reserved both to the continuous management of relations with shareholders and with the national and international financial community and also to the systematic disclosure of reliable, exhaustive and timely information on the Group's activities, results and strategies. The following work to achieve this:

- the **Corporate Affairs Service**, which is responsible for relations with retail shareholders;
- the **Investor and Media Relations Area** – that reports directly to the Chief Executive Officer - which is responsible for relations with institutional investors and with the media, as well as for events and sponsorships.

Information of significant importance to shareholders is also provided in special sections of the Group's corporate website.

Meetings with the financial community took place on many occasions in 2016 following attention paid to the Group both on issues concerning the banking system and on events regarding the UBI Banca Group. After the transformation of the Parent from a co-operative into an ordinary joint-stock company, which took place in October 2015, members of a new Supervisory Board were elected and a new Management Board was nominated in April 2016. This was then followed in June 2016 by the drafting and presentation of a new 2019-2020 Business Plan which set out the operating and financial objectives of the Group to 2019 and to 2020 as part of broad structural, organisational and corporate ownership changes which included, amongst other things, the merger of the network banks into the Parent, UBI Banca.

Investor relations activities were therefore involved in meetings with the financial community on many occasions. That community was involved and reached by using not only conventional communication tools such as press releases, conference calls and presentations to financial analysts and professional investors, but also by means of much more frequent meetings with investors themselves, and international investors in particular.

A series of meetings were also organised in local communities for retail shareholders at which UBI Banca Management illustrated and discussed the results achieved as well as the guidelines of the 2019-2020 Business Plan.

FINANCIAL COMMUNICATION ¹	2016		2015		2014	
	No. of Events	No. of Events	No. of Events	No. of Events	No. of Events	No. of Events
Conference calls/presentations	5	812	4	492	4	463
International conferences	6	186	13	201	9	242
Road shows	10	99	26	190	13	160
Individual and group meetings	55	138	38	107	37	148
TOTAL	76	1,235	81	990	63	1,013

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.

☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE P. 66

Customers

In addition to daily direct relations with customers, which constitute an important opportunity for dialogue by which customer expectations of the bank can be acquired, the most important dialogue is achieved as part of continuous customer satisfaction surveys. These are supplemented by special meetings to address specific questions such as when new products and services are designed and these include special focus groups.

☞ QUALITY AND CUSTOMER SATISFACTION

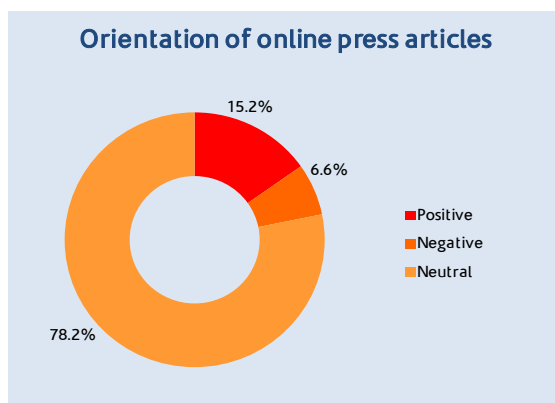
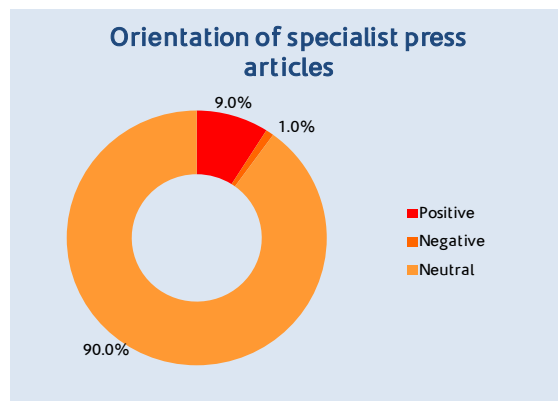
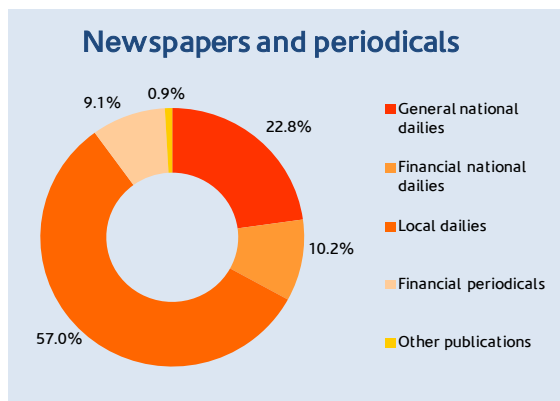
Opinion leaders

Relations with opinion leaders are mainly developed through the conventional media, but new social media activities are becoming increasingly more important.

Relations with the media are the responsibility of the competent organisational units and they are managed

with the intention of providing relevant and reliable information on the structure, activity, and financial position of the Bank, its policies and strategies, including social and environmental policies, and the impacts of action taken. Relations are conducted according to the principles of integrity, transparency, independence and equal treatment for each newspaper and journalist. Mirroring the communication strategy of UBI Banca, the Network Banks themselves work to obtain adequate coverage in the press (the local press especially), for their activities and initiatives.

RELATION WITH THE PRESS	2016	2015	2014
Press articles	64	50	48
of which:			
financial	38	27	21
informational	13	9	8
social / local initiatives	10	9	11
on products and services	3	5	8
Meeting	11	5	4



Social networks

On the social media front, our presence on **Instagram** currently under experimentation, is generating good results both in terms of growth in the "fan base" and in terms of engagement. UBI Banca continues to hold first place in the banking sector for quality of contents and followers of @ubibanca, with over 300 product contents.

On **Facebook**, which is undoubtedly the most important social network, fans of our page reached 200,000 at the beginning of January 2017, bringing UBI Banca up to third place in the classification of banks with a conventional distribution model. This channel recorded good performance in 2016 with over 100 million views and average daily interactions by over 2,000 fans, while 400 UBI Banca contents were published during the year.

Again in 2016, subscribers to the **YouTube** channel increased substantially, thanks above all to activities targeted at young people with the collaboration of Youtubers (celebrities well-known on this social network) engaged for the "*Viaggio in testa*" ("holiday in mind") campaign in particular to promote the QUBI account. In total this channel received over 4.1 million minutes of viewing thanks, amongst other things, to the publication of over 50 videos in 2016.

As concerns **LinkedIn**, after carefully planned positioning activities carried out in the second half of 2016, structured editorial activity was commenced with contents designed to engage both young people and senior professionals. This was added to by constant and proactive management of the channel by Human Resources – Selection and Employer Branding, with support from Commercial Communication.

Personnel

Dialogue with personnel takes place through relations with institutional representatives [[REPORTS AND ACCOUNTS 2016 P. 82](#)], through internal communication facilities [[REPORTS AND ACCOUNTS 2016 P. 83](#)] and through special surveys to measure satisfaction and expectations.

Internal Customer Satisfaction (ICS) surveys, specially for internal customers, who are mainly staff working in the distribution network, are used to acquire opinions on different products, software applications and processes provided by units at the Parent, by UBI Sistemi e Servizi and by the product companies.

[2016 CONSOLIDATED FINANCIAL REPORT P. 65](#)

The subjective perception of employees on the issue of **work-related stress** is surveyed using special questionnaires in order to reveal possible difficulties and areas for improvement with the objective of coming closer to a widespread and shared corporate culture based, amongst other things, on organisational well-being.

[REPORTS AND ACCOUNTS 2016 P. 189](#)

Integrity of corporate conduct

For UBI Banca “*Fare Banca per Bene*” (to bank fairly and well) means being a high-quality, solid and reliable bank, which bases its work on a constant sense of ethics, transparency, integrity and sustainable results in the long-term. 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.

Values and principles

G4-56 The Group’s mission, values and principles are formally set out in its **Charter of Values** and **Code of Ethics** [↗G4-56] and they are set out in greater detail in the general rules contained in the **Code of Conduct for Group Personnel** and in the specific regulations for different areas of activity, consisting of **Policies, Circulars** and **Rulebooks**. Furthermore, UBI Banca has signed and is committed to observance and promotion of the universal principles of the United Nations’ **Global Compact** on human rights, labour, the environment and the fight against corruption.

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

G4-57 The Group CSR Manager provides support and advice for training and communication activities and for the interpretation and implementation of the principles of the Code of Ethics.

Compliance

By emphasising the key importance of an adequate **Internal Control System** for the purposes of sound and prudent management and of containing risks and capital stability, the **New Regulations for the Supervision of Banks** issued by the **Bank of Italy** with Circular No. 285 of 17th December 2013 and **the Bank of Italy and Consob** (Italian securities market authority) **Joint Regulation** have established that Italian banks must have a “Compliance Function”. This function must be dedicated exclusively to the management of compliance risk and must regard all company activities. Compliance risk is defined as “the risk of incurring legal or administrative penalties, or substantial financial losses or reputational damages as a consequence of violations of compulsory rules or internal regulations”.

Compliance risk management policies follow along the lines of the growing attention paid in Group regulations to organisational and internal control matters, on the assumption that effective organisational and governance structures constitute an essential condition for the prevention and mitigation of corporate risk factors.

The Compliance Function is assigned a proactive and preventative role which is therefore, within the scope of its remit, one of analysis, stimulation and co-ordination of the units in different areas with management and operational functions. One of the most innovative features on which attention has been focused on the development of a compliance approach in banks consists of the diffusion of a **risk culture** at all levels, where the aim is to develop awareness among staff that this does not lie in controls alone, but must be part of business itself and must be a corporate identity that attributes value to rigorous observance of high standards of conduct.

From an organisational viewpoint the Compliance Area reports directly to the Management Board and is composed of five services: ICT Operations Compliance, Banking Services Compliance, Investment and Financial Services Compliance, Governance and Other Processes, Methodologies, Monitoring and Reporting. Compliance activities involve not only external regulations, but also internal regulations, in which the Code of Ethics and the Code of Conduct for Group companies are important and they also assess instances of non-compliance for the purpose of improving internal procedures and processes.

In the first few months of 2016, activities to update the “Group organisational regulations for the management of the compliance process” were concluded in order to complete the implementation of the Bank of Italy clarifications memorandum issued in August 2015 on the proper procedures for compliance with the provisions of Circular No. 285 on the subject. The new Group Regulations govern the operational stages and steps needed to conduct analyses and identify areas of non-compliance and therefore they regulate management of the remedial action to be taken.

↗ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P. 53-59

G4-58 Any reports of problems concerning unethical or unlawful behaviour and questions relating to corporate integrity are regulated by the Code of Ethics. The Chief Audit Executive (head of the Internal Audit Function) is responsible for receiving written reports, which may also be received at a dedicated email address codice.etico@ubibanca.it.

The Internal Audit Function makes a record of reports received, carries out an initial assessment to determine

the importance and then forwards them to bodies with management and control functions and also:

- to the Supervisory Body, if the alleged violation is significant for the purposes of regulations pursuant to Legislative Decree No. 231/01;
- to the organisational unit that manages relations with the stakeholder who has committed the alleged violation, or the relative body in question, in other cases.

While reports cannot be kept anonymous under the Code, they are kept strictly confidential and those making reports are protected against any form of retaliation, discrimination or penalty.

This reporting channel is co-ordinated with others provided for by the 231/2001 model (model for administrative liability procedures) for the prevention of crimes falling within the sphere of banking activities and by the Whistleblowing Policy for reporting unethical or illegal conduct. More specifically, the Whistleblowing Policy pursued in compliance with the amendments made to Legislative Decree No. 72/2015 of the Consolidated Banking Act (Art. 52 *bis*) and to the Consolidated Finance Act (Art. 8 *bis*) and with the update to Borsa Italiana Spa's Corporate Governance Code (July 2015) to which the UBI Banca Group adheres, has established a reserved and protected channel for Group staff to report actions and facts which may constitute a violation of the regulations governing banking and financial activities during the course of carrying out their duties at work.

In 2016 no reports were received of violations of the Code of Ethics and those reports received through the whistleblowing channel did not show any violations of the Code of Ethics.

REPORTS AND VIOLATIONS OF THE CODE OF ETHICS	2016	2015	2014
Alleged violations recorded in the year		4	2
<i>of which:</i>		4	2
<i>from reports received</i>			
<i>from internal audits of organisational units</i>			
<i>from audit activities</i>			
Violations defined in the year	2	3	4
<i>of which:</i>			
<i>ascertained with penalties imposed</i>			
<i>ascertained with corrective action¹</i>			1
<i>without grounds</i>	2	3	3
Violations being defined at the end of year		2	1

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

G4-SO8

No significant sanctions for non-compliance with laws and regulations were imposed in 2016 apart from those reported for other indicators reported below or in the section entitled "Inspections" contained in the Management Report in the Consolidated Annual Report.

☞ G4-PR4, G4-PR7, G4-EN29

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 171

Corruption

UBI Banca co-operates fully with the competent authorities in their fight against all crimes relating to its sphere of activities with particular reference to corruption, money-laundering and the finance of terrorism.

Adherence to the UN **Global Compact** strengthens the Group's commitment to fighting **corruption**, which in Italy is included among the "predicate offences" falling within the sphere of application of Legislative Decree No. 231/2001 on the administrative liability of companies. As part of its implementation of the provisions of Legislative Decree No. 231/2001, UBI Banca has adopted a **model of organisation, management and control (the 231/2001 Model)**, which lays down rules and procedures designed to prevent the commission of the crimes specified by that decree¹. The Internal Control Committee of the bank was identified to play the role of the Supervisory Body, formed as an internal committee of the Supervisory Board, in order to ensure the proper functioning and constant update of the model itself and of the relative reporting and penalty systems. Furthermore, in its capacity as the Parent of the Group, UBI Banca informs subsidiaries of the policies it has set on the matter and recommends general criteria which they may follow. Each subsidiary adopts and updates its own Model with support from the Parent's Compliance Function for those companies that have granted a specific mandate for this [☞ G4-41].

Oversight of **anti-money-laundering activities**, inclusive of the compliance function, is performed centrally in the Group by the **Anti-Money Laundering and Claims Area**, which reports to the Chief Risk Officer. The management model, which is

¹ In 2015, the 231/2001 Model was updated for compliance with the new provisions of Law No. 186 of 15/12/2014 on "self-laundering", which has similarities in common with or is connected with the crime of corruption.

organised centrally for the Network Banks (now merged into UBI Banca) and for its subsidiaries UBI Leasing, UBI Factor and Prestitalia, is based on the following:

- effective IT system support to manage customer risk profiles and to monitor all transactions (according to the amount limits set by the relative legislation) by using various software applications including Gianos²;
- clear, exhaustive and easy-to-use internal regulations, systematically aligned with legislative regulations and procedural and self-regulatory innovations adopted;
- procedural regulations which govern the acquisition and storage of documents to identify customers and record their financial profiles and to perform accounting and all other operations required – in full compliance with civil law regulations and anti-money laundering legislation – and also accurate oversight and monitoring of data acquisition and storage.

In order to ensure effective controls, it maintains terrorist **lists** and lists of persons politically exposed, acquired from reliable and independent sources, constantly up-to-date and the relative company regulations are constantly updated too. All employees receive specific **training** on a three-yearly programmed basis, designed to increase staff culture and awareness on the matter and to provide critical knowledge of new developments introduced by Bank of Italy provisions.

The **Internal Audit** Function carries out audits of UBI Banca and of subsidiaries who have delegated internal audit function activities to the Parent and more generally, as part of the management and control duties of the Parent, of all Group companies. With regard to that auditing perimeter, in compliance with international professional standards, the Internal Audit function also carries out on-site inspections of the operation and the appropriateness of the internal control and risk management system by means of an annual plan of activities submitted to the management and supervisory bodies of the above-mentioned subsidiaries and cumulatively to the management and supervisory bodies of the Parent.

New control activities have been implemented concerning **anti-money laundering** with particular regard to the quality of the adequate verification of customers that are not natural persons. These take account of the guidelines contained in the “National analysis of money laundering and the finance of terrorism risks”, carried out in 2014 by the Financial Security Committee of the Ministry of the Economy and Finance. Improvements to controls continued with the study of irregularity indicators able to detect matters for submission to the attention of line and control units applied by means of the integrated **Anti-money laundering Portal IT platform**.

Updates were carried out on both corporate regulations (with dedicated circulars, which were subsequently inserted in a new edition of the **Anti-Money Laundering Rulebook**) and on management processes, already updated in 2014 as a result of Bank of Italy provisions dated 3rd April 2013 on the subject of “Adequate Verification” and “Keeping a Single IT Archive”.

G4-SO3 All activities and organisational units are subject to verification connected with implementation of the 231/2001 Model, while the Supervisory Body reports to the governing bodies on its adoption and effective implementation, the supervision of its functioning and oversight of its update. **All transactions are subject to monitoring** according to the amount limits set by the relative legislation by means of dedicated software applications which support the identification of data potentially connected with money laundering or other illegal activities, including corruption. The situations detected are subsequently subject to assessment by the organisational units responsible for managing the customer relationship and then by the central control unit.

☞ CORPORATE GOVERNANCE AND FINAL PARTS OF THE 2016 REPORT - *REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE* P. 61-62

G4-SO4 In 2016 **17,500 hours of specific training** were carried out both in the classroom and through the e-learning platform, for 8,671 employees. Training activities were directed above all to staff who constitute the first point of contact with customers. Training on the principles of **Legislative Decree No. 231/2001**, which also addressed anti-corruption policies with procedures differentiated according to the level of responsibility, stood at levels resulting from the need for normal updates with over 2,500 training hours delivered during the year to 557 participants.

G4-SO5 Again in 2016, as in previous years, the operational risk management system and more specifically the loss data collection procedures recorded no incidents of “corruption, bribes and anti-money-laundering violations”. This detection constitutes a specific sub-category of internal fraud detection.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 170-171, 323-324

G4-SO6 As provided for by the Code of Ethics, no payments – neither direct nor indirect and in any form – are permitted to: political parties, movements, political committees and other political organisations, their representatives and candidates, congresses or festivals with political propaganda purposes.

² GIANOS (a generator of irregularity indicators for suspect transactions) is a software application to select potentially suspect transactions widely used by banks. It was developed by an Interbank working Group co-ordinated by the Italian Banking Association with the support of legal, IT, organisational and statistics experts.

Commercial practices

In order to develop long-lasting business relationships with its customers, based on trust and mutual satisfaction, UBI Banca's commercial activities are constantly based on **rigorous professional and ethical standards** aimed at substantial integrity in relationships (this includes identification and management of possible conflicts of interest, with the provision in this respect of adequate information) and abstention from any improper commercial practice, from any form of advertising that is deceptive or which does not reflect the quality of the products and services advertised and from any behaviour or agreement designed to impair market competition.

UBI Banca is also committed to ensuring maximum transparency for customers with regard to its range of products and services, in compliance with the Bank's ethical standards [☞ [CODE OF ETHICS P. 22](#)] and the provisions of the relative regulations, with particular attention paid to the sale of complex financial products.

Rules for the transparency, integrity and quality of products and for customer protection in the range of financial instruments supplied to customers are defined in the document **Risk Appetite Framework - Policy for the trading, placement and subscription of financial products**. In compliance with the recommendations of the supervisory authorities, **UBI Banca does not place products on the Consob "black list"** (communication number 0097996/14) on the primary market, because it considers that these are not appropriate to retail customers. According to Consob recommendations, these are products which could only be advised for and distributed to retail customers by adopting special precautions and following an assessment of whether they are in the interests of customers and on whether sufficient information is available to assess their characteristics and the principal risks. The necessary measures have also been adopted with regard to IW Bank's online trading platform to prevent customers from trading in complex products on the blacklist.

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. By working through the various units involved, the Bank verifies compliance with the provisions of the Voluntary Code on Advertising when advertising messages are formulated, even when outside advertising agencies are brought in. "Creative" demands are always subject to the regulations in force in terms of the clarity of the messages, visibility and the completeness of the legal notices.

The same lines of conduct are also followed for advertising at points of sale and for "digital" initiatives which make use of the web to deliver messages rapidly and to a wide audience.

☞ QUALITY AND CUSTOMER SATISFACTION

As part of auditing activity conducted by the various functions which contribute to the implementation of the system of internal controls, the Auditing Function also considers the effective implementation of the principles and commitments set out in the social and environmental policies which regard the Group's commercial activities.

G4-PR5 UBI Banca now has a well-established customer satisfaction survey system in place using an outside independent firm.

☞ QUALITY AND CUSTOMER SATISFACTION

G4-PR6 No cases of banned or disputed products to report.

G4-PR7 No cases of violation of the regulations in force occurred, nor were there any reports of non-compliance with regard to advertising processes, which were carried out in compliance with internal Group regulations.

G4-PR9 No facts emerged in 2016 concerning the provision of products and services which gave rise to fines concerning transparency and proper conduct in relations with customers.

Similarly, there are no cases or instances of violations of regulations and/or codes of conduct adopted concerning the transparency of products and services to report with regard to the provision of investment services and with regard to IT compliance.

G4-SO7 With a provision of 21st January 2016, the *Autorità Garante della Concorrenza e del Mercato* (**AGCM** – the Italian Competition Authority) launched an investigation into the Italian Banking Association concerning the possibility that the interbank agreement involving the SEDA service³ (and more specifically the remuneration mechanism inherent in it), as set forth by the Italian Banking Association itself in a circular it issued in 2013, might constitute a resolution for an association of companies that restricts competition. With a provision dated 13th April 2016 the AGCM decided to broaden the investigation to include some banks (including UBI Banca), because the AGCM had found that the banks themselves were taking an active role "in the definition of the SEDA remuneration system, also with reference to the transition stage from the RID direct debit system to the new systems and to the treatment of mandates already deposited".

On 19th April 2016, at the time when the decision to broaden the investigation was notified, inspections were carried out at certain banks including UBI Banca. The proceedings are still in progress and UBI Banca considers

³ This is an optional accessory IT service related to the SEPA direct debit system.

that it has no involvement whatsoever in the allegations made.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 321

Transparency

G4-PR3 The Bank of Italy has issued specific provisions on the transparency of banking and financial operations and services. These set minimum and general standards for the preparation of the documentation used to provide customers with information (structure of the documents, essential information, choice of terminology, standardisation of some common types of contract) and they also introduce obligations for banking and financial intermediaries as well as for the marketing of traditional banking services of an organisational or control nature for compliance with regulations governing transparency and integrity in relations with customers.

The transparency provisions apply to the purchase of traditional **banking and financial products** (e.g. current accounts and other forms of deposit, financing, payment instruments) and to **each stage of relationships** between intermediaries and customers: the precontract stage, before the contract is signed (document on customer rights and information sheet, distribution of summary cost indicators, prevention of disputes through organisational controls), the stage at which the contract is signed (summary documents, form of the contracts) and the post-contract stage involving relations between intermediaries and customers (periodic documentation, dispute management).

These rules sit alongside other sets of regulations governing transparency and integrity in relations with customers such as for example those that govern the provision of investment services, regulated by the Consolidated Finance Act, or of insurance products as well as the regulations contained in the "Consumer Code".

Compliance with these regulations is subject to particular attention within the Group, which has also introduced a commitment in its Code of Ethics to always provide customers with full, clear and easy to understand information at every stage of customer relationships.

G4-PR4 No cases or instances of violations of regulations and/or codes of conduct adopted concerning the transparency of products and services occurred to report in 2016 with regard to the placement of products and services, to the provision of investment services and to compliance with provisions in the IT field.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 170-171

Respect for people (non-discrimination)

All personnel management processes, starting with selection and appointment and throughout the course of an employment relationship, are based on observance of the principles of non-discrimination and equal opportunities.

Particular attention is paid to the management of diversity – especially from the viewpoint of disabilities and gender equality – and to the management of disciplinary proceedings, two areas in which the risk of running into cases of discrimination are greatest. The first aspect is managed as part of human resource management and development policies and remuneration policies [☞ **ENHANCEMENT AND WELL-BEING OF PERSONNEL**]. As concerns the management of disciplinary proceedings, UBI Banca has adopted specific guidelines, valid throughout the Group, designed to ensure they are managed properly and transparently through the formalisation of investigation, decision-making and judgement processes and through periodic reporting on the measures taken.

With regard to the recruitment of disabled persons, the Group complies with the regulations currently in force, while with regard to gender diversity, the female component of personnel has increased even in managerial positions.

G4-HR3
G4-LA16 No reports of violations of the Code of Ethics or in any case of allegations of violations of the principle of non-discrimination were received, not even among the 75 disciplinary proceedings initiated during the year in observance of established procedures. These are disciplinary provisions for operational irregularities and negligence of various kinds (64), for irregularities in the disbursement and management of loans (6) and for undue appropriation/diversion of funds administrated (5).

DISCIPLINARY MEASURES	2016	2015	2014
Verbal or written reprimand	49	60	42
Suspension from work and pay (from 1 to 10 days)	23	36	30
Dismissal for just cause or on justified grounds	3	6	14
TOTAL	75	102	86
Actions taken against employees	7	16	8
TOTAL	82	118	94

One Group company was involved in just one legal action for alleged discrimination to the damage of an employee, which was concluded, also in the Court of Appeal, with the rejection of the claims made.

CASES PENDING AT THE END OF THE YEAR CONCERNING EMPLOYMENT RELATIONS	2016	2015	2014
Pension and social security	9	3	6
Remuneration	37	29	33
Termination of contract of employment	28	28	32
Duties and job descriptions	21	17	19
Job appointments and performance of work	15	28	23
Anti trade union conduct pursuant to Art. 28	1	1	0
Other	10	5	4
TOTAL	121	111	117

G4-HR4

In view of the activity carried out and its location, the indicator is considered relevant solely with reference to personnel management and relations with suppliers.

With regard to Group personnel, freedom of association and collective bargaining is guaranteed in compliance with national regulations and legislation and there are no restrictions on the freedom of association and participation in trade unions. Seven trade union organisations are present in the Group which operate freely without restrictions and the Group makes adequate operational means available to them to conduct trade union activities. In 2016 trade union representatives took approximately 239,715 hours of trade union leave.

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 2016 with 92 trade union meetings held for a total of approximately 690 hours.

TRADE UNION MEMBERS	2016	2015	2014
No. Group's trade union	7	7	8
Total members (No.)	14,370	14,519	14,880
% members ¹	81.8%	81.9%	82.0%

¹ The figures for 2014 and 2015 have been restated following an update of the method used to calculate them.

ABSENCES FOR TRADE UNION BUSINESS(No. hours)	2016	2015	2014
Strikes of business disputes	-	-	-
Strikes of category disputes	-	88,231	-
Other strikes (national policy, etc)	-	-	9,429
TOTAL	0	88,231	9,429
Trade unions leaves	239,715	225,927	231,101
TOTAL ABSENCES	239,715	314,158	240,530

With regard to supply processes [G4-12], even considering the type of services purchased and the fact that 98.5% of suppliers are resident in Italy, all 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.

G4-LA12

COMPONENTS OF GOVERNANCE BODIES BY DIVERSITY	2016			2015			2014		
	SUPERVISORY BOARD	MANAGEMENT BOARD	TOTAL	SUPERVISORY BOARD	MANAGEMENT BOARD	TOTAL	SUPERVISORY BOARD	MANAGEMENT BOARD	TOTAL
Gender									
men	66.7%	57.1%	63.6%	78.3%	77.8%	78.1%	78.3%	77.8%	78.1%
women	33.3%	42.9%	36.4%	21.7%	22.2%	21.9%	21.7%	22.2%	21.9%
Qualification									
Degree	0.0%	14.3%	4.5%	8.7%	11.1%	9.4%	8.7%	11.1%	9.4%
University degree	100.0%	85.7%	95.5%	91.3%	88.9%	90.6%	91.3%	88.9%	90.6%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Age									
Under 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30 to 50	13.3%	28.6%	18.2%	13.0%	11.1%	12.5%	26.1%	22.2%	25.0%
50 to 60	53.3%	28.6%	45.5%	39.1%	22.2%	34.4%	30.4%	44.4%	34.4%
Over 60	33.3%	42.9%	36.4%	47.8%	66.7%	53.1%	43.5%	33.3%	40.6%
Average age (year)	58	57		59	61		58	58	

DIVERSITY INDICATORS OF EMPLOYEES (BY GENDER)	2016			2015			2014		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Minority groups									
Foreign national (EU and non-EU)	0.7%	0.8%	0.7%	0.8%	0.8%	0.8%	0.7%	0.8%	0.7%
Protected categories	6.8%	6.3%	6.6%	6.8%	6.5%	6.7%	6.8%	6.5%	6.7%
of which: disabled	5.5%	4.5%	5.1%	5.4%	4.6%	5.1%	5.4%	4.5%	5.0%
widows and orphans	1.3%	1.7%	1.5%	1.3%	1.8%	1.5%	1.3%	1.9%	1.5%
others	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Qualification									
Degree	59.6%	53.6%	57.3%	59.1%	53.2%	56.9%	59.9%	54.8%	58.0%
University degree	34.1%	42.6%	37.4%	29.1%	36.8%	32.1%	27.8%	34.7%	30.4%
Other	6.3%	3.8%	5.3%	11.8%	9.9%	11.1%	12.3%	10.6%	11.7%
Age									
Under 30	3.7%	6.9%	4.9%	3.1%	5.6%	4.1%	3.2%	4.5%	3.7%
30 to 50	51.8%	61.3%	55.5%	53.6%	64.3%	57.7%	55.2%	66.6%	59.5%
50 to 60	36.8%	29.2%	33.8%	36.4%	28.0%	33.2%	35.7%	27.7%	32.6%
Over 60	7.8%	2.6%	5.7%	6.9%	2.0%	5.0%	5.9%	1.3%	4.2%
Average age (year)	48	45	46.73	48	45	46	47	44	46
TOTAL	60.9%	39.1%	100.0%	61.5%	38.5%	100.0%	62.2%	37.8%	100.0%

DIVERSITY INDICATORS OF EMPLOYEES (BY CATEGORY)	2016			2015			2014		
	SENIOR MANAGERS	MIDDLE MANAGERS	PROFESS. AREAS	SENIOR MANAGERS	MIDDLE MANAGERS	PROFESS. AREAS	SENIOR MANAGERS	MIDDLE MANAGERS	PROFESS. AREAS
Gender									
men	2.9%	51.8%	45.4%	2.7%	51.1%	46.1%	2.8%	50.5%	46.7%
women	0.5%	29.1%	70.4%	0.5%	27.8%	71.6%	0.5%	26.8%	72.7%
Minority groups									
Foreign national (EU and non-EU)	2.0%	0.1%	1.1%	1.5%	0.2%	1.2%	0.8%	0.3%	1.1%
Protected categories									
of which: disabled	0.6%	2.9%	7.0%	0.9%	4.2%	8.8%	1.1%	4.3%	8.7%
widows and orphans	0.3%	1.2%	1.7%	0.3%	1.3%	1.8%	0.3%	1.3%	1.8%
others		0.1%	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%	0.2%
Qualification									
Degree	41.6%	62.7%	53.6%	40.9%	62.3%	53.3%	43.3%	63.4%	54.5%
University degree	55.2%	35.4%	38.3%	46.3%	31.2%	32.3%	43.3%	29.7%	30.4%
Other	3.2%	1.9%	8.0%	12.8%	6.5%	14.5%	13.3%	6.9%	15.1%
Age									
Under 30		0.1%	8.9%	0.0%	0.1%	7.2%	0.0%	0.1%	6.5%
30 to 50	29.5%	49.8%	60.9%	31.0%	51.4%	63.5%	32.6%	53.5%	64.8%
50 to 60	65.0%	42.7%	25.8%	63.9%	42.0%	25.5%	61.2%	41.0%	25.5%
Over 60	5.5%	7.5%	4.4%	5.1%	6.6%	3.8%	6.2%	5.4%	3.2%
Average age (year)	53	50	44	52	50	44	52	49	44
TOTAL	2.0%	42.9%	55.1%	1.9%	42.2%	55.9%	1.9%	41.5%	56.5%

G4-LA13 Group Remuneration and Incentive Policies provide for salary treatment based on certain principles as follows:

- **fairness** defined as the principle of consistency in the remuneration of comparable roles and responsibilities, offering the same development and career opportunities to all;
- attention to risk and compliance, to ensure the sustainable growth of the Bank over time;
- **prudence** as a fundamental criterion of banking that is crucial to prevent behaviour and phenomena that conflict with the interests of the Bank or may lead to excessive risk-taking (“moral hazard”);
- **competitiveness** defined as continuous comparison with best practices and national and international market trends and analysis of the comparative remuneration of each role in relation to the relative benchmarks;
- **merit rewarded** by means of the recognition of the results, skill sets, behaviours, and values applied in practice of each individual, measured on several levels using structured analysis and evaluation processes.

As concerns the remuneration of senior management, no significant differences are to be found between female remuneration compared with that of males. For the remaining staff, however, as a consequence of the greater presence of part-time work for female workers, a difference remains due to the greater presence of part-time contracts: 29% of female personnel are employed on part-time contracts compared with 1% of male personnel.

AVERAGE GROSS SALARY ¹ (thousands of euro)	2016				2015				2014			
	FIXED	VARIABLE ²	TOTAL	VARIABLE TO TOTAL	FIXED	VARIABLE ²	TOTAL	VARIABLE TO TOTAL	FIXED	VARIABLE ²	TOTAL	VARIABLE TO TOTAL
Senior managers												
Men	150.8	4.6	155.4	3.1%	150.4	10.3	160.7	6.8%	148.9	11.4	160.3	7.7%
Women	159.0	3.1	162.1	1.9%	150.1	9.7	159.9	6.5%	144.5	12.8	157.3	8.9%
Middle managers												
Men	62.9	1.7	64.6	2.7%	62.5	2.1	64.6	3.4%	62.4	2.1	64.5	3.4%
Women	53.2	1.7	54.9	3.2%	53.2	2.0	55.3	3.8%	53.9	2.1	56.0	3.9%
Professional areas												
Men	39.7	1.2	40.9	3.0%	39.6	1.5	41.1	3.8%	39.6	1.7	41.2	4.3%
Women	35.6	1.1	36.7	3.1%	35.7	1.4	37.1	3.9%	36.2	1.6	37.8	4.4%
Foreign employees												
Men	75.4	0.1	75.5	0.1%	77.6	0.0	77.6	0.0%	-	-	-	-
Women	52.7	0.1	52.8	0.2%	50.4	0.0	50.4	0.0%	-	-	-	-

¹ Data related to 99% of the employees, excluding extra Group.

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

AVERAGE GROSS SALARIES OF WOMEN TO MEN	2016		2015		2014	
	TOTAL	FIXED	TOTAL	FIXED	TOTAL	FIXED
Senior managers	104.3%	105.4%	99.5%	99.9%	98.2%	97.0%
Middle managers	84.9%	84.5%	85.6%	85.2%	86.7%	86.3%
Professional areas	89.8%	89.8%	90.2%	90.1%	91.7%	91.6%
Foreign employees	70.0%	69.9%	64.9%	64.9%	-	-

Data related to 99% of the employees, excluding extra Group.

G4-EC5

AVERAGE SALARY, FIRST JOB (thousands of euro)	2016	2015	2014
Men	29.3	28.1	28.1
Women	28.3	27.9	28.4
Trade union minimum ¹	27.0	26.7	26.7

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

Respect for the environment

G4-EN29

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

Creation of value

UBI Banca pursues the creation of sustainable value over time for its shareholders and for all its stakeholders ranging from employees to the individual local communities in which it operates and to society in general, and it also pursues the maintenance of an adequate level of capital strength. The creation of value is intended in the broad sense and not only in the technical sense relating solely to quantitative metrics, except for the economic value generated and distributed to stakeholders, which is calculated on the basis of the framework set out by the Italian Banking Association (ABI), in compliance with the relative GRI-G4 guidelines.

Solidity

Again in 2016, the continuing fragility of the economic environment conditioned the Italian banking sector even though signs of improvement do exist not so much for volumes of funding and lending (only the latter is recovering slightly, but limited to individual retail customers), but for the quality of credit as new inflows to non-performing status reduce.

In this scenario, UBI Banca has been rewarded for its consistently high level of capital strength with a constant increase in deposits (+9.9% for current accounts) and a strong trend for indirect funding (+14.1% for insurance products and +11.8% for assets under management). And then credit quality improved significantly (-6.8% for gross non-performing loans and -47.0% for new non-performing loans).

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 45-46

Profitability

The result for 2016 was a loss (a consolidated net loss of €830.2 million and a normalised consolidated net loss of €474.4 million¹) the consequence primarily of expenses incurred to implement the Business Plan consisting mainly of the recognition of loan provisions to improve the ratio of net non-performing loans to tangible equity (the "Texas ratio"), in addition to expenses related to the Single Bank Project (redundancy expenses, impairment losses on the network bank and improvements to the IT platform).

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 95

G4-EC1

The economic value generated was also reduced significantly as a result, not only because of the greater impairment losses recognised on loans, but also because of a reduction in net interest income and lower profits from finance activities, while the economic value distributed to stakeholders only diminished marginally, having drawn from the share premium reserve to replenish losses for the year and from the extraordinary reserves to distribute a dividend to shareholders

☞ 2016 SEPARATE FINANCIAL REPORT P. 54*.

DETERMINATION AND DISTRIBUTION OF THE ECONOMIC VALUE CREATED (thousands of euro)	2016	2015	VARIATION
Interest and similar income	2,161,121	2,509,201	-13.9%
Interest expense and similar	(663,230)	(878,146)	-24.5%
Commission income	1,508,992	1,488,853	+1.4%
Commission expense	(173,959)	(188,734)	-7.8%
Dividends and similar income	9,678	10,349	-6.5%
Net trading income (loss)	69,947	63,919	+9.4%
Net hedging income	415	10,968	-96.2%
Income (loss) from disposal or repurchase of:	91,770	211,390	-56.6%
a) loans and receivables	(31,482)	(34,527)	-8.8%
b) available-for-sale financial assets	149,014	262,251	-43.2%
c) held-to-maturity investments	-	-	
d) financial liabilities	(25,762)	(16,334)	+57.7%
Net income (loss) on financial assets and liabilities at fair value	(8,421)	4,356	n.s.
Net impairment losses on:	(1,695,584)	(819,512)	+106.9%

¹ Net of non-recurring items common to the Italian banking sector (Atlante Fund, Resolution Fund, Interbank Deposit Protection Fund Voluntary Scheme) and above all expenses to implement the 2019/2020 Business Plan (recognised entirely in the 2016 income statement).

DETERMINATION AND DISTRIBUTION OF THE ECONOMIC VALUE CREATED (thousands of euro)	2016	2015	VARIATION
a) loans and receivables	(31,482)	(34,527)	-8.8%
b) available-for-sale financial assets	149,014	262,251	-43.2%
c) held-to-maturity investments	-	-	
d) financial liabilities	(25,762)	(16,334)	+57.7%
Net income (loss) on financial assets and liabilities at fair value	(8,421)	4,356	n.s.
Net impairment losses on:	(1,695,584)	(819,512)	+106.9%
a) loans	(1,565,527)	(802,646)	+95.0%
b) available-for-sale financial assets	(111,643)	(18,290)	+510.4%
c) held-to-maturity investments	-	-	
d) other financial transactions	(18,414)	1,424	n.s.
Net insurance premiums	-	-	
Other income/expense on insurance operations	-	-	
Other net operating income	306,541	321,441	-4.6%
Profits of equity investments (for the part from disposals)	-	(2,204)	-100.0%
Profits on disposal of investments	22,969	208	+10942.8%
Post-tax profit from discontinued operations	-	-	
TOTAL ECONOMIC VALUE CREATED	1,630,239	2,732,089	-40.3%
b) other administrative expenses (exclusive of indirect taxes, grants and donations) ¹	564,472	573,459	-1.6%
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	564,472	573,459	-1.6%
a) personnel expense ²	1,599,717	1,391,732	+14.9%
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES	1,599,717	1,391,732	+14.9%
Profit (loss) for the year attributable to non controlling interests	(14,943)	27,701	n.s.
ECONOMIC VALUE ATTRIBUTABLE TO NON CONTROLLING INTERESTS	(14,943)	27,701	n.s.
Share of profit destined to dividend payments ³	107,163	99,035	+8.2%
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS (REGISTERED AND UNREGISTERED)	107,163	99,035	+8.2%
b) other administrative expenses: indirect and capital taxes, contributions to the Resolution Fund for the banking sector and to the Deposit County Scheme and contributions as part of treasury services	396,865	368,644	+7.7%
Current taxes on income for the year ⁴	(277,443)	154,861	n.s.
ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND LOCAL PUBLIC ADMINISTRATIONS	119,422	523,505	-77.2%
b) other administrative expenses – grants and donations	9,128	6,412	+42.4%
Share of profits allocated to the fund for social purposes ⁵	-	5,121	-100.0%
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND THE ENVIRONMENT	9,128	11,533	-20.9%
TOTAL ECONOMIC VALUE DISTRIBUTED	2,384,959	2,626,965	-9.2%
Net provisions for risks and charges	42,885	2,975	+1341.5%
Net impairment losses on property, equipment and investment property	80,823	88,096	-8.3%
Net impairment losses on intangible assets	125,197	66,523	+88.2%
Profits (losses) of equity investments (the fair value part: write-downs/write-backs, impairment losses/reversals, other expenses/income)	(24,136)	(37,720)	-36.0%
Change in fair value of property, equipment and investment property and intangible assets	-	-	
Net impairment losses on goodwill	-	-	
Change in deferred tax assets and liabilities	(42,176)	(27,359)	+54.2%
Profit allocated to reserves	(937,313)	12,609	n.s.
TOTAL ECONOMIC VALUE RETAINED	(754,720)	105,124	n.s.

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

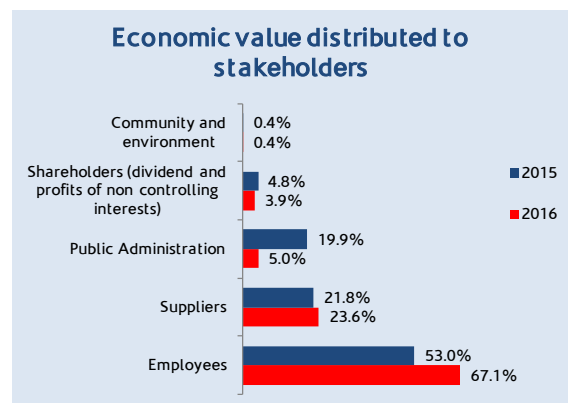
² Inclusive of board members' fees and expenses for external distribution networks (e.g. agents and financial advisors).

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

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

⁵ Allocations made by UBI Banca and by the Network Banks according to the provisions of their respective Articles of Association.

As concerns the distribution of the economic value generated to stakeholders, the percentage distributed to **employees** increased as a result of redundancy expenses incurred for the Business Plan and it included expenses for continuous professional development, for services and for subsidies under the company welfare programmes. Although the Parent, UBI Banca, ended the year with a loss, thanks to its high level of capital strength, it was again in 2016 able to propose the payment of a dividend to shareholders at the Annual Shareholders' Meeting (€0.11 per share), as has always been the case even in the most difficult years. Furthermore, exclusive membership of UBI Club is dedicated to those **shareholders** who are customers of UBI Banca and possess at least 1,000 shares. It provides a package of



banking and insurance products offered at special terms and conditions. The value of purchases, which drive a substantial local supply industry, remained largely unchanged. This is composed of small and large **suppliers** who are managed according to criteria of independence, transparency and fairness. In a difficult market context the Bank continues to provide sustainable payment conditions with average payment times recorded in 2016 of 32.5 days and a maximum contractually agreed payment time of 120 days from the date of invoice (applied for only 0.012% of the total). The value of ordinary and extraordinary contributions to the Resolution Fund for Banks and to the Deposit Guarantee Scheme (due starting from 2015 and amounting to €131.8 million in 2016) is considered paid to **public administrations**. The whole **community** benefits not only from the economic value of payments made or social intervention, but also from the value of important activities, not measured, such as those for the prevention of criminal activities (e.g. money laundering and the finance of terrorism) and in general for obligations to co-operate with investigating authorities.

G4-EC2

In consideration of the activities it performs, the Group 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). On the other hand, business opportunities may arise as a result of investments by individuals and businesses in energy savings and in the use of alternative energies and investments by businesses to comply with evolving regulations and efficiency standards for products and production processes.

G4-EC4

UBI Banca has never received any form of government assistance. It has carried out operations with central banks for financial stability purposes and to facilitate the transmission of monetary policy.

G4-EC8

Given its nature and its distribution network in the community, the UBI Banca Group generates significant indirect impacts on the economy, that are very difficult to quantify. They mainly regard the following:

- the competitiveness of the economy, as a result of support to small and medium-sized enterprises to promote growth and technological innovation and to overcome the crisis;
- the development of depressed economic areas, through geographical choices for the location of branches and the allocation of economic resources;
- the development of the green economy and the reduction of environmental costs through support for investments for energy savings and the development and use of renewable energies ;
- the reduction of risks and the maximisation of the social benefits of development through attention to issues such as financial inclusion and education, growth of a financial civil economy (the third sector), protection of health and safety at the workplace lavoro, non-discrimination and equal opportunities.

On a national scale, UBI Banca can help reduce the social costs of economic inequalities, increase the efficiency and stability of the financial system and act to fight against illegal conduct.

Quality and customer satisfaction

UBI Banca invests constantly in quality and innovation in order to be able to offer products and services that are increasingly in line with the demands of a continuously evolving market. The digital revolution in particular has made tools and technologies available that have eliminated constraints on space and time, with high standards of quality and security for banking products and services.

The digital experience does not exclude, but on the contrary enhances the maintenance of direct and personal business relationships, which are developed thanks also to a widespread local presence and personalised advisory services, which create trust and represent a distinctive tool in our way of banking.

The quality and adequacy of products and services

UBI-1

The Group defines rules for the development and distribution of new products and for the maintenance of existing products by means of a **specific product development and management policy**. These give rise to processes designed to help achieve objectives of **quality, technological innovation, competitiveness and compliance with regulations**, consistent with our mission, strategy, business goals and the overall corporate architecture of the Group. IW bank has adopted a specific process for the development of products and services for its particular products and services, due to the special nature of its business, which differs in some areas from that of the conventional Group banks (e.g. evolved trading, an open platform for assets under management, etc.).

In this manner we seek to ensure that products and services are consistent with customers' characteristics and needs and that response times to market demands (time to market) are reduced throughout the Group. The characteristics (e.g. age, occupation, investment plans) and needs of customers (e.g. financial, protection) are surveyed through special consultation and interview procedures (e.g. focus groups with customers and potential customers and with commercial distribution network staff) or systematic procedures (e.g. the **Progetto Ascolto** customer satisfaction survey or complaints management) and through the analysis of competitors' products and services. Participation in observatories and working groups (e.g. through the Italian Banking Association) or research centre initiatives are also a source of valuable information, for example in relation to the possibilities offered by new technologies.

Competitiveness is based on a pricing policy oriented towards transparency and fairness to customers and it involves analysis and monitoring of the relationships between the risk taken (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.

In 2016 the bank continued to invest in **digital innovation**, focusing on the simplicity and transparency of products and services and on the integration of communication channels to the benefit of an increasingly improved user experience.

🔗 [2016 CONSOLIDATED FINANCIAL REPORT P. 59-61](#)

The quality and value of UBI Banca's presence on the market is recognised each year with the award of various prizes.

🔗 [2016 SUMMARY OF SUSTAINABILITY REPORT P. 11](#)

The quality of customer relationships

The quality of customer relationships and customer satisfaction are monitored by means of customer satisfaction surveys, the analysis of complaints and by monitoring the duration of customer relationships.

G4-PR5

The **Customer Satisfaction Area** uses a set of surveys on the subject of service quality and of the precise and complete experience of the use of the bank. The surveys, which are always carried out by outside independent parties, examine three dimensions of quality: the **perceived quality** of customers in their relationship with the bank; the **quality delivered**, which is the service supplied by the bank through its different products, software applications and processes and the **expected quality**, which is the ability of the bank to achieve an ideal level of quality suggested by customers. The results of the surveys carried out are reported periodically to various units in the Group, together, where necessary, with recommended corrective action [🔗 [G4-24](#)].

In 2016 customer satisfaction surveys involved more than 120 thousand Group customers, both individuals and businesses. The comparison benchmark was constructed by interviewing approximately 11 thousand customers of competitor banks using the same methodology as that used for UBI Banca customers.

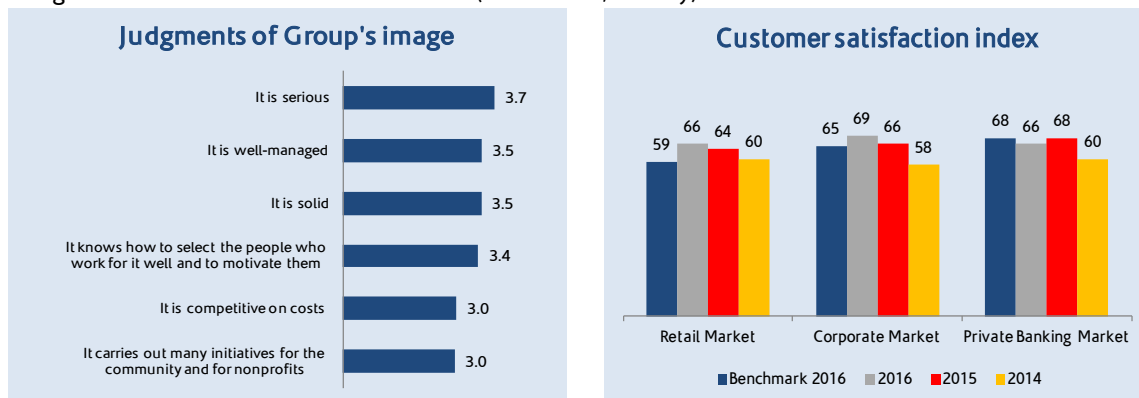
The **UBIndex** is a summary indicator of **perceived quality** and therefore of the level of customer satisfaction. More specifically, the level of satisfaction is measured through the UBIndex (a summary index which measures the quality perceived, calculated monthly by bank, market, segment, District Management Area and branch and it is also used in incentive schemes for Group personnel. In line with trends in progress since 2011, a rise in the level of customer satisfaction was seen in 2016 in the retail market (+2 points) and the corporate market (+3 points), which confirmed UBI's continued ability to outperform the benchmark. The score for the private banking market on the other hand, although high, moved in the opposite direction, falling by two points and it

was beaten by the benchmark.

Surveys of perceived quality examine a variety of themes which include the perception customers have of UBI Banca's image and its social responsibility, reasons that customers that have closed their accounts have for leaving the bank and the customer experience.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 64-65

The annual survey of the perception customers have of UBI Banca's image showed that the Group's main strength is the sense of trust that it transmits (seriousness, solidity).



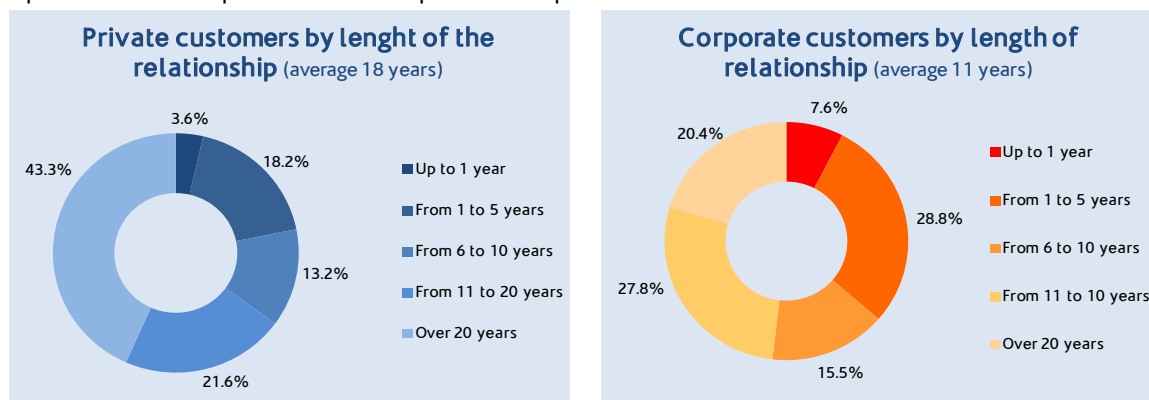
The satisfaction survey on the Group's **social responsibility** confirmed the improvement in the trend in recent years rewarding the Bank's commitment to the clarity and completeness of the information given on the management of personal data and customer rights on privacy, the integrity of its commercial approach, its support for families and businesses (inclusive of incidents of natural disasters) and its financing for the environment (e.g. to improve energy efficiency in homes).

The survey on lost customers was carried out using a methodology designed to detect the causes of customers leaving by listening to the experiences which led customers to end their relationship with the Bank. The survey showed that customers are increasingly more demanding and that they pay much attention to the value added provided by the Bank. Aspects concerning organisation and products are determining factors in customer satisfaction, as are relationships of trust established with the bank, where relations with staff also play an important role.

Customer experience is measured by asking customers to define in one word the sensation they experienced at the last time of contact with bank (through physical or remote channels). The large majority (91%) described a positive experience: the most frequent terms were kindness (20%) and helpfulness (15%).

Mystery client surveys monitor the **quality delivered** by the Bank during the main stages of the process to purchase products or services by a potential customer. The mystery client programme of visits was carried out at all the Group's network bank branches (a total of 1,500 visits). The main steps in the "customer journey" (welcome, advice/profiling, proposal, cross selling and follow-up) were analysed during the visits for the offer of the following products: current accounts and related services, financial advice on investments, home mortgages, personal loans and non-life insurance policies. The results were positive for all the surveys carried out, but the best results were for the welcome stage and for listening to the requirements expressed by customers.

Exploration of **expected quality** is carried out using qualitative and quantitative surveys: the former make use of workshops and focus groups to identify the quality requirements attributed to an ideal bank; the latter assign a scale of priorities to individual requirements (a "quality pyramid") and identify the Bank's position with respect them. The values of simplicity and transparency, relationships and knowledge, and attention to customers stood at the top of the 2015 quality permit, while in 2016 – affected by a reversal in the socio-economic context (reduction in the expectations of recovering from the crisis, failure of consumption to recover, risks attached to the introduction of bail-in regulations) – customers changed their priorities to the reliability of the bank, the competency of staff and organisational efficiency, emphasising at the same time the importance of the requirement for a simple and transparent bank.



Complaints and claims are indicators and predictors of potential problem areas found in the product range, in the delivery of services and in the overall quality of customer relationships, while at the same time they must be valued as an opportunity to re-establish and/or improve a constructive and satisfactory relationship with individual customers. Claims management is therefore based on guaranteeing precise, direct and prompt answers that satisfy customer requests and expectations. It is the responsibility of **UBI Banca's Claims Function**, positioned within the **Anti-Money Laundering and Claims Area** in the organisation chart.

In line with directives on transparency and the guiding principles adopted by the Group, various channels are available to the public to submit complaints and claims: in addition to local branches and conventional mail and fax channels, there are also ordinary and certified electronic mail, the websites of Group companies, apps and the Customer Telephone Service. All the channels are advertised on information pamphlets pinned up in branches and in special sections of the Group's corporate and commercial websites.

First-time complaints received in 2016 by the Group numbered 26,500 of which: 10,051 by UBI Banca, 5,042 by the Network Banks and 11,407 by the product companies.

NETWORK BANK COMPLAINTS¹	2016	2015	2014
Total complaints received	15,093	6,944	4,830
<i>of which:</i>			
<i>ordinary on products and services</i>	14,631	6,342	4,096
<i>for compounding of interest</i>	266	480	610
<i>for securities in default</i>	18	23	11
<i>on privacy</i>	178	99	113
<i>on human rights</i>			
Complaints received through remote channels		4,967	1,603
Complaints processed ²	15,093	7,121	4,811
<i>of which accepted</i>	9,637	3,332	1,656
Average days for response ³	16	28	20
Appeals to the Ombudsman	23	30	4
Appeals to the Ombudsman completed	19	24	4
<i>of which in favour of the customer</i>	4	3	-
Appeals to the Financial Banking Arbitrator	516	176	122
Appeals to the Financial Banking Arbitrator completed	436	157	115
<i>of which in favour of the customer</i>	323	60	48
Appeals to the Consob Chamber of Reconciliation and Arbitration		-	-
Appeals to the Consob Chamber of Reconciliation and Arbitration		-	-
<i>of which in favour of the customer</i>		-	-
Mediation cases pursuant to Legislative Decree No. 28/2010	1,115	1,166	1,464
Mediation cases completed	1,114	1,142	1,443
<i>of which with a settlement agreement</i>	107	43	52

¹ As a consequence of the "Single Bank" Project and the resulting gradual merger of the Network Banks into the Parent, the figures for 2016 relate to UBI Banca and to the Network banks, while those for previous years relate solely to the Network Banks.

² Total complaints included in the year, independently of the year of presentation.

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

Protection of data and privacy

The increasing use of new technologies, not only for consultation services, but also for payment services and the purchase of banking and financial products and the growing pressure of increased Italian and European regulation means that the **protection of customer data** and customer privacy is even more important.

That is why the Group has adopted a **Protection of Privacy Rule Book** and a series of organisational and technical measures, with locks and other protective devices on IT systems, designed to ensure not only the necessary compliance with security and data protection requirements, but also observance of the consents granted by customers regarding the processing of their personal data for commercial and marketing purposes.

Customer protection is also implemented by keeping customers constantly up-to-date with information on the most appropriate anti-fraud procedures and measures for the secure use of Internet and mobile banking services and with a business continuity 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.

With regard to the acquisition and processing of personal data for commercial purposes, the fundamental rights and freedoms and the dignity of those concerned are always guaranteed in compliance with Legislative Decree No. 196 of 30th June 2003 (**Privacy Code**) on the protection of personal data and the rules laid down in the new Regulation EU No.

2016/679 (General Data Protection Regulation) on the protection of natural persons are currently being implemented in national law and will be effective from 25th May 2018.

G4-PR8

In 2016 UBI Banca and the Group Network Banks received 178 complaints on the question of privacy, most of which (114) regarded cases of compulsory reporting of personal data on credit to institutional data banks (central credit bureaux: *Centrale dei rischi*, CRIF, etc.).

No formal irregularities were reported concerning data treatment and no events occurred which resulted in the theft or loss of customer data.

🔗 [2016 CONSOLIDATED FINANCIAL REPORT P. 66-70](#)

Operations rooted in local communities

UBI Banca is mainly a retail bank, at the service of the real economy in the communities in which it operates. Its physical presence, although reduced and integrated by its digital banking services with a multichannel approach, remains essential for maintaining its local roots and its capacity to understand local social and economic dynamics.

Funding and lending in local communities

UBI-2

UBI Banca sets itself the objective of generating growth and well-being in the community to serve local economies, supporting families and businesses financially even at times of particular difficulty. By using families' savings, the Group finances the life projects of families themselves and the business projects of firms, thereby creating a virtuous circle between **savings**, **consumption** and **investments**.

It is particularly important in all credit and financing operations to assess a customer's ability to meet the commitments they enter into. This is done to avoid the risk of over-indebtedness with serious repercussions both on the ability to gain access to new loans and on the quality of the Bank's credit, which is one of the main indicators monitored by supervisory authorities and market regulators. Great attention is also placed on the different economic sectors in which firms operate. The objective is to propose initiatives to support those economic sectors with the best growth prospects and ability to innovate.

Co-operation with local, national and EU authorities and institutions is also important in providing support for the financial requirements of businesses. These include trade associations and the associated guarantee bodies, the Guarantee Fund for SMEs pursuant to Law No. 662/1996, the European Investment Bank (EIB) and the European Central Bank (ECB) through participation in the TLTRO long-term financing programme (so-called TLTRO II). More specifically, in this area in particular we underline Banca Popolare Commercio e Industria's initiatives to support numerous local institutions with the stipulation and/or renewal of standing arrangements with local guarantee bodies and/or credit agreements, named **local pacts**, to encourage the development of firms. The main ones include Assolombarda and Unindustria Reggio Emilia (local branches of national employer associations).

In December 2016, loans accounted for 72.8% of total consolidated assets and exceeded direct funding from individuals, firms and local authorities by €12.8 billion. The additional funding was acquired as a result of the Group's ability to access the financial market and its intermediation activity in public sector funds, some of which subsidised, destined for small and medium-size enterprises.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 107-122

Thousands of euro	2016		2015	
	Direct funding ¹	Loans	Direct funding ¹	Loans
Private individuals	48,628,034	28,481,023	54,470,444	29,604,220
Entities	1,293,606	532,917	1,319,212	592,735
Businesses	19,148,780	52,840,341	16,740,134	54,389,245
of which: <i>small to medium-size businesses</i> ²	<i>n.d.</i>	<i>43,811,611</i>	<i>n.d.</i>	<i>45,362,291</i>
TOTAL	69,070,421	81,854,280	72,529,790	84,586,200

¹ Direct funding from ordinary customers, including funding from external distribution networks (former Centrobanca), allocated under

² The figure for 2015 has been restated following an update of the method used to calculate it.

The fall in direct funding from private individuals is connected with both its conversion into indirect funding and the gradual reduction in former Centrobanca funding.

In order to support the high propensity of Italian households to purchase their own homes, over 14 thousand **mortgages** were granted in 2016 for a total disbursement of over €2 billion (over 210 thousand mortgages with remaining principal debt of approximately €20 billion outstanding at the end of the year) inclusive of **mortgages for young couples and "atypical" workers**, in addition to ordinary mortgages¹.

☞ G4-FS7

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 50

Again in 2016 initiatives continued to support small to medium-sized enterprises (SMEs), focusing on those sectors representing Italian entrepreneurial excellence, such as the farm and food sector, commerce and the tourism and catering sectors. Our **Farm&Food** product range is of particular interest for the agricultural and food sector which makes an important contribution to national GDP thanks also to the growing world interest in "Made in Italy" brands. In this area, the Group has signed a memorandum of intent with the Ministry of Agricultural, Food and Forestry Policies (MIPAAF) and has made a loan pool of €2 billion available to be used in investment programmes for the development of farm and food supply chains.

¹ The loans granted and the remaining outstanding debt of the former Banca Regionale Europea and the former Banca Popolare Commercio e Industria are as at 31/10/2016.

Special loan pools are dedicated to support growth in new business ideas (**Start-up Loan**), female entrepreneurship (**Invest in Women** and **Women in start-ups**) and to encourage the recovery of SMEs and self-employed women who are experiencing temporary difficulties as a result of the crisis (**Women in business recovery**).

With its international presence [☞ G4-6] and with its **UBI World programme** (in partnership with members of the **GoToWorld Consortium** and **SF Consulting**), the Bank provides support to Italian business clients also on foreign markets to make sure they obtain the necessary financial assistance together with a series of support services for the internationalisation of their activities.

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 53- 54

LOANS TO SMALL MEDIUM ENTERPRISES	2016				2015			
	Operations of the year		Total outstanding		Operations of the year		Total outstanding	
	Number of loans	Disbursed (millions of euro)	Number of loans	Remaining debt (millions of euro)	Number of loans	Disbursed (millions of euro)	Number of loans	Remaining debt (millions of euro)
2015 Credit Accord	701	46.1	3,602	126.0	402	17.7	3,356	133.9
<i>Italy Investment Projects - CDP and developing businesses</i>	696	45.4	3,597	125.3	395	17.2	3,349	133.4
<i>Public Administration (PA) Credit - ABI and Businesses and PA</i>	5	0.7	5	0.7	7	0.5	7	0.5
Subsidised public sector funding	18,030	4,787.8	39,636	8,448.1	16,936	4,849.5	28,952	6,209.9
<i>European Central Bank TLTROs</i>	16,379	4,156.7	30,513	6,916.6	15,817	4,479.0	17,604	4,635.7
<i>European Investment Bank</i>	1,641	613.9	3,499	1,362.2	772	340.7	1,957	1,283.8
<i>Jobs for Youth - EIB</i>	10	17.2	35	36.8	11	17.3	26	29.4
<i>Cassa Deposito e Prestiti (CDP - state controlled fund and deposit institution)</i>	-	-	5,589	132.5	336	12.5	9,365	261.1
Guarantee bodies and guarantee funds	15,358	1,472.8	52,533	3,481.4	16,595	1,435.8	57,046	3,531.5
<i>Loans backed by guarantee funds</i>	9,503	787.2	37,759	2,089.7	11,047	855.3	43,061	2,328.2
<i>SME guarantee fund - Law No.662</i>	5,600	679.5	13,425	1,368.2	5,278	574.6	12,650	1,178.6
<i>Anti-usury credit lines</i>	255	6.1	1,349	23.4	270	6.0	1,335	24.7
Group initiatives	127	3.7	1,030	18.8	206	5.8	1,093	25.8
<i>SME development</i>	56	1.8	441	10.2	96	3.1	469	14.7
<i>Start-ups</i>	71	1.9	589	8.6	110	2.8	624	11.1
Natural disasters	21	3.1	33	4.4	13	1.0	15	1.6
<i>ABI/CDP reconstruction agreement</i>	21	3.1	33	4.4	13	1.0	15	1.6
Female entrepreneurship	13	0.5	37	1.2	26	1.1	30	1.1
<i>Invest in women</i>	11	0.4	23	0.7	13	0.5	16	0.5
<i>Women in start-ups</i>	2	0.0	14	0.5	13	0.7	14	0.6
TOTAL	34,250	6,313.9	96,871	12,079.8	34,178	6,310.9	90,492	9,903.8

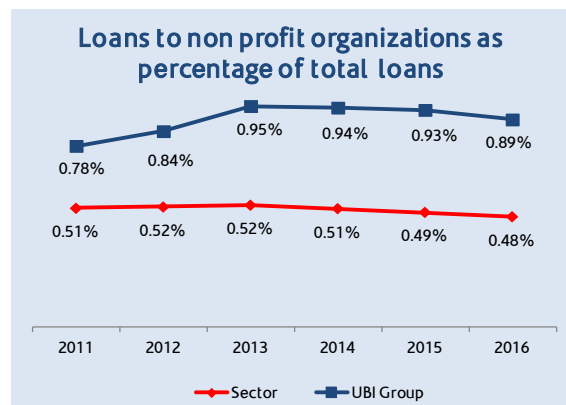
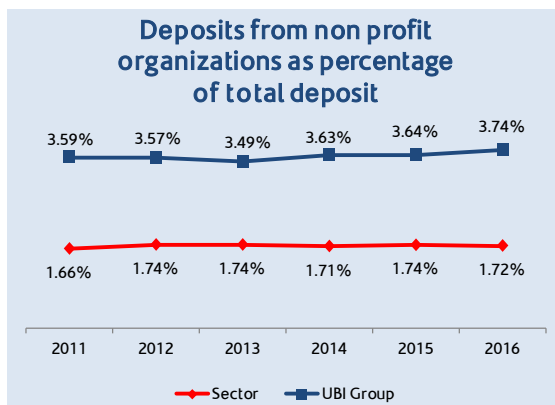
Following its implementation of Ministerial Decree No. 57/2014, the Group introduced special conditions designed to facilitate the access to credit for companies in possession of **Legality Ratings**², which include giving these companies priority in loan approval processes. In 2016, 169 applications were received from companies in possession of legality ratings. The Group authorised 158 applications and declined 11 due to failure to report, or delay in reporting possession of the rating or alternatively in providing the documentation necessary for processing the loan application.

With a broader vision than that of the legality rating, Banca Popolare Di Bergamo – in co-operation with the Chamber of Commerce and the City of Bergamo – has created a loan pool which proposes **Corporate Social Responsibility** (€30 million) to support companies in the province with the effective management of social and ethical impact issues both internally and with regard to the communities in which they operate. The perimeter of the recipients of the loan pool was extended in June 2016 to include companies that had suffered serious damage caused by the extremely bad weather that had hit the Bergamo area.

In consideration of the importance acquired by the **third sector** in meeting the needs of communities, especially for the delivery of welfare services to the disadvantaged, in 2011 UBI Banca created a special service model and range of services with its **UBI Comunità** brand. It is managed by a unit of the same name which reports directly to the Chief Commercial Officer. Within UBI Comunità, the Third Sector and Civil Economy Service promotes and supports economic initiatives in partnership with the public, private and social private sectors, and supports high social impact investments and social enterprise programmes linked to local development and that of the community and new supply chains, where the Bank acts as a partner for the growth of both Church and non-Church nonprofit organisations.

Relationships with nonprofit organisations (NPOs) are strategic for the Bank not only in terms of reputation and links with local communities, but also in commercial terms in consideration of the huge growth seen in this sector in Italy over the last two decades and because of the growing awareness of the important role that the civil economy can play in the economic and social development of the country. The Group holds a share of deposits and loans with these organisations which is much greater than that for the sector as a whole.

² The Legality Rating is a merit instrument, which enables firms who possess it to gain benefits in terms of reputation and when gaining access to credit from banks and also for the purposes of obtaining financing from public administrations. The rating is valid for two years and may be renewed on request by the company concerned and it may take the form of a score ranging from a minimum of "one star" to a maximum of "three stars" on the basis of the requirements that the company possesses.



BASTRA data on sub-group 51 (nonprofit organisations) as at 31.12 of each year. Deposits are comprised of current accounts, deposits and certificates of deposit.

UBI Comunità Social Bonds³ are of particular importance in the Group's support for the **third sector** and these continue to enjoy success with investors and are also extremely unique. These are bond instruments where, in addition to providing remuneration of the investment made by subscribers at a market interest rate, they also involve a commitment on the part of the issuing bank to allocate a portion of the funding acquired (e.g. 0.50%) to support projects of high social value for communities [↗ G4-EC1], and/or to create a loan pool for the disbursement of finance to nonprofit organisations. UBI Banca, in co-operation with CGM (CGM – the Gino Mattarelli national consortium of social co-operation) and CGM Finance (established in 2012 with the issue of a social bond), supports social enterprises to promote, to start up or to accelerate social innovation and economically sustainable growth programmes, by facilitating access by consortiums and their social co-operatives members to banking products and services under attractive terms and conditions. To-date 27 loans have been granted for a total amount of over €6 million (€3.5 million in 2016).

Since 2015 the structuring of social bonds by the Parent also involves measurement of the social impact of the projects supported by using social return on investment (**SROI**) methods. This instrument, which was extended in 2016 to include Sicav Social 4 Future [↗ UBI-5], is a distinguishing feature of the Group in the sector nationally and is of great value in terms of accountability to the customers who subscribe them and to stakeholders in general. At the same time it allows intervention to be directed towards initiatives that have a greater impact on change.

↗ www.ubibanca.com/Social_bond

↗ 2016 CONSOLIDATED FINANCIAL REPORT P. 57-59

Support for households and businesses in difficulty

UBI-3

As part of its mission to support the development of the economy in order to generate shared value for the community in the medium to long-term, UBI Banca pursues commercial and credit policies designed to meet the real needs of different groups in society and categories of businesses [↗ FS7] (small businesses and small to medium-size enterprises in particular) and of professional communities and non-profit organisations.

In order to respond to important social causes and the expectations of the specific groups of vulnerable stakeholders, the Bank has defined subsidised terms and conditions or carried out charitable initiatives as follows:

- **anti-crisis intervention for families**, either with its own or sector-wide initiatives to facilitate access to credit above all with regard to home purchase mortgages and agreements for advances on *Cassa Integrazione Guadagni Straordinaria* (the extraordinary state redundancy/lay-off scheme) benefits. Initiatives in Lombardy designed to increase access to credit for ordinary employees and workers already affected by the crisis and company reorganisations and restructurings, include specific agreements signed under the banner of **Social Advances** (*Cassa Integrazione Guadagni in deroga* – the exceptional state redundancy/lay-off scheme, *Cassa Integrazione Guadagni Straordinaria* - the extraordinary state redundancy/lay-off scheme and *Contratti di Solidarietà* – trade union agreements to reduce working hours) with Finlombarda and the Fondazione Welfare Ambrosiano (FWA), while in the Marches Region Banca Popolare di Ancona has renewed an agreement with the Cassa Edile di Perugia for the grant of subsidised loans to workers in the building industry (it has allocated finance to a special guarantee fund);
- **the fight against usury**, with loans guaranteed as part of local community agreements with foundations in order to assist individuals at risk of usury, (according to the criteria established by the Regulation to implement Art. 15 of law No. 108) and with pawn credit business;

³ UBI Banca has received important acknowledgements over the years for its UBI Comunità Social Bonds the most important of which was the National Prize for Innovation awarded in 2013 by the President of the Italian Republic.

- **anti-crisis measures for businesses** with the deferment of capital repayment instalments on mortgages, loans and leases and the extension of the repayment schedules for mortgages and of the due dates for short-term loans or for agricultural working capital credit, based either on our own or sector-wide initiatives. More specifically, the Group adhered to the 2015 Accord for Credit⁴ – an initiative promoted by the Italian Banking Association and the main employers' associations;
- support for households and businesses hit by **natural disasters** or by **exceptionally severe weather**, with the creation of special loan pools and through adherence to sector initiatives or the application of legislative provisions. Following the earthquakes which hit central Italy in August and October 2016, in addition to measures taken by government to support the earthquake victims, Banca Popolare di Ancona allocated €10 million to a loan pool to provide concrete help to families, businesses and companies in the community, assisting with the repair of buildings and the recovery of businesses and it also immediately introduced the possibility to defer repayments on mortgages and loans of all types for 12 months.

2016 CONSOLIDATED FINANCIAL REPORT P. 55-57

DEFERRAL/EXTENSION OF MORTGAGES TO HOUSEHOLDS	2016		2015	
	Operations of the year		Operations of the year	
	Number	Remaining debt	Number	Remaining debt
Initiatives bank	6,266	476.2	5,172	502.4
System initiatives (ABI)	48	5.2	137	14.0
TOTAL	6,314	481.4	5,309	516.4

DEFERRAL/EXTENSION OF MORTGAGES TO SMALL MEDIUM ENTERPRISES	2016		2015	
	Operations of the year		Operations of the year	
	Number	Remaining debt (millions of euro)	Number	Remaining debt (millions of euro)
Initiatives bank	3,469	801.0	2,878	915.2
System initiatives (ABI)	530	174.1	995	349.0
TOTAL	3,999	975.1	3,873	1,264.2

Development of local infrastructures

UBI Banca has developed specific expertise in the provision of finance for local infrastructures, a sector of primary importance for the growth of local economies and communities. With its **project finance**, the Group supports investments for the development of the local realities in which it operates, with particular reference to the environment (renewable energy [FS8]), mobility (highways, metropolitan railways, airports), utilities (water and gas mains) and health (hospitals).

The most important of the operations concluded in 2016 regarded participation, together with a pool of banks (€461.5 million – UBI Banca's quota came to €53 million), in the financing for **SIG (Macquarie)** to enlarge the natural gas distribution network. In addition to highway infrastructures, we also report participation in financing amounting to €30 million for a **residential healthcare facility**.

G4-EC7

PROJECT FINANCE ACTIVITIES	2016	2015
Financing granted during the year		
Numbers of contracts	6	4
Amount authorised (€ million)	178	278
Amount disbursed (€ million)	145	119
Financing outstanding at the end of the year		
Numbers of contracts	24	22
Amount authorised (€ million)	968	1,003
Amount disbursed (€ million)	726	684

⁴ The following three initiatives have been identified to achieve the goals of the 2015 Accord for Credit: **Businesses Recovering**, which involves action to defer or reschedule loan repayments; **Developing Companies**, to finance business investment projects and to strengthen the balance sheets of companies; **Companies and Public Administrations**, to free up receivables owed to companies by public administrations.

INFRASTRUCTURES PROJECT FINANCE OPERATIONS IN PORTFOLIO	2016	2015
	Number	Number
Hospitals	5	5
Highways	6	7
Metropolitan railways	1	1
Gas transports networks	4	4
Airports	2	2
Other	6	3
TOTAL	24	22

G4-SO1
G4-SO2

In consideration of the activity carried out and its location, the indicator is only considered important for project finance activities. The Bank's activities are implemented in the highly developed context of Italian and European regulations and they mainly involve investments in infrastructures and for the generation of energy from renewable sources. In order to receive finance, projects must have passed the authorisation procedures set under Italian law (**environmental impact assessment**, declaration of the start of activity, single authorisations, economic/financial sustainability, building permits, etc.) and the technical, legal, administrative and insurance assessments performed on behalf of the Bank by major independent advisors of international standing.

Involvement in local communities

UBI Banca carries out its mission as a bank in the community by being close to families and firms in times of difficulty and by supporting important social causes and projects. It acts as a driver not only for local economies, but also for communities supporting their growth by both its banking operations and its philanthropic action to support social initiatives. This is a virtuous circle which creates community development and favours the creation of strong relationships with authorities, institutions and social organisations.

Dialogue with and support for local institutions

Through its constant collaboration with schools, universities, local institutions and research centres, the bank contributes to the promotion and dissemination of a culture of finance and financial knowledge among individuals, firms and communities [UFI-4]. The Group has well-established relations with numerous schools and universities (the Bocconi, Cattolica, Bicocca and state universities of Milan, the universities of Bergamo, Brescia, Pavia, Turin, Trento and Bologna, the Insubria University of Varese, the Carlo Cattaneo University of Castellanza, the Polytechnic University of the Marches, the Ca' Foscari University of Venice, the University of Padua and Verona, the LUISS and Tor Vergata universities of Rome, the University of Bari, the Federico II University of Naples, the Bocconi SDA and the Sole 24 Ore Business School.

The main recurring initiatives include the following:

- the **Alternating School Work programmes**, which involved over 200 pupils in 2016 from 10 schools in the Bergamo area and which will be extended in 2017 to the main centres in which the Group is present;
- collaboration with the Polytechnic University of the Marches on the **World Campus** project established to support and spread technological and training innovation among university students through internships abroad;
- the organisation of "CV advice" sessions and aptitude and career counselling for university students, including collaboration on the Bocconi University "Per Orientarsi al Lavoro - POL Project" (a work orientation project), in an **employer branding** context;
- university masters courses in collaboration with Bergamo University for the development of the Group's "young talents", the continuation of that managed with MIP – the Milan Polytechnic Business School.

In the commercial area, with its treasury and cashier services, the Group supports almost 1,700 public institutions and authorities in their receipt, reporting and reconciliation activities for their tax revenues and capital income and it makes substantial contributions to support their social and institutional aims.

☞ G4-EC1

☞ 2016 CONSOLIDATED FINANCIAL REPORT P. 58- 59

Measures taken for social initiatives

G4-EC1

The Group provides support with donations and sponsorships for activities and projects to protect and enhance our historical, cultural and natural heritage, to educate and train young people, to conduct scientific, academic and humanitarian research and to provide assistance with health and welfare, the arts, sports and recreation. This activity is conducted following a solidarity and subsidiarity approach and it involves a huge number of nonprofit organisations, both church and non-church, of local, national and international importance. The funds used come from special budgets allocated from year to year and also from retained earnings (the "Board's Fund"), where provided for in the Articles of Association.

RESERVES OF PROFITS AVAILABLE IN ACCORDANCE WITH BY-LAWS TO GOVERNING BODIES FOR SOCIAL PURPOSES	HIGHEST % OF ALLOCATIONS FROM FINANCIAL STATEMENT	BALANCE AS AT 31.12.2015	2016 ALLOCATIONS		
			FROM 2015 FINANCIAL STATEMENT	DONATIONS 2016 ¹	BALANCE AS AT 31.12.2016
UBI Banca ²	2% (max € 12 million)	6.051.399	325.000	2.443.186	3.933.213
Banca Popolare di Bergamo	2,0%	873.184	2.418.017	2.592.955	698.246
Banco di Brescia	2,0%	3.495.262	-	982.343	2.512.919
Banca Popolare di Ancona	4,0%	70.528	630.000	630.982	69.546
Banca Carime	3,0%	214.762	-	165.824	48.938
Banca di Valle Camonica	n.a.	1.119	200.000	190.762	10.357
TOTAL		10.706.253	3.573.017	7.006.052	7.273.218

¹ The amounts relate exclusively to the contributions made from the reserves of profit of individual banks, including € 1,859,500 paid to foundations promoted by the Group.

² The figures for UBI Banca include those relating to Banca Popolare Commercio e Industria and Banca Regionale Europea, merged on 21st November 2016 with effect for accounting purposes from 1st January 2016.

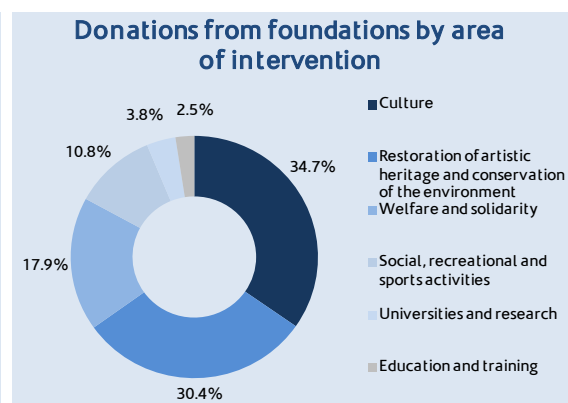
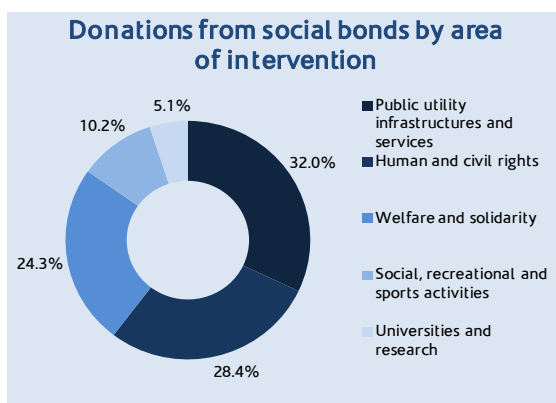
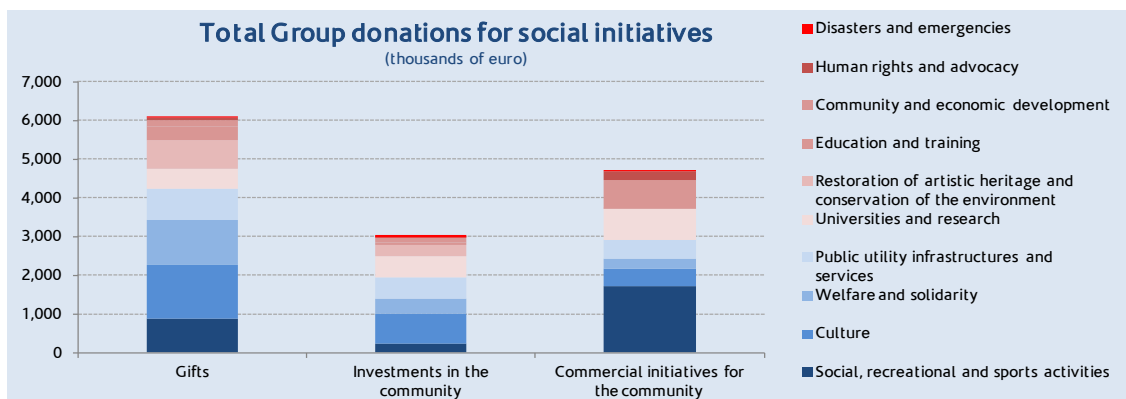
The donations, whether occasional or recurring or within the framework of key partnerships lasting several years, are designed to promote and enhance the identity of the Group and individual network banks, with no correlation with the achievement of commercial objectives, except for those of social marketing initiatives.

With sponsorships¹, Group Banks associate their brands with organisations and initiatives able to generate a positive return in terms of image, that is often an expression of their history and tradition in their respective local communities.

Before the merger of the network banks into UBI Banca, completed in February 2017, decisions were taken by these at local level with the support of UBI Banca for the more far reaching initiatives, based not on rigid and predetermined policies and guidelines, but on assessments based on criteria of the consistency, efficiency and effectiveness of the initiatives and projects found in the community. For charitable donations already in 2016, allocations at UBI Banca from the “Board’s Fund” of budgets to the various sectors of intervention were made on the basis of an **Annual intervention plan** approved by the Supervisory Board on the basis of proposals formulated by the Chairman, subject to prior consultation with the Senior Deputy Chairman. The proposals and projects were drawn up in consultation with the Chair of the Management Board and taking account of her recommendations.

As part of the revision of the Group’s organisational model, which occurred at the time of the implementation of the Single Bank Project, in November 2016 the Supervisory Board drew up special guidelines on the question of donations, which regarded centralised management of the articles of association-related fund (pursuant to Art. 44.3 of UBI Banca’s Articles of Association) and the criteria for the distribution of funds among the Macro Geographical Areas (MGAs). The “Regulation for the process to manage UBI Banca’s charitable donations” was drawn up on the basis of these guidelines, the final version of which was approved by the Supervisory Board on 14th February 2017, after prior examination of it by the Management Board. The approval of that regulation constituted the preparatory stage for an annual plan of intervention by UBI Banca, approved for 2017 by the Supervisory Board on 7th March after preliminary assessment by the Appointments Committee.

With the new organisational model, Group donations are mainly approved by the UBI Banca Supervisory Board for the more far reaching interventions (normally inter-regional) and by the individual MGAs for intervention of a local nature, as well as by the foundations formed within the Group, which continue to operate independently in compliance with their own constitutions, using their respective endowments which may be supplemented by contributions from the Group. In order to ensure more effective relations with local communities, a “Local Operational Team” has been formed for every MGA where each MGA Manager will be accompanied by a specially designated Member of the Supervisory Board with experience of the relative local area, with support from the UBI Comunità Area manager and the head of the Corporate Social Responsibility Function.



¹ These are sponsorships with aims of a social nature. Sponsorships of professional sports clubs are only included in the report if they are directed to activities to promote the moral education of young people through sport.

In compliance with the new Group policies, in 2016 important strategic partnerships were either created or confirmed with leading nonprofit organisations, which included the following:

- the Associazione Italiana per la Ricerca sul Cancro - **the Italian Association for Cancer Research (AIRC)** for which UBI Banca has been an institutional partner since 2013 for the fundraising campaign entitled **I giorni della Ricerca – “Research Days”**, through various initiatives (e.g. fundraising in branches and through internet banking, “payroll giving”, the UBI Comunità EnjoyCard customised for the AIRC, the proposal to use SDD direct debits for recurring donations and innovative functions for sending money using UBI Pay, which allows customers to make a donation using their smart phones with the Jiffy network) targeted at both customers and Group staff. The 2016 campaign enjoyed great popularity on national and local media and it enabled the AIRC to raise approximately €5.4 million, of which almost €700 thousand attributable to the initiatives launched by the Group. The Group has donated approximately €3 million to support scientific research in the field of oncology since 2013. In 2016 the partnership with the AIRC was extended to include the **“Oranges of Health”** campaign at the end of January and the **AIRC-Giunti School** project. This was an educational programme, sponsored by the MIUR – Ministry of Education, Universities and Research and targeted at primary school classes IV and V in which over 800 schools and approximately 75,000 children/families were involved;
- the **Gemelli-Medicinema Hospital Foundation, Save the Children, Unicef, Focsiv** (international Christian voluntary work organisation) and **AISM** (Italian Multiple Sclerosis association), which saw the UBI Banca Group support the following campaigns by making available numerous fund-raising instruments and channels and by increasing awareness of them by the Group's customers and staff: *The magic of cinema becomes therapy at the Gemelli; Let's illuminate the future; Youth & Innovation Lebanon; We smiled for something serious; “La gardenia” of AISM;*
- the **Accenture Foundation** and the **Bracco Foundation** for the organisation of the national **Welfare what a business!** competition, in co-operation with and with the scientific assistance of the Milan Polytechnic and Aiccon and with the involvement of the incubators Polimi Hub and Campus Goel. The competition was aimed at social start-ups defined as nonprofit organisations in operation for not more than 36 months and generated great interest with over 50 projects entered. UBI Banca made a loan of up to €50,000 available for each winner from the UBI Comunità line of products, interest free and unsecured, together with an “Online Nonprofit Account” with 36 months free of bank charges.
- with the launch of the fundraising campaign CESVI sUBIt² to help farmers in the province of Rieti, hit by the earthquake, the **CESVI Foundation** put small and medium-size firms and direct sales of milk back into operation, in co-operation with farmers associations. More specifically, equipment was provided to start animal rearing activities again, such as milking trolleys, refrigerators, milk processing tanks, curdling and whey equipment, electricity generators.

In 2016 the Group made donations for social initiatives totalling **€13.9 million**, down by 7.1% on 2015, of which:

- €5.2 million drawn from articles of association-related retained earnings reserves of UBI Banca and the Network Banks available to management bodies for social purposes, net of sums paid to Group Foundations (€1.9 million);
- €5.6 million as operating expenses of UBI Banca, the Network Banks and other Group companies, including charitable donations resulting from the placement of UBI Comunità Social Bonds;
- €3.1 million by the Foundations.

An important role is played by **UBI Comunità social bonds** and **Social 4 Future Sicav's** (€688 thousand) in the generation of funds for donation to social activities and by contributions made to local authorities as part of **treasury and collection services** (€3.4 million).

Since their launch in 2012 and until the end of 2016, the Group has supported 82 important social projects in the community with the issue of an equal number of social bonds, to acquire funding of approximately **€878.2 million** and to make charitable donations of **over €4 million**. Ten social bonds were placed in 2016 for a total of €132 million (seven of which issued by the Parent for a total of €112 million), which allowed charitable donations of **€425 thousand** to be made. In this context we highlight the placement of social bonds for **€40 million** issued on behalf of the *Confederazione Nazionale delle Misericordie d'Italia* (National Confederation of the Misericordie d'Italia voluntary associations) for the construction of a new anti-seismic school at **Acquasanta Terme** (province of Ascoli Piceno), because the previous school was no longer safe as a consequence of the earthquake that hit central Italy. UBI Banca also decided to make a donation of **€500 thousand** to fund the reconstruction of school.

The innovative **Social 4 Future Sicav** was placed with two subscription periods (February and November 2016) for a total of €386 million, allowing a donation of €270 thousand to be made to the UNICEF **Youth & Innovation Lebanon** project to rehabilitate hundreds of Syrian, Palestinian and Lebanese adolescents at high risk of vulnerability into society and to start them with jobs.

² CESVI sUBIt² is a fundraising initiative targeted at Group customers and staff to support projects of the CESVI Foundation to assist with humanitarian emergencies and natural disasters. The initiative was launched in 2008 after the Sidr cyclone hit Bangladesh and it was revived for subsequent emergencies in Burma (2009), Pakistan (2010), the Horn of Africa (2011), the Philippines (2013) and Nepal (2015).

The main donations made by the Group's foundations include the following:

- for the UBI **per Varese ONLUS Foundation** the restoration of the Asilo Veratti (nursery school) at Varese (€15 thousand), the purchase of interactive whiteboards for the Liceo da Vinci di Gallarate high school (€15 thousand), the restoration of the bell tower of Parish of San Vittore at Varese (€25 thousand), the restoration of the arch along the "via Sacra" of the Sacro Monte di Varese (sacred mount of Varese) (€15 thousand);
- for the **Banca Popolare Bergamo Foundation**, the purchase of a multidisciplinary ultrasound machine for the Gazzaniga Hospital of the Bolognini di Seriate Hospital Authority (€70 thousand), support for the 2016 edition of Bergamo Science (€80 thousand); a donation to the Diocese of Bergamo for the restoration of historical artistic buildings in the province supervised by the official "Superintendent" (third and last instalment of €150 thousand, out of a total of €450 thousand); support for the activities of the Modern and Contemporary Art Gallery of Bergamo (second instalment of €75 thousand, out of a total of €225 thousand);
- for the **Banca San Paolo di Brescia Foundation**, a donation to Opera per l'Educazione Cristiana for the organisation of the *XIII Colloquio Internazionale di Studio* (international study conference) and for printing editions 71 and 72 of the *Notiziario dell'Istituto Paolo VI* (Paul VI news bulletin) (€100 thousand); a payment to the Diocese of Brescia – Pastoral Office of the Brescia Caritas – for running the "Madre Eugenia Menni" people's canteen for the needy (€50 thousand); improvements to the physics laboratories and upgrades of the classrooms and laboratories at the Catholic University (€95 thousand);
- for the **CAB Foundation – Giovanni Folonari Institute of Culture**, support to Brescia University for the publication of Volume IV of *Annali Storia Bresciana* (annals of Brescia's history) (€10 thousand); donation for the Benedetti Michelangeli Prize awarded to internationally famed musicians and/or "young talents", in co-operation with the Teatro Grande di Brescia Foundation (€5 thousand); payment to the Ugo da Como di Lonato del Garda Foundation for the purchase of a statue of Arnaldo da Brescia in Carrara marble by O. Tabacchi, the original of the current statue located in the square of the same name in Brescia (€5 thousand);
- for the **Banca Popolare di Vigevano Foundation**, social, welfare and cultural support for a total of €31 thousand. Particular emphasis was placed on the social sector with initiatives aimed at schools on the subjects of living together, cohesion and violence to women; on the welfare sector with intervention in favour of children living in families in difficulty for food and medical necessities; in the field of the arts with the restoration of the sculpture and painting of two statues of the Apostles, St Simon and St Matthew and the publication of the catalogue of an exhibition by the Vigevano artist Carlo Zanoletti.

Again in 2016 UBI Sistemi e Servizi – the Group's service consortium company – donated retired electronic equipment, which nevertheless still functions well (61 notebooks, desktops, banknote counting machines and photocopiers) to 24 schools, institutions and nonprofit organisations with an estimated value of over €5,400.

Group employees were again involved in charitable initiatives through participation in the following voluntary schemes:

- **ProSolidar**, a national fund in the credit sector for solidarity and charitable initiatives consisting of a bilateral entity managed by the Italian Banking Association and the national secretariats of the banking trade unions. It is the first body in the world formed by a national trade union agreement and it is funded on an equal basis by workers and companies. Each employee may contribute a sum of €6 per year deducted directly from salary, against which the company pays in an equal amount (for a total of **over €187 thousand** in 2016);
- **charity projects** organised by the bank or in which it participates. A charity project was started in 2016 for the **people of central Italy hit by an earthquake**. Organised by the Italian Banking Association and sector trade unions, it involved a voluntary payment of €10 deducted from salary, to which the bank added a donation of the same amount, for a total of **over €55 thousand**);
- **Donate one day**, a company voluntary project, organised for the third consecutive year, by which employees can spend one day of their holidays doing voluntary work in a nonprofit organisation which they have chosen from among those selected by UBI Banca in co-operation with the Sodalitas Foundation [☞ G4-16]. In the 2016, 1,245 employees took part, who were able to choose from among 150 projects of 70 nonprofit organisations located in 34 towns and cities distributed across the country in 14 regions. Over the three-year period, participation has reached 15% of the total workforce with approximately **20 thousand hours of voluntary work** donated and a total contribution of **€285 thousand**.
- **Enjoy Special Edition**, an account card specially for Group employees, with customised graphics and the ability to support social projects simply by using the card. The Group banks that issue the cards waive their interbank commissions on the POS terminal transactions³, which are donated entirely to the social project chosen each year by employees themselves by means of a survey carried out on UBILife the corporate intranet portal. In 2016 over €15 thousand was donated to the charity project

³ As a result of Regulation EU 2015/751, from December 2015 the percentage commission on POS transactions was reduced by about one third compared with before, which affected the amount donated to the winning project.

Dimissioni Protette (protected hospital discharge) run by the Seneca Onlus Association, which came first out of the five projects selected for the 2016 Sodalitas Social Innovation Prize [↗ G4-16].

Commercially the **UBI Comunità Social Edition initiative** is also continuing. This involves the issue of an **Enjoy UBI Comunità** prepaid card, customised with the logos of the nonprofit organisations for which they are issued, on which the Banca waives its right to part of the commissions, which it donates to the nonprofit organisation. Customised cards for 6 NPOs were issued in 2016, including **AIDO Lombardia** and **AIRC**, for a total of around 10,000 cards, of which 8,100 are active, to generate a donation of about €6,800. When the partnership with the National Basketball Association (NBA) was entered into, which involves the marketing of the prepaid **Enjoy NBA** card, UBI Banca donated €5.00 for each card issued to a Group employee (€6,310 at the end of 2016) to the **Federazione Italiana Pallacanestro in Carrozzina** (FIPIC – Italian Wheelchair Basketball Federation).

↗ 2016 CONSOLIDATED FINANCIAL REPORT P. 60

G4-SO6

No payments – neither direct nor indirect and in any form – are permitted to: political parties, movements, political committees and other political organisations, their representatives and candidates, congresses or festivals with political propaganda purposes.

Financial education

UBI-4

Understanding trends on financial markets and the characteristics of different financial instruments is seen increasingly as an effective instrument for the protection of investors, because it helps spread economic and financial expertise among the public that is useful for making knowledgeable investment decisions that are consistent with a person's risk profile. It helps create citizens who are more knowledgeable in their choice of banking products and services, growth in economic democracy and legality and makes the business environment and local economies more competitive.

In this context, UBI Banca has built relationships over the years and forms of co-operation with various realities in the community that work in this field. It takes an active part in the initiatives of the **Foundation for Financial Education and Savings** (FEDUF) created by the Italian Banking Association and it works with private sector organisations and institutions that help to spread financial education initiatives even outside schools and in different groups in society. It organises and/or takes part in **events, conventions and seminars** to educate and examine economic and financial matters, such as the cycle of meetings on the Italian economy held in co-operation with the **Studi Einaudi Centre**, and to support the Italian business community both at home and abroad.

↗ 2016 CONSOLIDATED FINANCIAL REPORT P. 59

The Group's contribution – which represents around 20% of the total activity carried out by banks adhering to FEDUF – is focused on three educational programmes, for different age groups, that are now well established and constantly updated and enhanced, partly as a result of support from academics and communication experts, as follows:

- **Kids**, for primary school children, to stimulate initial thinking about the value of money and the need to manage it responsibly, for themselves and for the community, with a view to knowledgeable citizenship;
- **Junior**, 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;
- **Teens**, to teach 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 in the classroom, the participants may take part in a national competition entitled **Mamma che impresa!** and **Che Impresa, Ragazzi!**, the first of which involves the publication of stories written by students in a book of winning business stories (**Storie di impresa (av)vincenti**), while the second awards a prize to the class that draws up the best business plan for the start-up of a socially useful enterprise in the community.

Group banks, again in co-operation with FEDUF, contributed to the organisation of further important events, which included **Scegli cosa voglio**, a show/conference on financial issues, which involved approximately 4,800 students and adults throughout the country and the **Festival Econo-mix, Le giornate dell'educazione finanziaria**, a project created to promote a new culture of economic citizenship among new generations. The first edition of this initiative in Lombardy and Piedmont (after Latium, Tuscany, Campania, Marches and Molise) saw the participation of Banca Popolare di Bergamo, Banco di Brescia and Banca Regionale Europea in a series of meetings which involved many pupils from primary and secondary schools on a variety of arguments, including "*Become sustainable citizens*", "*Pay 2.0 the money of the future*", "*Once upon a time there was human capital*".

Banca Regionale Europea, in co-operation with FEDUF and the Town of Tortona, organised a project **Education for economic citizenship** in schools to develop greater knowledge of the value of money, savings and legality. The protagonists of the project were pupils from primary schools in the Tortona area to which the Town had made a donation of €50 at the beginning of the year to start off their savings with the supervision of parents and teachers. Again in co-operation with FEDUF, the Bank organised education for a Group of fifty journalists

aimed at creating more awareness on these subjects among these information professionals, thereby addressing the need to raise the level of the definition of the contents to be transmitted, the segments of the population to be involved and the tools to be used.

Important activities were also sponsored by Banca di Valle Camonica through the **Educate to citizenship** initiative with the objective of developing a sense of civic responsibility and legality and greater awareness of these matters among new generations. Primary and secondary schools were involved through a series of meetings, subsequent teaching events and a final convention.

The initiative by Banca Popolare di Bergamo, in co-operation with the Bergamo UNICEF Committee, to organise a course on legality entitled **All on the same scales** and also on the subject of the forgery of payment systems is also worthy of note. The objective of the course, designed for schools and also with participation by bank staff, was education on legality, seeking to create the necessary ethical and cultural conditions for strong opposition to all forms of criminality and for greater knowledge of the importance of integrity in legal relations, of safeguarding individual rights and of the rejection of all types of abuse of power. A total of 56 primary and lower and upper secondary schools were involved in the academic year 2015-2016 for a total of around 8,000 pupils.

COMMITMENT IN FINANCIAL EDUCATION INITIATIVES	SCHOOLS	CLASSES	PARTECIPANTS	BANK TEACHERS	TEACHING HOURS
Programs Kids, Junior and Teens	76	218	5,248	71	349
Other initiatives and events			4,790	35	102
TOTAL	76	218	10,038	106	451

Enhancement and well-being of personnel

Personnel management policies comply throughout the Group with the principles of International Labour Organisation (ILO) conventions to which reference is made by the national and local regulations which govern the various Group banks and companies and also with the principles of the Global Compact for the protection of Labour. In line with the national scenario that has been profoundly modified by recent changes to regulations and in response to the rapid transformation of market paradigms, UBI Banca continued again in 2016 with its programme to update its personnel management policies, and as a consequence was again internationally certified as a "Top Employer"¹.



Employment and turnover

G4-LA1

Staff numbers in the Group have reduced progressively in recent years, as a consequence of action taken to streamline the organisational structure and the branch network in order to increase efficiency and profitability.

Group policy on this matter is based on criteria of the social sustainability of the action taken. This action is always carried out on the basis of specific agreements with trade unions which involve forms of protection to re-appoint the staff involved in reorganisation plans to new positions and to resort, on a voluntary basis, to forms of flexible working and early retirement incentive schemes, associated with generation turnover plans. The change of role and retraining processes are accompanied by special training programmes, with a view to enhancing human and professional resources. [G4-LA4]

Geographical mobility is an important component of the employment conditions of personnel for companies that are distributed across large geographical areas. Mobility policies which form part of the tools used to manage reorganisation processes are oriented towards managing this process insofar as is possible as both an opportunity for career growth and to satisfy requests by staff to move closer to home. Priority is given in accepting requests to move closer to home to the requirements of employees working in professional fields and to those who have been working for at least two years in organisational units at travelling distances of over 40 km (to and from work) from their homes. Moving personnel closer to their homes may result in new or different duties from those performed in their original organisational units.

INTRAGROUP MOBILITY (Displacements with contract detachment or transfer)	2016		2015		2014	
	TOTAL	of which contract transfers	TOTAL	of which contract transfers	TOTAL	of which contract transfers
Men	2,239	1,949	397	5	246	2
Women	1,699	1,549	259	2	101	1
TOTAL	3,938	3,498	656	7	347	3

Turnover has remained low and is caused mainly by the implementation of plans to reduce staff numbers and by the related generation turnover plans. The average length of service is 21 years for men and 19 for women. The **generation turnover** programme conducted in 2016 confirmed the Group's constant orientation towards offering opportunities to "young talents" on the basis of merit, without any form of gender discrimination: the **female component** accounts for 51.6% of new recruits.

APPOINTMENTS	2016		2015		2014	
	TOTAL	WOMEN	TOTAL	WOMEN	TOTAL	WOMEN
On temporary contracts	248	140	239	158	255	148
Permanent	254	119	161	85	48	14
TOTAL	502	259	400	243	303	162

CONTRACT TRANSFORMATIONS	2016		2015		2014	
	TOTAL	WOMEN	TOTAL	WOMEN	TOTAL	WOMEN
From apprentices	3	2	39	20	0	0
Other	150	83	200	119	90	46
TOTAL	153	85	239	139	90	46

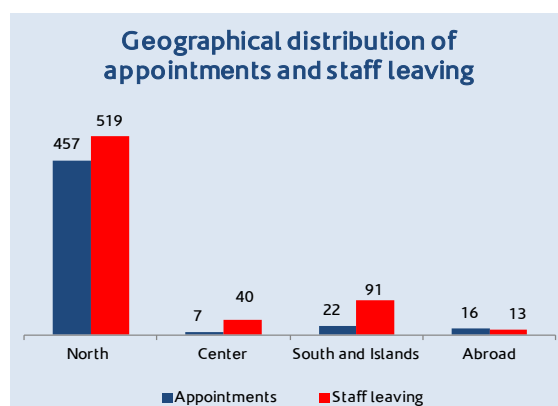
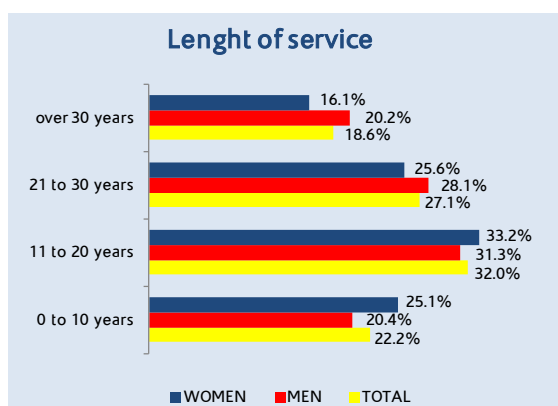
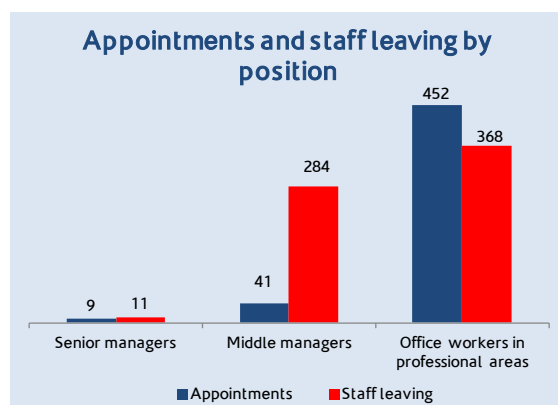
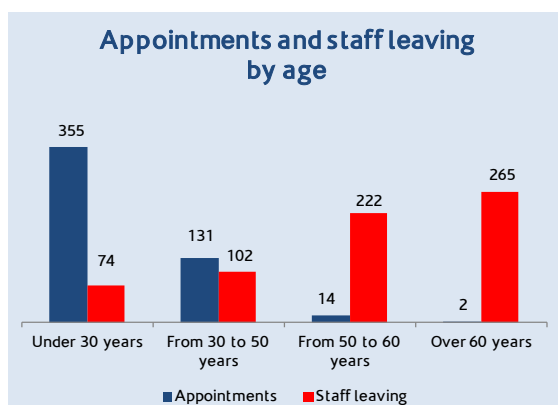
¹ A programme that is active at world level, which rewards companies for excellence in their personnel management processes, in terms of training, development of talent, career paths and benefits.

STAFF LEAVING	2016		2015		2014	
	TOTAL	WOMEN	TOTAL	WOMEN	TOTAL	WOMEN
Business Plan reductions	435	111	523	156	203	35
of which: "solidarity fund"	403	102	445	124	187	28
incentivised redundancies	32	9	78	32	16	7
Voluntary resignations	98	33	122	31	111	28
End of contract	91	58	108	68	143	90
Retirement	18	6	1	0	12	4
Dismissal	7	2	11	4	16	2
Other	14	4	42	17	24	6
TOTAL	663	214	807	276	509	165

RATE NEW EMPLOYEE HIRES RATE AND TURNOVER	2016		2015		2014	
	NEW EMPLOYEE HIRES ¹	TURNOVER ²	NEW EMPLOYEE HIRES ¹	TURNOVER ²	NEW EMPLOYEE HIRES ¹	TURNOVER ²
By position						
Senior managers	2.6%	3.2%	2.1%	10.7%	1.7%	4.2%
Middle managers	0.5%	3.8%	0.2%	4.7%	0.1%	2.5%
Other personnel	4.7%	3.8%	3.8%	4.2%	2.8%	3.0%
By gender						
Men	2.3%	4.2%	1.4%	4.9%	1.2%	3.0%
Women	3.8%	3.1%	3.6%	4.0%	2.4%	2.4%
By age						
Under 30	41.0%	8.5%	41.4%	11.1%	31.9%	16.2%
30 to 50	1.3%	1.0%	0.8%	1.4%	0.7%	1.2%
50 to 60	0.2%	3.7%	0.3%	5.9%	0.2%	2.3%
over 60	0.2%	26.3%	0.2%	27.1%	0.1%	17.5%
By geographical area						
North	3.4%	3.9%	2.8%	4.5%	1.9%	3.2%
Central	0.4%	2.2%	0.5%	3.1%	1.1%	1.5%
South and Islands	1.0%	4.1%	0.6%	5.5%	0.5%	1.2%
Abroad	12.9%	10.5%	3.7%	11.9%	6.2%	6.9%
TOTAL	2.9%	3.8%	2.3%	4.6%	1.7%	2.8%

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

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



In 2016 most recruits from the outside labour market were concentrated in areas where the Group is located most and in Lombardy in particular. More specifically, employer branding and recruiting activity conducted in co-operation with local universities and academic institutions allowed young university graduates with high potential to be identified. Also with regard to the recruitment of professionals and senior managers, the career profiles assessed were of people mainly resident in Lombardy, where the Group's headquarters and policy-making and supervisory activities are concentrated. Nine new senior managers were recruited in 2016 on the outside market.

Benefits

All Group employees, whether full-time or part-time, benefit, depending on the company to which they belong, from a substantial **corporate welfare** package, which involves the following:

- forms of **supplementary pension** and **health benefits**, with the possibility to participate in supplementary pension schemes either internal or external, benefiting from a defined contribution from the employer under supplementary company labour agreements (employees may also pay a portion of their salary into supplementary pension schemes) [[G4-EC3](#)];
- **insurance cover** against the risk of death or permanent disablement caused by accidents, whether work-related or not, and the risk of death from illness;
- **welfare services**, which include company crèches, 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, special terms and conditions for banking charges and commissions, for loans to purchase a home and for credit lines (in line with the best market conditions);
- **lump-sums** granted as gifts on particularly significant occasions such as marriages, births, adoptions and university graduations;
- **scholarship grants** for employees who are students and for children who are students;
- **cash grants** to support single income families or families with disabled members.

SERVICES AND CONCESSIONS FOR EMPLOYEES	2016		2015		2014	
	NO. USERS	COSTS INCURRED (thousands of euro)	NO. USERS	COSTS INCURRED (thousands of euro)	NO. USERS	COSTS INCURRED (thousands of euro)
Children's nurseries ¹	70	344	67	371	77	339
of which:						
<i>Bergamo</i>	46		41		46	
<i>Brescia</i>	3		4		8	
<i>Milan</i>	10		12		12	
<i>Jesi</i>	11		10		11	
Summer recreational center for children	160	46	153	46	133	31
of which						
<i>Bergamo</i>	98	22	92	20	90	19
<i>Brescia</i>	62	24	61	26	43	12
Shuttle coach service		764		794		907
Company cultural and recreational clubs ²	21,250	339	25,062	483	20,726	490
of which for:						
<i>sport</i>	2,956		3,642		4,162	
<i>tourist activities</i>	2,383		2,520		3,313	
<i>cultural activities</i>	5,031		5,519		4,727	
<i>recreational activities</i>	9,294		10,145		7,464	
<i>activities and services for children</i>	1,586		3,236		1,060	
Supplementary pensions and insurance policies		50,118		51,756		50,861
Study grants and contributions to families		4,797		4,842		4,593
TOTAL COSTS³		56,409		58,292		57,221

¹ Places available: 46 in Bergamo, 20 in Brescia, 12 in Milan and Jesi.

² Cral BPA, Cral BPB, Cral BPCI, Cral CARIME, Circolo del Personale BRE and G.I.D UBI Banca, BVC, Cral Stiamo in contatto.

³ The figure for 2014 has been restated following an update of the method used to calculate it.

Periods of paid leave – even longer than the legal minimum – may be used to care for disabled family members, for the emergency hospitalisation of family members, for the birth or adoption of children and for when they start nursery schooling.

EMPLOYEES WHO BENEFITED FROM LEAVE	2016			2015			2014		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
Maternity and childcare	1,466	501	965	1,920	401	1,519	1,649	563	1,086
Study	153	87	66	220	119	101	153	93	60
Other personal needs	5,296	2,771	2,525	5,924	2,891	3,033	5,373	2,789	2,584
TOTAL	6,915	3,359	3,556	8,064	3,411	4,653	7,175	3,445	3,730

LEAVE DAYS	2016			2015			2014		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
Maternity and childcare	59,093	4,102	54,991	54,510	2,263	52,247	70,843	4,026	66,817
Study	878	469	409	858	481	377	912	552	360
Other personal needs	13,703	6,735	6,968	8,790	4,625	4,165	14,995	7,008	7,987
TOTAL	73,674	11,306	62,368	64,158	7,369	56,789	86,750	11,586	75,164

UBI Banca has also developed policies to reconcile work and family demands with the use of **flexible forms** of working such as **part-time**, **extraordinary leave**, **hour banks** and **smart working**. 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.

Smart working has been introduced experimentally for approximately 200 staff (74 in 2015) as a proposal to solve problems and as an innovative way of working, which facilitates reconciliation between home and working life, greater productivity and environmental sustainability. UBI Banca has educated management and all employees on this question, it has carried out a survey to assess the number of potential smartworkers within the Group and it has started to monitor the experiences of existing smartworkers for the development of the project. In 2016 3,013 days were spent smart working, both in **co-working** spaces in some major towns and cities and at home, with savings of 300,000 km and 6,000 hours of travelling to and from work.

As a sign of solidarity, the Bank is attentive to the needs of families going through particularly difficult times. 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 Association** (www.clematisonlus.org), created on the initiative of a group of employees and supported financially by the Group. The association has signed an insurance agreement to provide the disabled children with an annual supplementary, index-linked income, currently of €12,000 payable on the death of both parents and it also pays grants toward the costs of "rehabilitation training" and for the purchase of facilities. Seventy two families have taken advantage of the insurance agreement – of which 35 are families of retired employees – for 75 disabled children.



G4-EC3

On the subject of pensions, coverage for commitments resulting from internal funds, consisting of defined benefits and having the nature of items on companies' balance sheets, 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".

Return to work from parental leave

G4-LA3

The management of leave for births or adoption of children is carried out in compliance with Italian legislation on parental leave, which provides for a compulsory period of leave, normally during the two months prior to the presumed date of childbirth and three months after childbirth, and leave from work is optional².

OPTIONAL PARENTAL LEAVE	2016	2015	2014
Employees taking leave during the year	546	409	500
<i>of which women</i>	88.3%	95.8%	94.2%

² Natural parents have the right to optional leave (if the employment relationship is continuous) up to the first 12 years of the life of a child, for a period of between two and not more than 10 months that can be increased to 11 if the working father takes leave from work for either a continuous or staggered period of not less than three months. That total period can be taken by the parents even simultaneously.

COMPULSORY PARENTAL LEAVE	2016	2015	2014
Employees taking leave during the year	328	365	399
of which:			
<i>still on leave at the end of the year</i>	115	129	126
<i>returned from leave during the year³</i>	213	234	273
<i>resigned on return from leave</i>	0	2	0
Employees in work 12 months after leave ended	231	278	286
Rate of return ¹	100.0%	99.2%	100.0%
Retention rate ²	98.7%	99.3%	92.3%

¹ At the end of the parental leave.

² One year after the end of the parental leave.

³ The figure for 2015 has been restated following an update of the method used to calculate it.

Organisational change management

G4-LA4

The scenario in Italy is one of a high level of worker protection which UBI Banca considers its duty to maintain both on a daily basis and with regard to the management of large organisational changes; it is a duty which goes beyond mere compliance with regulations.

National collective bargaining sets not only minimum wage levels, but also a minimum period for trade union negotiations of 45 days to protect workers before substantial organisational changes take place. UBI Banca has always approached these negotiations with a view to seeking shared solutions, wherever possible, through transparent, concrete and continuous dialogue which goes even beyond this regulatory limit.

Work with trade union representatives was intense in 2016 with 92 meetings held for a total of over 690 hours. The Single Bank Project led to the signing of a Memorandum of Intent in December which regulates measures to ensure the efficiency and productivity of the Group in compliance with the objectives of the 2019-2020 Business Plan and it also confirmed the action taken regarding staff and flexible working hours designed to facilitate a balance between private and working life [↗ G4-LA2].

↗ 2016 CONSOLIDATED FINANCIAL REPORT P. 74

Health and safety at work

According to the definition of the World Health Organisation (WHO) "Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity". Italian legislation is also based on that same concept (Legislative Decree No. 81/08 Art. 2 paragraph 0) and UBI Banca adopts it too.

Therefore **organisational well-being** is the objective that UBI Banca pursues on health and safety at the workplace issues with policies and processes oriented towards the substantial and not merely formal application of the regulations. This is also pursued in the knowledge of achieving both a greater competitive advantage as a result of higher productivity and improved performance by workers (less absenteeism [↗ G4-LA6] and staff turnover [↗ G4-LA1] and greater customer satisfaction) and savings for society in general in terms of both tangible and intangible social costs generated for example by accidents [↗ G4-LA6], operating errors, legal disputes, insurance claims, litigation and care expenses.

The scientific literature has shown that organisational well-being is strongly associated with factors such as the corporate climate, the commitment of employees, work satisfaction and the work-private life balance. Account is taken of these factors by the **health and safety at the workplace management system (HSMS)**, which also constitutes the concrete implementation of the guidelines contained in the Model of Management and Organisation provided for by Legislative Decree No. 231/2001 and in the UNI-INAIL (Italian standards authority and Italian national accident insurance institute) guidelines.

G4-LA5

The main regulatory reference for health and safety at the workplace is Legislative Decree No. 81/2008 and subsequent amendments, the provisions of which are applied in all Group companies operating within Italy. Responsibilities on this matter are centralised in the **Health & Safety Manager** Function on the staff of the Chief Operating Officer and they are exercised by means of a regulation to implement corporate policies on the matter which lay down the following:

- the duties and responsibilities of the various persons directly involved (the Official Employer, Senior Management, Delegates, Manager of the Prevention and Protection Service; Corporate Physician) and the company and Group units involved in the implementation of policies (the Human Resources Departments of the various companies, UBISS Real Estate, Purchases and Core Applications & Operation Services, UBI Academy);
- processes for the active and knowledgeable involvement of personnel;
- lines of reporting between the various units and mechanisms for the integration of the HSMS in corporate processes;
- processes for the planning, monitoring and periodic review of the effectiveness of the system itself,

explicitly recommended in UNI-INAIL guidelines.

In accordance with article 35 of Legislative Decree No. 81/2008 and in implementation of Management System mechanisms, periodic 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. The Manager of the Prevention and Protection Service, who is also the manager of the HSMS, is also periodically convened by the 231 (administrative liability) Supervisory Bodies and takes part, as Group representative, in the proceedings of the **health and safety working group** formed as part of the Trade Union and Labour Department of the Italian Banking Association Trade Association.

All actions undertaken have the dual objective of regulatory compliance and risk reduction, with the benefit also of savings on costs due to the reduction in the number of accidents and the lower insurance premiums that INAIL charges companies that can demonstrate that they have adopted virtuous practices on prevention and protection from occupational risks.

Prevention relies primarily on constant **monitoring of the adequacy of workplaces and equipment**. In this respect, technical specifications have been refined for external suppliers, who are required both to document the conformity of their activities in greater detail and to update IT procedures already available to Group staff for reporting the emergence of new risks and/or malfunctions. Projects to build new premises or to refurbish existing premises involve prior examination of documents by the Prevention and Protection Service, which programmes on-site conformity inspections on completion of the works and the entry into service of the premises.

From the more specific **viewpoint of health**, the activities of corporate physicians provide continuous monitoring of the state of health of personnel and the healthiness of working environments both by means of the annual plan of periodic checkups for staff (compulsory health screening by law) and by on-site inspections of working environments. Staff may report specific problems to the corporate physician by means of a dedicated and confidential email address. Other important aspects include **work-related stress** assessment, conducted and monitored, amongst other things, by means of the subjective perceptions of employees by means of special questionnaires and the management of the **impacts of criminal events** to which distribution network staff in particular are exposed. The progressive emergence of a new type of aggression, mainly verbal, but also physical perpetrated by customers as a consequence of a deterioration in their socio-economic conditions and connected with more rigid rules for granting credit has resulted in the extension of psychological assistance to include these situations as well. Fortunately, yet again in 2016, the cases that actually occurred were both extremely limited in number and in the seriousness of the events.

Training (33,842 hours in 2016) is the second cornerstone of prevention designed to achieve maximum diffusion of the concept of "**participated safety**". The training programmes are prepared in co-operation with UBI Academy and the corporate physicians with account taken of the different levels of risk to which employees are exposed as a function of their individual roles. The degree to which these are completed by each employee is monitored by means of an integrated IT system which is used to programme training activity and report on it at individual company level. A special section on health and safety is maintained and kept up-to-date on the **UBI Life** intranet portal on which the following can be easily found: references to laws and corporate 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 keep in good physical and mental condition.

In accordance with the annual frequency required by HSMS procedures, again in 2016 **monitoring** was carried out in all units concerned **by an outside independent auditor** from a leading consulting firm. All activities to implement the Health and Safety at the Workplace Management System are accounted for and reported and specific meetings are held with Senior Management to review them in order to verify that goals have been achieved and to set future goals.

G4-LA6 No fatal accidents occurred either travelling to and from or at work in 2016.

ACCIDENTS BY GENDER	2016			2015			2014		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
At work									
No. of events	49	28	21	44	27	17	60	37	23
Injury rate ¹	0.19	0.17	0.23	0.17	0.16	0.19	0.23	0.22	0.26
No. of days lost	953	449	504	624	276	348	948	520	428
Seriousness index ²	2.99	2.24	4.23	1.93	1.34	2.94	2.84	2.44	3.55
Commuting									
No. of events	137	82	55	109	55	54	150	102	48
Injury rate ¹	0.54	0.50	0.61	0.43	0.33	0.61	0.58	0.60	0.54
No. of days lost	2,396	1,517	879	1,980	1,065	915	2,453	1,654	799
Seriousness index ²	7.51	7.58	7.38	6.12	5.19	7.74	7.36	7.77	6.63
TOTAL NO. OF EVENTS	186	110	76	153	82	71	210	139	71
Injury rate¹	0.74	0.68	0.84	0.60	0.50	0.80	0.81	0.81	0.80
TOTAL NO. OF DAYS LOST	3,349	1,966	1,383	2,604	1,341	1,263	3,401	2,174	1,227
Seriousness index²	10.49	9.83	11.61	8.05	6.53	10.68	10.20	10.21	10.18

¹ Number of accidents per 100,000 hours worked.

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

ACCIDENTS BY GEOGRAPHICAL AREA	2016			2015			2014		
	NORTH	CENTRAL	SOUTH AND ISLANDS	NORTH	CENTRAL	SOUTH AND ISLANDS	NORTH	CENTRAL	SOUTH AND ISLANDS
At work									
No. of events	31	10	8	32	2	10	31	14	15
Injury rate ¹	0.16	0.40	0.21	0.17	0.08	0.25	0.16	0.54	0.36
No. of days lost	734	172	47	493	11	120	516	189	243
Seriousness index ²	3.05	5.24	1.02	2.03	0.34	2.51	2.07	5.64	4.83
Commuting									
No. of events	112	7	18	87	9	13	110	12	28
Injury rate ¹	0.59	0.28	0.48	0.46	0.35	0.33	0.57	0.47	0.67
No. of days lost	1,995	66	335	1,488	168	324	1,583	394	476
Seriousness index ²	8.30	2.01	7.28	6.12	5.14	6.78	6.36	11.76	9.45
TOTAL NO. OF EVENTS	143	17	26	119	11	23	141	26	43
Injury rate¹	0.75	0.68	0.69	0.63	0.43	0.59	0.74	1.01	1.04
TOTAL NO. OF DAYS LOST	2,729	238	382	1,981	179	444	2,099	583	719
Seriousness index²	11.36	7.25	8.30	8.15	5.48	9.29	8.43	17.40	14.28

¹ Number of accidents per 100,000 hours worked.

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

ABSENCE BY GENDER (days/1,000)	2016			2015			2014		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Illness ¹	98.1	54.9	43.3	110.3	63.1	47.2	110.8	64.1	46.7
Accidents	3.3	2.0	1.4	2.6	1.3	1.3	3.4	2.2	1.2
of which:									
at work	1.0	0.4	0.5	0.6	0.3	0.3	0.9	0.5	0.4
commuting	2.4	1.5	0.9	2.0	1.1	0.9	2.5	1.7	0.8
Other absences	59.3	42.4	17.0	74.3	51.6	22.7	62.3	44.8	17.5
of which:									
public or elective positions	2.4	2.2	0.2	1.7	1.7	0.0	2.2	2.0	0.2
blood donations	1.7	1.5	0.3	1.8	1.5	0.3	1.9	1.6	0.3
assistance for disabled	22.0	11.5	10.6	22.6	11.5	11.1	22.0	11.4	10.6
union permits ²	32.0	26.6	5.4	33.3	27.9	5.4	33.1	27.9	5.2
strikes	0.0	0.0	0.0	12.0	7.3	4.7	1.1	0.7	0.4
other ³	1.2	0.7	0.5	2.8	1.6	1.2	2.0	1.2	0.8
TOTAL	160.8	99.2	61.6	187.2	116.0	71.2	176.5	111.1	65.5
Rate of absenteeism⁴	37.8	37.2	38.8	43.4	42.4	45.1	38.7	39.0	38.1

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

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

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

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

ABSENCE BY GEOGRAPHICAL AREA (days/1,000)	2016			2015			2014		
	North	Central	South and islands	North	Central	South and islands	North	Central	South and islands
Illness ¹	65.9	10.5	21.7	74.8	11.3	24.2	76.2	11.2	23.4
Accidents	2.7	0.2	0.4	2.0	0.2	0.4	2.1	0.6	0.7
of which:									
at work	0.7	0.2	0.0	0.5	0.0	0.1	0.5	0.2	0.2
commuting	2.0	0.1	0.3	1.5	0.2	0.3	1.6	0.4	0.5
Other absences	40.0	7.4	11.9	50.5	9.2	14.5	37.0	12.2	13.1
of which:									
public or elective positions	1.6	0.2	0.7	1.0	0.2	0.5	1.5	0.2	0.5
blood donations	1.4	0.2	0.1	1.5	0.2	0.1	1.5	0.2	0.1
assistance for disabled	14.0	2.9	5.1	14.4	2.9	5.4	13.8	2.8	5.4
union permits ²	22.1	4.1	5.8	22.9	4.3	6.0	18.2	8.5	6.4
strikes	0.0	0.0	0.0	8.7	1.3	2.0	0.6	0.3	0.3
other ³	0.9	0.1	0.2	2.0	0.3	0.5	1.5	0.2	0.3
TOTAL	108.7	18.1	34.1	127.3	20.8	39.1	115.3	24.0	37.2
Rate of absenteeism⁴	33.9	41.3	55.5	39.3	47.7	61.4	33.7	52.9	55.0

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

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

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

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

G4-LA7

An examination of data on accidents finds no categories of workers more exposed to others at risk of accidents in relation to their occupational role.

Again in 2016 the highest percentage of accidents recorded continues to be that relating to events occurring

to employees in travelling to and from work [G4-LA6], a risk to which all employees are exposed without distinction³. The number of accidents occurring while travelling on business is also very small notwithstanding the significant number of staff who use company cars on a daily basis to carry out their working activities and the total number of kilometres travelled.

As concerns the risk of suffering mental or physical harm during the course of robberies or being involved in aggression by customers, a total of three events occurred accounting for 6.12% of injuries occurring at the workplace and 1.61% of total injuries recorded.

G4-LA8

The Group applies specific agreements for the different health and safety matters regarding workers on the basis of agreements signed nationally.

In 2016 a new agreement was signed at national level between the Italian Banking Association and trade unions in the banking sector, in implementation of the postponement imposed by law on sector negotiations, in order to regulate the election of workers' safety representatives (number, procedures for nomination and election) and the instruments used to carry out their functions. The agreement introduced important new changes with respect to the previous agreement dating back to 1997. It introduced criteria for calculations at Group level and not just at individual company level.

In consideration of the project to unify the network banks within UBI Banca, it was agreed, in the context of the merger agreements, to postpone signing an agreement to implement the national agreement within UBI Group until the first half of 2017, while temporarily maintaining workers' safety representatives previously elected in the individual Group companies in office.

UBI-6

TRAINING ON HEALTH AND SAFETY	2016			2015			2014		
	PARTICIPANTS	SESSIONS ¹	HOURS	PARTICIPANTS	SESSIONS ¹	HOURS	PARTICIPANTS	SESSIONS ¹	HOURS
Video terminal workers	816	1	796	75	1	73	335	1	326
Emergency personnel	431	28	3,355	361	29	2,947	442	35	3,578
of which: fire prevention	245	17	1,148	183	16	914	221	19	1,103
first aid	186	11	2,207	178	13	2,033	221	16	2,475
New recruits	-	-	-	-	-	-	-	-	-
Safety figures ²	348	13	1,486	281	13	1,354	254	11	968
Robbery risk	2,048	86	12,121	999	39	5,648	508	37	3,780
Other (updates)	8,195	90	16,084	2,192	94	8,451	2,316	89	8,328
TOTAL	11,838	218	33,842	3,908	176	18,473	3,855	173	16,979

¹ Data of FAD courses are calculated as 1 session.

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

PREVENTION AND ASSISTANCE ACTIVITY	2016	2015	2014
Medical visits	1,298	1,449	1,561
On site inspections	343	408	415
Training courses (number of participants)	11,838	3,886	3,855
Evacuation drills with assistance	34	35	40
Environment monitoring	16	20	30
Post-robbery psychological assistance	16	28	16

TECHNICAL INTERVENTION TO REDUCE RISKS	2016	2015	2014
Fire prevention, emergency management, emergency exits	2,819	3,101	5,165
Plant (machinery, maintenance)	738	1,142	1,480
Premises (floors, walls, window ledges, staircases, architectural barriers)	615	842	1,354
Ergonomics (lighting, work stations, micro-climate)	462	480	850
Certificates and documents	91	46	60
TOTAL	4,725	5,611	8,909

³ The INAIL (the Italian national accident insurance institute) has recently decided to include events amongst accidents occurring travelling to and from work not considered in previous years, such as deviations from the shortest route to work in order to take children to school.

COSTS INCURRED FOR OCCUPATIONAL HEALTH AND SAFETY (thousands of euro)	2016	2015	2014
Intervention required by Law No. 81/08	469	795	1,094
Prevention and protection at the workplace consulting services	425	405	712
Occupational health and safety training	241	172	172
Corporate Physician services (medical visits to monitor health) and post robbery psychological assistance	139	153	142
TOTAL	1,273	1,525	2,120

Training

Training activities are run by **UBI Academy**, the Group's corporate university, which in 2016 obtained the renewal of its ISO 9001 certification, updated for compliance with the new parameters. UBI Academy's mission is the study, planning, consultancy and the provision of services for the training and the professional and managerial development of staff belonging to Group companies to support the achievement of business results.

Training proposals, appropriately structured and integrated with other systems for the development of human resources and accompanied by intense internal communication activity, are designed to be effective tools for organising, developing and enhancing the technical and professional know-how, the managerial experiences and skills and the ethical and cultural conduct of individual staff members and for encouraging the development of a unified **corporate identity**.

Training is carried out both by internal instructors, colleagues who form part of the **in-house School** for Instructors and who have qualified to perform classroom training by taking a course with a final examination, and by external professional experts.

The UBI Academy School for Instructors is responsible for continuous training and refresher courses for the instructor corps with qualification courses and courses to refine teaching techniques, classroom management and the 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. Teaching material on banking, commercial, credit and financial subjects is subject to a compliance opinion by the Compliance Area of the Parent.

Consistent with the Group's social responsibility policies and its roots in local communities, UBI Academy carries out its activities also by means of important partnerships with national and local **universities** and **business schools**.

In order to finance training activities, Group companies contribute to joint inter-professional funds for continuous professional development: a fund for senior management training in the services sector (FONDIR) and to a banking and insurance fund (the FBA) for training employees working in the banking and insurance sectors.

The **measurement of requirements** and the formulation of training programmes is performed on an annual basis, by means of meetings with chief officers at the Parent to receive recommendations and strategies both in the commercial and the credit fields. Particular attention is also paid to the organisation of training activities, carried out jointly with the relative units at the Parent, to support continuous learning of regulations currently in force and of the relative development/updates. Further meetings to support the preparation of the annual training programme are organised with the human resources departments of Group banks and companies. Furthermore, when specific training courses are held to support strategic initiatives for determined job families or roles, special **focus groups** are formed to plan training activities that are consistent with and suited as closely as possible to the needs of the staff to be trained.

Training activities are also developed by planning specialist courses for distribution network roles in the commercial, credit and finance fields, carried out on the basis of the results of **role knowledge surveys**. The objective is to design training courses that are increasingly tailor-made in order to improve the level of specialist technical knowledge required by individual roles. It is also important to create a culture of quality through certifications and qualifications for distribution **network roles**, for which dedicated training programmes are organised and launched.

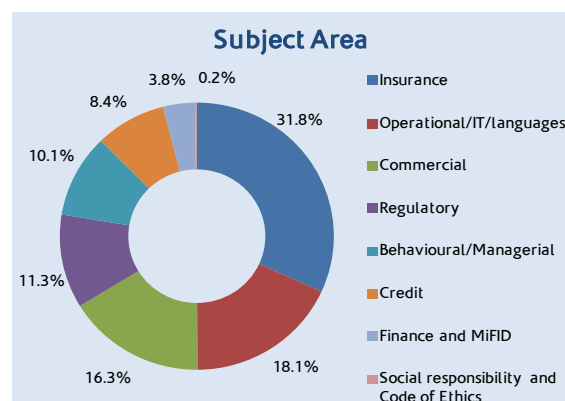
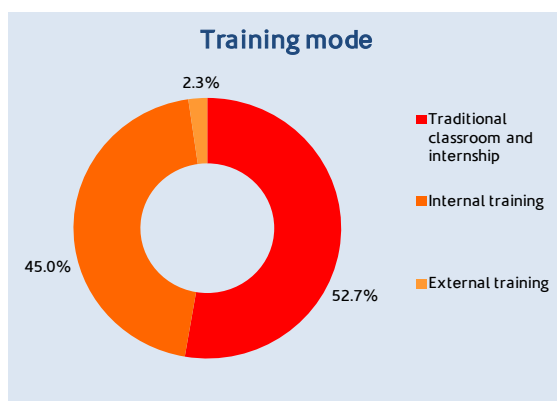
G4-LA9 In 2016 the Group delivered approximately **89 thousand training days**, in line with the objectives set, for an average of over five training days per person.

The different types of training activities involve compilation of a questionnaire on the perceived quality and – mainly for technical and occupational courses – a learning questionnaire, by which an assessment can be made of the acquisition of the training contents.

TRAINING	2016	2015	2014
Group			
Hours of training	667,915	652,400	609,233
<i>of which compulsory training¹</i>	<i>289,586</i>	<i>304,392</i>	<i>310,726</i>
Cost of training (million euro)	2.5	2.2	2.2
Employees involved	96%	98%	98%
Average hours of training per capita	39	38	35
Average satisfaction in hundreds (objective 69/100)	79	80	78
Network Banks			
Employees involved	97%	99%	99%
Average hours of training per capita	44	45	41

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

TRAINING BY POSITION AND GENDER	2016		2015		2014	
	EMPLOYEES	AVERAGE HOURS PER CAPITA	EMPLOYEES	AVERAGE HOURS PER CAPITA	EMPLOYEES	AVERAGE HOURS PER CAPITA
Senior managers	331	40.7	342	48.0	331	34.0
<i>of which women</i>	<i>36</i>	<i>34.3</i>	<i>34</i>	<i>35.0</i>	<i>28</i>	<i>26.4</i>
Middle managers	7,256	43.4	7,358	47.0	7,276	39.0
<i>of which women</i>	<i>1,900</i>	<i>43.2</i>	<i>1,865</i>	<i>44.0</i>	<i>1,731</i>	<i>35.4</i>
Professional areas	8,758	38.8	9,056	31.0	9,595	32.4
<i>of which women</i>	<i>4,394</i>	<i>38.2</i>	<i>4,513</i>	<i>31.0</i>	<i>4,687</i>	<i>32.0</i>
TOTAL	16,345	40.9	16,756	38.0	17,202	35.3
<i>of which women</i>	<i>6,330</i>	<i>39.7</i>	<i>6,412</i>	<i>35.0</i>	<i>6,446</i>	<i>33.3</i>



DETAILS OF REGULATORY TRAINING ¹	2016			
	HOURS	PARTICIPANTS ²		
		SENIOR MANAGERS	MIDDLE MANAGERS	PROFESS. AREAS
Administrative liability of entities (Legislative Decree No. 231/2001)	2,547	11	214	332
Transparency and usury	6,009	65	1,821	2,705
Safety (Legislative Decree No. 81/2008)	33,842	107	3,465	4,711
Privacy	1,352	13	403	617
Anti Money-Laundering	17,545	113	3,814	4,744
Other regulatory subjects	14,438	93	3,185	5,197
TOTAL	75,734	199	5,970	7,728

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

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

On the basis of requirements surveyed, the objective for **2017** is of approximately **100 thousand training days** (45% conventional classroom, 42% remote training, 13% other methods: internships, on-the-job training, etc.). The training plan is designed to support the implementation of the 2019/2020 Business Plan by means of the following: the improvement of skills and the spread of best practices and effective commercial behaviours; support to meet the distribution network's revenue challenge; the spread of a digital approach throughout the

Group; the development of management roles, fundamental for the change and supervision of behaviours; support for the professional development and enhancement of all employees with respect to the new commercial model, encouraging also the growth in the skills of all staff in order to ensure adequate levels of productivity.

Professional growth

In line with the rapid and profound transformation of market paradigms, UBI Banca is constantly committed to updating its personnel management policies, based on improving its knowledge, management and enhancement of its human capital.

In this context of continuously evolving approaches and revised processes, the following cornerstones remain: recognition of generation differences; attention to a work-life balance; continuous training; career development and continuous development of skills; the capitalisation of individual potential; and above all respect for the uniqueness of each single person. All this is based on the criteria of consistency, fairness and meritocracy.

The use of new technology, in conjunction with the tools of organisation and culture, have also made it possible to rethink traditional schemes and models of working by experimenting with smartworking as an innovative proposal which facilitates reconciliation between work and personal life, greater productivity and environmental sustainability.

G4-LA10 UBI Banca pursues personnel management policies and systems oriented towards enhancing skills acquired, services delivered and individual growth potential throughout a person's working life.

In addition to its assessment component, the **performance management** process involves development activities with the definition of targeted management and training action designed to facilitate customised career growth based on the areas for improvement, the career ambitions and the potential of each person. The assessment stages of the process are always accompanied by the delivery of feedback to the persons concerned, in order to generate a profitable result from the indications that have emerged. In this context specific **coaching activity** was commenced in the second half of the year for an initial Group of twenty staff, in order to supplement training courses in the classroom.

A programme of **reverse mentoring-generation comparison** is now firmly in place for the **over 55s** in which senior and junior staff discuss issues in special training sessions in order to profit from the results that a meeting of generations can produce.

G4-LA11 The performance management process involved 92.5% of Group staff in 2016 with the exception of: "Key management personnel" for whom special managerial performance tools were employed; new recruits; staff on leave; personnel employed in smaller companies of the Group; and employees with foreign employment contracts.

EMPLOYEE INVOLVED IN PERFORMANCE ASSESSMENT	2016		2015		2014	
Senior managers	244	72.6%	258	75.2%	n.a.	n.a.
<i>of which women</i>	22	61.1%	24	75.0%	n.a.	n.a.
Middle managers	7,070	94.5%	7,060	94.1%	7,512	99.7%
<i>of which women</i>	1,794	94.5%	1,695	92.7%	1,825	99.2%
Professional areas	9,113	91.6%	9,325	92.2%	10,069	99.2%
<i>of which women</i>	4,462	90.9%	4,457	90.6%	4,880	98.8%
TOTAL	16,427	92.5%	16,643	92.6%	17,581	99.4%
<i>of which women</i>	6,278	91.7%	6,176	91.1%	6,705	98.9%

Specific assessment and development activities are dedicated to young talents and key management personnel, with a total of 150 staff involved. Systematic use is made of questionnaires, with a view to development and improvement, to acquire a variety of observations and perspectives: that of the manager, of assistants and colleagues.

On the subject also of technical expertise, a strategic requirement for dealing with the complexity of the changes in progress, again in 2016 UBI Banca took part in a working Group of the Banks and Insurance Companies Fund, which maps job profiles in the banking industry and in June it started a pilot project to certify skills which involved over 500 colleagues in the commercial distribution network.

Business lines with social and environmental aims

As part of its business activities at the service of local communities, UBI Banca takes account of important social and environmental causes which characterise economic and civil life, with particular attention paid to reducing unjustified inequalities to developing cohesion and social capital and to preventing and mitigating environmental impacts on material and economic growth.

Specific guidelines have been adopted to manage business in two particularly critical sectors from an ethical viewpoint: those of armaments and gambling¹.

Products and services for the disadvantaged

The Group is constantly striving to facilitate access to financial services by disadvantaged persons, both with regard to **physical disabilities** in relation to their ability to access Group branches and offices autonomously and also with respect to **sensorial disabilities**, and that is the use of telephone and digital banking services.

G4-FS7

In order to facilitate **access to financial services by the economically disadvantaged** as a necessary condition for their social inclusion, UBI Banca has adhered to initiatives originating from co-operation between the Ministry of the Economy and Finance (MEF), the Bank of Italy, the Italian Post Office and payment services associations for the provision of low-cost basic services: **Ordinary Basic Account**, free of charge/socially disadvantaged **Basic Account** and **Pensioners Basic Account**. In addition, in order to support **access to credit**, especially for home purchases, the Bank has created two products: the **Flexible Mortgage**, which allows repayment instalments to be deferred or repayments to be rescheduled when determined extraordinary events occur, and **Home Mortgages for young couples**, designed also for those who do not have a permanent employment contract.

Pawn credit is also available for persons in the greatest difficulty. It is one of the most ancient forms of lending practiced by the "*Monti di Pietà*" banks created in the 15th Century by the Franciscans to combat usury, still today the last real resort in access to credit. This business is carried out in nine branches in the towns and cities of Milan, Pavia, Bergamo, Varese, Monza, Como, Brescia, Crema and Rome. The average volume of lending in 2016 was €32.5 million (unchanged compared with 2015), with approximately 28,730 open policies and with growth in new business. The average size of the loans was approximately €1,130 up by around 9% on 2015.

Particular attention is paid to the **young**, with **current accounts** specially designed for different age groups (**Clubino**, for children aged up to 12 with over 137 thousand accounts opened, 14 thousand of which in 2016; **I WANT TUBI'** for children aged 13 to 18 with around 21 thousand accounts opened of which over 5,900 during the year, the new **QUBI' <30** for the under 30s) and subsidised loans for studies or for fostering new projects (**Let's give them a future**, unsecured loans in co-operation with the Italian Banking Association and the Youth Department at the President of the Council of Ministers Office, and the personal loans entitled **Small Expenses and Large Projects**).

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Unsecured loans were granted in co-operation with the **Welfare Ambrosiano Foundation**. These are unsecured loans granted under special terms and conditions (termed "loans of honour") to facilitate and support the personal and professional growth of pupils at the **Accademia Teatro alla Scala** (La Scala Theatre Academy) of Milan: 12 loan applications were received in 2016 for a total amount of €62,100, of which 6 have already been granted for a total of €32,500.

LOANS TO HOUSEHOLDS	2016				2015			
	Operations of the year		Total outstanding		Operations of the year		Total outstanding	
	Number	Disbursed (millions of euro)	Number	Remaining debt (millions of euro)	Number	Disbursed (millions of euro)	Number	Remaining debt (millions of euro)
Home mortgages	14,374	2,343.3	216,180	19,942.6	18,507	1,950.1	231,316	18,897.9
"Ordinary" mortgages ¹	13,674	2,271.3	212,550	19,545.3	17,011	1,786.3	228,209	18,543.4
Mortgages for young couples and "atypical" workers	700	72.0	3,630	397.3	1,496	163.8	3,107	354.5
Solidarity credit	62	4.7	137	10.9	53	4.3	74	6.3
ABI/CEI "loan of hope" for needy households ²	-	-	-	-	-	-	-	-
Loans for natural disasters (real estate/unsecured)	62	4.7	137	10.9	53	4.3	74	6.3
Support for studies	264	1.7	595	3.9	98	0.5	232	1.6
Under 30 Small Expenses	77	0.2	132	0.3	-	-	-	-
Under 30 Large Projects	93	1.0	190	1.7	-	-	-	-
ABI/PCDM "Give them a future"	94	0.5	273	1.9	98	0.5	232	1.6
Anti-usury	16,749	19.6	28,737	32.4	16,592	18.8	31,213	32.4
Pawn credit	16,749	19.6	28,737	32.4	16,592	18.8	31,213	32.4
TOTAL	31,449	2,369.4	245,649	19,989.8	35,250	1,973.7	262,835	18,938.2

¹ The loans granted and the remaining outstanding debt for the former Banca Regionale Europea and the former Banca Popolare Commercio e Industria are as at 31/10/2016; the number of loans does not include the former Banca Regionale Europea and the former Banca Popolare Commercio e Industria, nor IWBank Private Investment.

² Initiative inactive in 2015.

¹ 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.

Savings are also an important issue for low income families and for the disadvantaged in general. UBI Banca has created **fund-based savings plans**, which satisfy the requirement of accessibility and allow even small sums to be saved. In 2016 77,100 fund-based saving plan contracts were signed (-16.0% compared with 2015).

G4-FS14

With regard to physical disabilities, in 2016 eleven new ramps, four stair lifts or elevators and fifteen conveniences accessible to disabled persons were installed at Group buildings and branches. This work was always carried out in compliance with existing regulations on the elimination of architectural barriers.

The IT platforms for the internet banking services Qui UBI and Qui UBI Affari comply with the main navigation requirements for partially sighted persons (e.g. through pages with strong colour contrast and alternative texts to accompany images) and 1,062 Bancomat ATMs exist (50.3% of the total) for use by partially or non-sighted persons.

Involvement in controversial sectors

G4-FS6

No specific policies exist to limit the Group's exposure in sectors considered controversial, except for the armaments, gambling and betting sectors, partly because the volumes of business continue to be completely marginal. Again in 2016 lending to companies operating in controversial sectors (€189.4 million) remained totally marginal compared with the total volume of lending to businesses (0.32%).

CONTROVERSIAL SECTORS	2016 ¹		2015		2014	
	Lending (millions of Euro)	Percentage of total loans	Lending (millions of Euro)	Percentage of total loans	Lending (millions of Euro)	Percentage of total loans
Arms	68.6	0.12%	48.1	0.08%	30.0	0.05%
Tobacco	62.1	0.10%	47.9	0.08%	45.4	0.08%
Alcohol	45.1	0.08%	28.5	0.05%	17.8	0.03%
Furs	7.6	0.01%	5.9	0.01%	5.0	0.01%
Gambling	6.1	0.01%	9.3	0.02%	12.0	0.02%
Nuclear	0	0.00%	0	0.00%	0	0.00%
TOTAL	189.4	0.32%	139.7	0.24%	110.2	0.19%

¹ As at the end of October.

A policy has been pursued for the **armaments sector** since 2008 which:

- forbids entering into business relationships with companies involved in arms of mass destruction and other arms such as land mines, incendiary and laser arms;
- subjects the provision of banking and financial services to a rigorous authorisation procedure for international arms trade transactions based on the type of armament and the countries involved.

TRANSACTION PERFORMED FOR EXPORTS OF ARMS AND ARMAMENTS SYSTEMS ¹	2016		2015		2014	
	Amount of transactions (millions of euro)	Percentage of total	Amount of transactions (millions of euro)	Percentage of total	Amount of transactions (millions of euro)	Percentage of total
Military arms and munitions ²	0.1	0.45%	0.4	0.68%	0.7	1.06%
Military aircraft and other craft ²	16.8	71.75%	33.1	55.60%	65.4	93.17%
Unarmed military aircraft and other craft ²	-	0.00%	12.1	20.30%	0.1	0.13%
Military systems and equipment ²	1.8	7.83%	9.8	16.38%	0.1	0.09%
Arms and munitions for civilian use ³	4.7	19.98%	4.2	7.05%	3.9	5.55%
TOTAL	23.4	100.00%	59.6	100.00%	70.1	100.00%

¹ The following transactions do not fall within the scope of the Group policy on arms and are therefore excluded from the report :

- arms for sports and hunting and the relative ammunition, reproductions of antique of arms (Art. 1, paragraph 11, Law No. 185/1990), unless these are destined to the armed forces or the police;
- transactions performed on behalf of the government (Art. 8 Law No. 185/1990) or within the framework of joint intergovernmental programmes (Art. 13 paragraph 1, Law No. 185/1990).

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

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

As has always occurred, all bank transactions for international trade in arms were performed in compliance with Group policy with no exception made². We report the following for 2016:

- 80 transactions for exports of armaments materials in accordance with Law No. 185/1990, for consideration of €18.7 million (55.6% to EU and/or Nato and/or OECD countries);
- 60 transactions for exports of light arms, for consideration of €4.7 million. The total value of the transactions continued to be for exports to OECD countries, while NATO countries accounted for 99.4%.

In compliance with the commitment to transparency laid down in the Group's Armaments Policy, a more detailed report on the business in question is published in the Social Responsibility Section of the Group's corporate website.

[HTTPS://WWW.UBIBANCA.IT/PAGINE/POLICIES-CSR-EN.ASPX](https://www.ubibanca.it/pagine/policies-csr-en.aspx)

As concerns the **gambling and betting sector**³, the distribution network has received instructions 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 satisfy criteria of absolute integrity, seriousness and reliability.

Finally, the Group provides commercial services for the sale of diamonds as an investment instrument for customers. In this area, as with regard to business in the armaments sector, it was considered important to consider the potential involvement in activities which could present the risk of a violation of human rights [[G4-HR1](#)] and therefore all the diamonds, sourced through the company Diamond Love Bond⁴, must be certified *conflict-free* (i.e. they do not come from conflict zones, or from transactions for the finance of armed groups and conflicts) and they are guaranteed *child labour free* (they are not the result of mining and processing that uses child labour). In 2016 2,971 diamonds were sold for a value of approximately €35 million.

Policies, products and services with environmental aims

G4-FS8

As part of its Environmental Policy the Group is also committed to the provision of banking, financial and risk management products and services designed to support customers to manage their activities in a sustainable manner (e.g. by using renewable energies, improving the energy efficiency of their homes, increasing the efficiency of production processes).

The role of the **Project and Real Estate Finance** Unit introduced as part of Private and Corporate Banking Units in the commercial area is of particular importance in this respect.

For some years now the Group has provided a series of specific financing products for household and business investments for the use of renewable energies and energy savings as follows:

- for individuals, the **Forza Sole** (Sun Strength) products to finance domestic photovoltaic systems and the **Creditoplià Home Refurbishment** products to refurbish buildings and for energy savings upgrades, making use also of tax incentives;
- for businesses, **New Energy Photovoltaic** products, for the installation of photovoltaic panels, **Renewable Energies** products for wind, biogas and biomass powered plants to generate electricity and/or heat and "Full Power" leasing for investments in renewable energies. Financing was disbursed in 2016 in relation to **Full Power** leasing amounting to €2.7 million (down 10.0% on 2015) accounting for 0.3% of the total disbursed during the year, compared with 0.5% in 2015. Loans and finance contracts outstanding at the end of the year numbered 376 for a residual debt of €538.8 million (down 9.5% compared with 2015), accounting for some 7.6% of total outstanding financing compared with 8.3% in 2015.

² In 2016 a mistakenly accepted transaction was ratified regarding two transactions involving incoming funds from Bahrein amounting to €241 thousand for work carried out on tanks.

³ 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.

⁴ Diamond Love Bond is a diamond company located in Antwerp authorised by the Belgian Ministry of the Economy, Commerce and Energy, with an international organisational network and it is present on all world diamond exchanges. The company adopts rigorous ethical principles. It follows and supports the UN Global Compact principles and adheres to the rules of conduct for Diamond companies – best practices recommended by the World Diamond Council System of Warranties and by the Diamond Trading Company – and it adheres to and complies with the Kimberley Protocol designed to break the link between illegal diamond transactions and armed conflicts.

PRODUCTS WITH ENVIRONMENTAL AIMS	2016			2015			2014		
	Operations		Total outstanding	Operations		Total outstanding	Operations		Total outstanding
	No.	Disbursed (millions of euro)	Remaining principal (millions of euro)	No.	Disbursed (millions of euro)	Remaining principal (millions of euro)	No.	Disbursed (millions of euro)	Remaining principal (millions of euro)
INDIVIDUALS									
Renewable energies									
<i>Forza Sole (Sun Strength)</i>	7	0.09	2.0	7	0.08	2.7	32	0.43	3.5
Home refurbishment and energy upgrades									
<i>Creditopplà Home Refurbishment</i>	4,610	85.7	159.4	4,564	89.3	107.9	n.d.	n.d.	n.d.
BUSINESSES									
Renewable energies									
<i>New Photovoltaic Energy</i>	28	32.8	257.2	13	9.0	263.3	37	31.5	298.0
<i>Renewable energies</i>	2	1.0	7.2	4	4.9	6.9	0	0	3.0
<i>Full Power</i>	1	2.7	538.8	2	3.0	595.2	3	3.9	629.6
TOTAL	4,648	122.3	964.6	4,590	106.2	976.0	n.d.	n.d.	n.d.
OF WHICH:									
RENEWABLE ENERGIES	38	36.6	805.2	26	16.9	868.1	72	35.9	934.1

In recent years recourse to **project finance** as a means of financing investments has increased [G4-EC7].

The process to restructure the renewable energy sector continued in 2016, in the photovoltaic segment above all. More specifically, following the entrance into force of the decree entitled “spread the incentives” the process to centralise investments made and to refinance those already existing became stronger. This government measure either cut or restructured incentive rates, moving most of the incentive rate from the first part of the incentivised period to the second part. For many of the photovoltaic plants financed by banks this meant revising the credit lines to align them with the new tariff schemes.

Even though the growth in the renewable energy sector is slowing, UBI Banca has continued to play an important role both in the refinancing of systems already constructed and in financing for new projects.

At the end of the year, UBI Banca had a portfolio of renewable energy operations amounting to €1.9 billion (of which €1.1 billion in project finance), accounting for 3.5% of total financing to firms. The transactions concluded during the year in the renewable energy field numbered 47, to give a total amount disbursed of €168.6 million. It is estimated that the power output financed in project finance by UBI Banca amounts to over 1 million MWh of electricity per year, equal to the electricity requirement for over 421 thousand households (almost as big as the city of Naples) with savings on emissions of almost 370 thousand tons of CO₂.

PROJECT FINANCE OPERATIONS IN PORTFOLIO FOR RENEWABLE ENERGIES AND THE ENVIRONMENT	2016			2015			2014		
	NO.	POWER INSTALLED (MW)	POWER FINANCED (MW)	NO.	POWER INSTALLED (MW)	POWER FINANCED (MW)	NO.	POWER INSTALLED (MW)	POWER FINANCED (MW)
Energy	127	2,326	676	130	2,238	668	120	2,310	647
of which: <i>wind farms</i>	19	1,617	236	20	1,653	243	19	1,622	232
<i>photovoltaic plants</i>	93	644	399	98	536	400	92	553	371
<i>other renewable energy</i>	15	65	41	12	49	25	9	135	44
Environment	7			7			5		
of which: <i>waste treatment plants</i>	2			3			3		
<i>water supplies and treatment plants</i>	4			3			2		
<i>district heating systems</i>	1			1			0		
TOTAL	134	2,326	676	137	2,238	668	125	2,310	647

PROJECT FINANCE ACTIVITIES FOR RENEWABLE ENERGY AND THE ENVIRONMENT	2016	2015	2014
Financing granted during the year			
Numbers of contracts	10	12	7
of which for renewable energy	9	10	6
Amount authorised (€ million)	191	234	144
of which for renewable energy	150	186	134
Amount disbursed (€ million)	132	193	107
of which for renewable energy	132	147	103
Financing outstanding at the end of the year			
Numbers of contracts	134	137	127
of which for renewable energy	127	130	120
Amount authorised (€ million)	1,321	1,438	1,405
of which for renewable energy	1,204	1,361	1,330
Amount disbursed (€ million)	1,120	1,221	1,195
of which for renewable energy	1,050	1,154	1,140

Socially responsible investments

UBI-5

Asset management business is managed by UBI Pramerica, the Group's asset management company, with a range of products designed to satisfy all savings and investment requirements.

UBI Pramerica has created a range of funds for clients who are sensitive to sustainability and social responsibility issues. These funds invest in companies chosen from an investable universe selected by ECPI Group srl, (a leading independent, ethical finance consulting firm) on the basis of the following criteria:

- companies involved in the following are excluded: the production and/or trade in arms, pornographic material, contraceptives, alcohol, tobacco and other products harmful to health; the promotion and practice of gambling; the construction of plants for the production of nuclear energy; research, development or production of GMOs;
- the inclusion of companies that achieve important social and environmental performance, that demonstrate attention to sustainable development and respect for human rights and that adopt clear and transparent governance.

Should circumstances change or news be received that leads to a change in the rating of an issuer made by the advisor, UBI Pramerica shall take steps to dispose of the relative financial instruments as quickly as possible, with account taken of the interests of the participants.

The **Sicav Social 4 Future**, invests its bond component in financial instruments issued by companies that stand out for their important social and environmental performance and its equity component in the 100 top companies in the world that, again in observance of the criteria of high ethical and social responsibility standards, play a key role in managing the global challenges of emerging markets, population trends, scarce resources and climate change. As occurs for social bonds, the issue is associated with support for social projects. In this case 4% of the entrance and management fees for this Sicav will be donated to two projects:

- the UNICEF **Youth & Innovation Lebanon** Project, the objective of which is to provide hundreds of highly vulnerable Syrian, Palestinian and Lebanese adolescents present in Lebanon with an alternative and innovative learning programme to give them a better chance to integrate into society and find a job;
- the **Build Integration** Project of the Astalli Centre, the purpose of which is to facilitate the complex process of the integration of forced migrants in Italy.

The ethical funds also donate 5% of the management fees and commissions to institutions or associations that pursue beneficial initiatives. The main beneficiaries of the over €40 thousand donated in 2016 were: the *Fondo per L'Ambiente Italiano* (FAI – Italian fund for the environment), the Save The Children Fund and CESVI for humanitarian assistance.

UBI PRAMERICA AZIONARIO ETICO	2016	2015	2014
Assets under management (million of euro)	19.2	19.4	15.2
<i>as a percentage of the total assets under management in funds</i>	0.13%	0.13%	0.11%
<i>as a percentage of the total assets under management</i>	0.04%	0.04%	0.04%

UBI PRAMERICA OBBLIGAZIONARIO EURO CORPORATE ETICO	2016	2015
Assets under management (million of euro)	36.4	38.4
<i>as a percentage of the total assets under management in funds</i>	0.24%	0.25%
<i>as a percentage of the total assets under management</i>	0.07%	0.08%

ETHICAL FUNDS	2016	2015
Assets under management (million of euro)	55.6	57.8
<i>as a percentage of the total assets under management in funds</i>	0.36%	0.38%
<i>as a percentage of the total assets under management</i>	0.10%	0.12%

UBI SICAV SOCIAL 4 FUTURE	2016
Assets under management (million of euro)	387.7
<i>as a percentage of the total assets under management in SICAV¹</i>	3.03%
<i>as a percentage of the total assets under management in SICAV</i>	2.59%

¹ Delegated to Pramerica

Reduction in direct environmental impacts

In its implementation of its Environmental Policy, UBI Banca pursues the aim of reducing its direct environmental impacts by the reduction of its main items of consumption (energy and paper), adapting them to contain emissions and proper waste management. Priority is given to action which optimises the relationship between environmental benefits and implementation costs.

More specifically, reducing energy consumption associated with the use of electricity from renewable sources helps fight climate change, respect for the everyone's right to good health and a natural environment that is as unharmed as possible, while also containing operating costs.

Materials used

The **Purchasing Department of UBI Sistemi e Servizi** manages the purchasing cycle for Group companies [🔗 G4-12] in compliance with the Environmental Policy.

The main raw materials used are **paper** and **toner** for printouts for internal use and also those for customers. Various initiatives have been undertaken to reduce consumption, including the following:

- remote monitoring of printers and setting printers for “both sides” printing;
- the “dematerialisation” of documents with:
 - the extension of **signatures on tablets** to additional branch transactions and an initial range of contract documents;
 - action taken to rationalise the use of internal forms and printouts in offices and branches;
- the development and spread of **Digital Bank** consultation and payment services.

A further reduction in paper and toner consumption is also expected for the coming year with the continuation of action taken to dematerialise documents and an increase in the spread of their processing and transmission in electronic format with the development of Digital Bank services.

G4-EN1

	Data in KG	2016	2015	2014
Paper purchased ¹		2,377,013	2,600,194	2,244,779
of which:	<i>outsourcer</i> ²	816,024	729,709	n.d.
Origin of the fibres	FSC/PEFC	72.1%	60.3%	71.0%
Ecological bleaching methods	ECF	67.3%	88.6%	86.0%
Ecological brands	Ecolabel	59.6%	78.6%	71.0%
Toner		30,105	38,143	38,175
of which:	<i>outsourcer</i> ³	30,105	38,143	38,175

¹ Consumptions in 2015 and 2016 are not comparable with that of 2014 due to the enlargement of the reporting scope to include new types of consumption (e.g. unstamped paper, diaries, calendars) and additional outside printing firms.

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

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

G4-EN2

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

Waste products

UBI Banca is subject to specific regulations on waste, which include the following:

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

The UBI Sistemi e Servizi **Facility Management** operating unit manages relations with suppliers engaged for the collection and treatment of waste products and it verifies - by using the fourth copy of the "accompaniment form"¹ - that waste has been treated in compliance with the applicable regulations in force.

Solid urban waste is managed by the public collection service and therefore we are unable to measure the quantity and the method of disposal.

Hazardous waste accounts for 0.25% of total separated waste and consists of retired electronic equipment containing dangerous substances (96.7% of hazardous waste) and medical waste (3.2% of hazardous waste) and they are entrusted to authorised local companies.

99.99% of the separated waste (100% for paper, paper packaging, cardboard and toner) was destined to materials recycling, 0.003% to energy recovery and the remaining 0.005% to incineration.

G4-EN23
G4-EN25

Calculation method

Waste by employee and by surface area was calculated by dividing total separated waste by the number of employees and associate workers (17,518, amounting to 99.5% of the Group total) and by the net internal floor area of the properties (969,919 sq.m) of the Group companies within the relative scope.

WASTE SEPARATION (Kg)	2016	2015	2014
Paper and cardboard/paper packaging	1,300,123	1,186,019	1,391,586
Other packaging	113,048	143,456	154,444
Toner	19,872	26,538	32,506
Equipment	11,176	5,687	9,655
Other	48,987	31,824	160,281
TOTAL	1,493,206	1,393,524	1,748,472
of which hazardous ¹	0.25 %	0.09 %	0.21 %
per employee	85.2	78.9	101.1
by surface area (Kg/Sq.m)	1.5	1.4	1.8

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

SEPARATED WASTE BY DESTINATION (KG)	2016	2015
Re-use	0	0
Recovery of materials (recycling)	1,493,082	1,393,426
of which:		
<i>paper and cardboard/paper packaging</i>	1,300,123	1,186,019
<i>others packaging</i>	113,048	143,456
<i>toner</i>	19,872	26,538
<i>equipment</i>	11,176	5,687
<i>other waste</i>	48,863	31,726
Other forms of recovery	50	0
of which:		
<i>energy recovery</i>	50	0
Disposal	74	98
of which: <i>incineration</i>		
<i>medical waste</i>	74	98
<i>dump</i>	0	0
TOTALE	1,493,206	1,393,524

Energy consumption and emissions

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

- Law No. 10/191 "Regulations to implement the national energy plan on the rational use of energy and energy savings and the development of renewable sources of energy" and the relative Presidential Decree No. 412/93 "Regulations containing rules for the design, installation, running and maintenance of heating systems in buildings for the purposes of reducing energy consumption in implementation of Art. 4, paragraph 4 of Law No. 10 of 9th January 1991";

¹ This form, which accompanies transported waste, is a compulsory waste identification document, which must be drawn up in four copies, filled in, dated and signed by the producer or by the holder of the waste and countersigned by the shipper. One copy of the accompaniment form remains with the producer or holder, while the other three, countersigned and dated on arrival at the recipient consist of one acquired by the recipient and two by the shipper, who sends one to the holder/producer. The receipt of the fourth copy of the accompaniment form by the producer/holder is necessary for the release of that party from responsibility for the proper disposal or recovery of the waste. The copies of the accompaniment form must be kept for five years.

- Directive No. 2002/91/EC “On the energy performance of buildings”, and the relative decree to implement it, Legislative Decree No. 192/2005 and subsequent amendments, Legislative Decree No. 311/2006;
- Legislative Decree No. 102/2014 “Implementation of Directive No. 2012/27/EU on energy efficiency”.

The **Energy Manager** who heads the relative operational **Energy Management** Unit at UBI Sistemi e Servizi, which is allocated a specific budget, is responsible for the management of energy consumption. The Energy Manager is responsible for analysing the energy requirement, for drawing up policies and actions to optimise consumption (including the improvement of the energy efficiency of buildings and systems) and for monitoring their application and the results achieved.

Monitoring of consumption takes place through the annual reporting cycles of the Sustainability Report and the **Carbon Disclosure Project (CDP)** – the data from which are subject to independent audit by the auditing firm Deloitte & Touche S.p.A. – and by means of half yearly **consumption progress charts** drawn up for the UBISS Real Estate Department (a summary of electricity consumption only is submitted monthly to the UBISS Management Committee).

In order to reduce energy consumption internally, the Group has adopted a **more eco-compatible design model** for the construction and refurbishment of offices and branches. The model is constantly updated to keep abreast of technological innovation available on the market and it involves an energy section with three lines of intervention: electricity and lighting, systems and machinery and architecture and structure. More specifically, during the course of 2016:

- as part of an evolved programme for system maintenance, work was carried out on 24 boilers, 17 air conditioning systems and 22 heat pumps;
- UPS’s were replaced on strategic Group sites and an innovative free cooling system was installed for the Brescia data-processing centre (DPC);
- a contract was signed for continuous “smart metering” in 772 branches, which came into operation between 2016 and the first months of 2017;

Again in 2016 UBI Banca adhered to the initiative **M’illumino di meno** (I use less light), an educational campaign for the rationalisation of energy consumption, conceived of by Caterpillar (a famous radio programme broadcast by the Italian state broadcaster, RAI), with the sponsorship of the Presidency of the Italian Republic and the European Parliament, the Senate and Chamber of Deputies of the Republic and also adhered to by the Ministry of the Environment and of the Protection of the Territory and of the Sea, the Ministry of Education, Universities and Research and the Ministry of Infrastructures and Transport. UBI Banca participated in the initiative by symbolically switching off the neon signs of the main headquarters of Group banks and companies and it educated staff with the publication on the UBI Life intranet portal of a news article on the campaign together with an **Energy Vademecum**, a document which illustrates 15 simple “tips” for saving energy and safeguarding the environment both in the office and at home.

As part of the periodic renewal of IT equipment, 3,165 desktops with monitors, 100 notebooks and 379 monitors with Energy Star certification were purchased. The energy efficiency of the new models purchased is normally higher than that of those they replaced.

Initiatives were undertaken with the company car fleet to reduce the number of vehicles in circulation and to renew the fleet with vehicles with lower consumption and emissions. The action undertaken had the effect of reducing consumption by around 30% over three years.

The results achieved in terms of reducing energy consumption (down 5.4% on 2015 and 9.6% on 2014) [**G4-EN3**] were in line with those expected and therefore there was no need to identify and apply corrective action. The goal for the next three years is a further 5% reduction in electricity consumption by UBI Banca and UBI Sistemi e Servizi.

Total CO2 equivalent emissions (scope 1 and 2) also reduced significantly (down 1.9% on 2015 and 11.4% on 2014) [**G4-EN18**]). More specifically, emissions resulting from electricity consumption were reduced to almost zero with the purchase of GO certificates (guarantee of origin for energy produced from renewable sources) to cover 95.5% of the electricity purchased.

G4-EN3

Calculation method

Data calculated on the basis of final figures by source of energy provided by the SAP corporate accounting system. Average prices given in the invoices available or recommended by Italian Banking Association guidelines were used to calculate the quantities of fuel. The consumption included in condominium expenses not reported in the table above are estimated as 70% of the condominium expenses themselves which were: approximately €6.83 million for 2016, €7.17 million for 2015 and €7.09 million for 2014.

COEFFICIENTS	Source		
Heating			
Natural gas	Italian Banking Association Guidelines	0.03427	GJ/Mc
Gasoil (density 0,84 Kg/L)	Italian Banking Association Guidelines	42.88	GJ/Ton
LPG (density 0,56 Kg/L)	Italian Banking Association Guidelines	46.1	GJ/Ton
District Heating	Italian Banking Association Guidelines	0.0036	GJ/KWh
Electricity			
Purchased	Italian Banking Association Guidelines	0.0036	GJ/KWh
Photovoltaic	Italian Banking Association Guidelines	0.0036	GJ/KWh
Transport			
Petrol (density 0,74 Kg/L)	Italian Banking Association Guidelines	42.82	GJ/Ton
Gasoil (density 0,84 Kg/L)	Italian Banking Association Guidelines	42.78	GJ/Ton
LPG (density 0,56 Kg/L)	Italian Banking Association Guidelines	46.10	GJ/Ton

			2016	2015	2014
Heating	GJ		113,074	131,781	140,524
<i>of which:</i>		<i>natural gas</i>	<i>GJ</i>	<i>104,657</i>	<i>118,247</i>
		<i>gas oil</i>	<i>GJ</i>	<i>7,964</i>	<i>13,070</i>
		<i>LPG</i>	<i>GJ</i>	<i>453</i>	<i>464</i>
Distric heating	GJ		30,343	27,010	30,728
	KWh		8,542,614	7,502,901	8,535,500
Electricity	GJ		356,095	367,225	372,011
	KWh		98,915,224	102,007,105	103,336,341
		from renewable sources	%	95.5%	99.4%
<i>of which:</i>		<i>purchased</i>	<i>GJ</i>	<i>355,373</i>	<i>366,445</i>
			<i>KWh</i>	<i>98,714,607</i>	<i>101,790,381</i>
		<i>from renewable sources</i>	<i>%</i>	<i>95.5%</i>	<i>99.4%</i>
		<i>Self-produced electricity</i>	<i>GJ</i>	<i>722</i>	<i>780</i>
			<i>KWh</i>	<i>200,617</i>	<i>216,724</i>
		<i>from renewable sources</i>	<i>%</i>	<i>100%</i>	<i>100%</i>
Fuel car fleet	GJ		29,230	33,123	41,734
<i>of which:</i>		<i>petrol</i>	<i>GJ</i>	<i>231</i>	<i>765</i>
		<i>gas oil</i>	<i>GJ</i>	<i>28,888</i>	<i>32,230</i>
		<i>LPG</i>	<i>GJ</i>	<i>112</i>	<i>128</i>
TOTAL	GJ		528,742	559,140	584,997
OF WHICH:		NON-RENEWABLE FUELS	GJ	164,905	182,258
		ELECTRICITY AND DISTRIC HEATING	GJ	394,235	402,739
			KWh	109,510,006	111,871,841
		FROM RENEWABLE SOURCES	GJ	365,027	370,526
		OF TOTAL	%	65.3%	63.3%

G4-EN4

Calculation method

Paper : consumption is multiplied by the underlying CEPI coefficient which refers to energy consumed for the production of pulp, paper and cardboard in firms/paper mills. The Confederation of European Paper Industries (CEPI) is a nonprofit organisation which represents approximately 515 companies that produce pulp, paper and cardboard and 950 paper mills for an overall total that accounts for approximately 23% of world production.

Business travel : energy consumption by the company car fleet already reported under indicator EN3 is excluded. The kilometres travelled by air were retrieved from the IATA certified management app provided by the travel agency. The International Air Transport Association (IATA) is a trade association to which airlines from all over the world belong and it represents approximately 265 airlines (83% of total air traffic). On the basis of the method provided by the Italian Banking Association, the kilometres travelled for domestic, international and intercontinental trips were multiplied by the respective coefficients calculated as the weighted average of the main routes (number of trips and distances). The kilometres travelled by high-speed train and other types of train were retrieved from the management app provided by the travel agency. On the basis of the method provided by the Italian Banking Association, the kilometres travelled by train were multiplied by the respective coefficients calculated as the weighted average of the main routes (number of trips and distances) using the app Ecopassenger. For business travel using personal cars, the CO₂ emissions (see EN17) were divided by the following "ISPRA - Database of average road transport emission factors in Italy" coefficients: 3.137440 tons CO₂/tons petrol and 3.006144 tons CO₂/tons gas oil. The tons of fuel of obtained were multiplied by the underlying coefficients.

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

COEFFICIENTS	Source/Methodology		
Paper	CEPI	12.73	GJ/Ton
Personal vehicles			
Petrol	Italian Banking Association Guidelines	42.82	GJ/Ton
Gasoil	Italian Banking Association Guidelines	42.78	GJ/Ton
Train			
High speed	Italian Banking Association Guidelines/Ecopassenger	0.000345	GJ/Km
Other	Italian Banking Association Guidelines/Ecopassenger	0.000372	GJ/Km
Air (Kerosene jet 71,5 KgCO ₂ /GJ)			
Domestic	Italian Banking Association Guidelines/CAO	0.002083	GJ/Km
International	Italian Banking Association Guidelines/CAO	0.001913	GJ/Km
Intercontinental	Italian Banking Association Guidelines/CAO	0.000836	GJ/Km
Shuttle coach			
Gasoil (density 0,84 Kg/L)	Italian Banking Association Guidelines	42.78	GJ/Ton

Data in GJ		2016	2015
Production of paper purchased		30,259.4	33,854.5
Business travel		36,354.8	34,550.0
<i>of which:</i>	<i>private cars</i>	<i>27,561.8</i>	<i>26,929.5</i>
	<i>train</i>	<i>1,130.1</i>	<i>1,740.8</i>
	<i>air</i>	<i>7,662.8</i>	<i>5,879.7</i>
Shuttle coach		2,978.1	2,978.1
TOTAL		69,592.3	71,382.6

G4-EN5

Calculation method

Energy intensity does not include energy consumption outside the organisation (EN4) and was calculated by dividing total energy consumption within the organisation (EN3) by the number of employees and associate workers (17,518 amounting to 99.5% of the Group total) and by the net internal floor area of properties (969,919 sq m) of the Group companies within the relative scope.

Data in GJ	2016	2015	2014
Total energy consumption	528,742	559,140	584,997
Energy intensity per employee	30.18	31.65	33.83
Energy intensity by surface area (Sq.m)	0.55	0.57	0.60

G4-EN6

Calculation method

Energy savings were calculated using the coefficients reported for indicator EN3. For the calculation of savings for boilers and air conditioning systems the different outputs of new machines compared with those replaced were used mainly, while for electricity reference was made to specific design ratios or invoice figures for the years 2014, 2015 and 2016.

THE PRINCIPAL MEASURES UNDERTAKEN TO REDUCE ENERGY CONSUMPTION WITHIN THE ORGANISATION	2016		2015		2014	
	Estimated energy savings for 2017 (GJ)	Estimated financial savings	Estimated energy savings for 2016 (GJ)	Estimated financial savings	Energy savings estimated for 2015 (GJ)	Monetary savings estimated
Replacement of heat generators in branches	522	10,943	329	6,900	151	3,300
Replacement of heat pumps/air conditioners in branches	879	51,029	651	39,200	554	35,000
Replacement of UPS	4,209	244,365				
Replacement of conditioning systems in Brescia data-processing centre	1,737	100,815				
Installation of consumption monitoring system in 772 branches	8,100	470,250				
Monitoring and adjustments to air conditioners in the Brescia data-processing centre					360	21,700
Monitoring and adjustments to air conditioners in the Bergamo data-processing centre			415	25,000		
Free cooling transformer units					405	24,400
2015-2016 rationalisation of the distribution network	4,320	250,800	3,240	195,100	7,560	455,700
Synergies from process transfer					4,176	251,700
TOTAL	19,767	1,128,201	4,635	266,200	13,206	791,800

G4-EN15

Calculation method

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

COEFFICIENTS	Source	CO ₂	CH ₄	N ₂ O
Heating				
Natural gas	Italian Banking Association Guidelines	1.952 Kg/Mc	0.0857 G/Mc	0.03427 G/Mc
Gas oil	Italian Banking Association Guidelines	3.155 Kg/Ton	300.2 G/Ton	85.76 G/Ton
LPG	Italian Banking Association Guidelines	3.024 Kg/Ton	46.1 G/Ton	92.20 G/Ton
Transport				
Petrol	Italian Banking Association Guidelines	3,140 Kg/Ton	805.5 G/Ton	53.1 G/Ton
Gas oil	Italian Banking Association Guidelines	3,151 Kg/Ton	48.3 G/Ton	109.1 G/Ton
LPG	Italian Banking Association Guidelines	3,024 Kg/Ton	0.3690 Kg/Ton	0.0493 Kg/Ton

Data in Tons	2016		2015		2014	
	CO ₂	CO ₂ e	CO ₂	CO ₂ e	CO ₂	CO ₂ e
From heating systems	6,576.9	6,618.0	7,728.9	7,778.3	8,276.5	8,330.2
of which:						
<i>Gas oil</i>	586.0	591.8	961.7	971.2	1,208.8	1,220.7
<i>LPG</i>	29.7	30.0	30.45	30.7	28.8	29.1
<i>Natural gas</i>	5,961.2	5,996.2	6,736.8	6,776.4	7,038.9	7,080.4
Company car fleet fuel	2,152.0	2,172.7	2,438.4	2,461.7	3,048.8	3,079.6
of which:						
<i>Petrol</i>	16.9	17.1	56.1	56.8	98.6	100.0
<i>Gas oil</i>	2,127.8	2,148.2	2,373.9	2,396.5	2,940.8	2,970.2
<i>LPG</i>	7.3	7.4	8.4	8.5	9.4	9.5
TOTAL	8,728.9	8,790.7	10,167.4	10,240.0	11,325.3	11,409.7

G4-EN16

Calculation method

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

COEFFICIENTS	Source	CO ₂	CH ₄	N ₂ O
Electricity	ABI Guidelines	324.0 G/kWh	0.0164 G/kWh	0.0044 G/kWh

Data in Tons	2016		2015		2014	
	CO ₂	CO ₂ e	CO ₂	CO ₂ e	CO ₂	CO ₂ e
Electricity purchased	31,983.5	32,144.0	34,680.0	34,841.3	39,733.8	39,907.0
<i>of which: covered by certificates GO¹</i>	<i>30,536.5</i>	<i>30,689.7</i>	<i>34,476.8</i>	<i>34,637.2</i>	<i>39,579.1</i>	<i>39,751.6</i>
TOTAL RESIDUAL EMISSIONS	1,447.0	1,454.3	203.2	204.1	154.7	155.4

¹ Certificates of Guarantee of origin of energy produced from renewable sources

G4-EN17

Calculation method

Paper: consumption is multiplied by the underlying CEPI emissions coefficient which refers solely to emissions generated for the production of pulp, paper and cardboard in firms/paper mills. The Confederation of European Paper Industries (CEPI) is a nonprofit organisation which represents approximately 515 companies that produce pulp, paper and cardboard and 950 paper mills for an overall total that accounts for approximately 23% of world production.

Business travel: emissions of the company car fleet already reported under indicator EN15 are excluded. The kilometres travelled by air were retrieved from the IATA certified management app provided by the travel agency. The International Air Transport Association (IATA) is a trade association to which airlines from all over the world belong and it represents approximately 265 airlines, i.e. 83% of total air traffic. On the basis of the method provided by the Italian Banking Association, the kilometres travelled for domestic, international and intercontinental trips were multiplied by the respective emissions coefficients calculated as the weighted average of the main routes (in terms of the number of trips and distances), using the ICAO Carbon Emissions Calculator app. The kilometres travelled by train were retrieved from the management app provided by the travel agency. On the basis of the method provided by the Italian Banking Association, the kilometres travelled by train were multiplied by the respective emissions coefficients calculated as the weighted average of the main routes (number of trips and distances) using the app Ecopassenger. The kilometres travelled by employees in their own petrol or diesel powered cars have been multiplied by the underlying emissions coefficients.

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

COEFFICIENTS	Source/Methodology	CO ₂	CO ₂ e
Paper	CEPI	0.43 Ton/Ton	n.a.
Private cars			
Petrol	ISPRA - Database of average road transport emission factors	177.937716 G/Km	179.377284 G/Km
Gasoil	ISPRA - Database of average road transport emission factors	151.704844 G/Km	153.520754 G/Km
Train			
High speed	Italian Banking Association Guidelines/Ecopassenger	0.039265 Kg/Km	n.a.
Other	Italian Banking Association Guidelines/Ecopassenger	0.042728 Kg/Km	n.a.
Air			
Domestic	Italian Banking Association Guidelines/ICAO	0.148964 Kg/Km	n.a.
International	Italian Banking Association Guidelines/ICAO	0.136799 Kg/Km	n.a.
Intercontinental	Italian Banking Association Guidelines/ICAO	0.059764 Kg/Km	n.a.
Shuttle coach			
Gasoil (density 0,84Kg/L)	ISPRA - Database of average road transport emission factors	3.006144 Ton/Ton	3.030158 Ton/Ton

Data in Tons	2016		2015	
	CO ₂	CO ₂ e	CO ₂	CO ₂ e
Paper purchased	1,022.1	n.a.	1,092.1	n.a.
Business travel	2,641.7	1985.9	2,478.6	n.a.
<i>of which:</i>				
<i>private cars</i>	<i>1,965.1</i>	<i>1,985.9</i>	<i>1,885.9</i>	<i>1,906.4</i>
<i>train</i>	<i>128.7</i>	<i>n.a.</i>	<i>172.3</i>	<i>n.a.</i>
<i>air</i>	<i>547.9</i>	<i>n.a.</i>	<i>420.4</i>	<i>n.a.</i>
Shuttle coach	209.3	210.9	207.5	209.0
TOTAL	3,873.1	n.a.	3,778.1	n.a.

G4-EN18

Calculation method

Total emissions do not include Scope 3 emissions (EN17) and include scope 1 emissions (EN15) and the residual emissions of the scope 2 (EN16) not covered by GO certificates. Total emissions were divided by the number of employees and associate workers (17,518 amounting to 99.5% of the Group total) and by the net internal floor area of the properties (969,919 sq m) of the Group companies within the relative scope.

Data in Tons	2016		2015		2014	
	CO ₂	CO ₂ e	CO ₂	CO ₂ e	CO ₂	CO ₂ e
Total residual emissions	10,175.9	10,244.9	10,370.5	10,444.1	11,480.0	11,565.1
Emissions intensity per employee	0.58	0.58	0.59	0.59	0.66	0.67
Emissions intensity per surface area (Sq.m)	0.01	0.01	0.01	0.01	0.01	0.01

VIDEO-CONFERENCES		2016	2015	2014
Offices equipped		2,138	1,726	987
Video rooms		458	403	319
Number of video-conferences		31,740	26,268	23,883
	Number of participants	115,807	80,465	71,649
	Average number of participants	4	4	3
	Total duration (hours)	63,318	45,435	n.a.

Calculation method

Emission savings were calculated using the emission coefficients reported for the indicators EN15 and EN16, multiplied by the fuel and/or energy savings (EN6). The reference year is 2014 because the measurements provided by the instruments installed and end of period analysis of data made it possible to refine reporting of consumption and emissions.

THE PRINCIPAL MEASURES UNDERTAKEN TO REDUCE THE GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2)	2016	2015	2014
	Estimated savings in terms of Tons CO ₂ equivalent in 2017	Estimated savings in terms of Tons CO ₂ equivalent in 2016	Estimated savings in terms of Tons CO ₂ equivalent in 2015
Replacement of heat generators in branches	30	19	9
Replacement of heat pumps/air conditioners in branches	80	62	59
Replacement of UPS	381		
Replacement of conditioning systems in Brescia data-processing centre	157		
Installation of consumption monitoring system in 772 branches	733		
Monitoring and adjustments to air conditioners in the Brescia data-processing centre			34
Monitoring and adjustments to air conditioners in the Bergamo data-processing centre		39	
Free cooling transformer units			39
2015-2016 rationalisation of the distribution network	391	308	719
Synergies from process transfer			397
TOTAL	1,771	428	1,190

The only source of ozone-depleting substances involved in the activity carried out could consist of gas leaks from air conditioning systems which function almost entirely with the refrigerant gases that are not harmful to the ozone layer. The emissions are not therefore quantitatively significant.

COEFFICIENTS	Fonte	NO _x		SO _x	
Heating					
Naturale gas	Italian Banking Association Guidelines	0.0012	Kg/Mc		n.a.
Gas oil	Italian Banking Association Guidelines	2.131	Kg/Ton	2.003	G/Kg
LPG	Italian Banking Association Guidelines	2.305	Kg/Ton		n.a.
Electricity					
	Italian Banking Association Guidelines	0.167	G/kWh	0.086	G/kWh
Transport					
Petrol	ISPRA - Database of average road transport emission factors in Italy	0.002965	Ton/Ton	0.000011	Ton/Ton
Gas oil	ISPRA - Database of average road transport emission factors in Italy	0.012680	Ton/Ton	0.000015	Ton/Ton
LPG	ISPRA - Database of average road transport emission factors in Italy	0.001799	Ton/Ton		n.a.

Data in Tons	2016		2015		2014	
	NO _x	SO _x	NO _x	SO _x	NO _x	SO _x
From heating	4.08	0.37	4.81	0.61	5.17	0.77
of which:						
<i>Gas oil</i>	0.40	0.37	0.65	0.61	0.82	0.77
<i>LPG</i>	0.02		0.02		0.02	
<i>Natural gas</i>	3.66		4.14		4.33	
Electricity purchased	16.49	8.49	21.78	14.45	22.07	14.64
of which: covered by certificates GO	15.74	8.11	21.66	14.37	21.98	14.59
not covered by certificates GO	0.75	0.38	0.13	0.08	0.09	0.06
Company car fleet fuel	8.58	0.10	10.20	0.11	12.72	0.13
of which:						
<i>Petrol</i>	0.02	0.00	0.06		0.10	
<i>Gas oil</i>	8.56	0.10	10.14	0.11	12.61	0.13
<i>LPG</i>			0.01		0.01	
TOTAL RESIDUAL EMISSIONS	13.41	0.86	15.14	0.80	17.98	0.96

SPENDING ON INVESTMENTS FOR THE ENVIRONMENT (thousands of euro)	2016
Waste management	1,287
Electricity GO certificates purchased ¹	5
Replacement of UPS's at strategic sites	918
Replacement of air conditioners at Brescia DPC	1,600
Consumption monitoring and feedback systems for 772 branches ²	2,820
TOTAL	6,630

¹ The UBI Group purchases 92.5% of GO certified electricity from a firm that produces directly from renewable sources and is not shown the additional costs for the certification.

² The total cost of the consumption monitoring system is spread over two years and comes to a total of approximately €3,700,000.

Sustainable mobility

The Group has a number of large business centres (the headquarters of the Parent, UBI Sistemi e Servizi, the Network Banks² and the Product Companies) on which problems of sustainable mobility and initiatives to solve them are concentrated.

With the aim of achieving increasingly greater sustainability, the issue of corporate mobility is managed by a **Mobility Manager** who operates within the Human Resource Area of the Parent. This manager is responsible for activities connected with the reduction of the environmental impact of home-work journeys and business travel by staff.

As concerns to-and-from work mobility, for some years now **sheltered parking areas** have been provided **for bicycles** in some of the main headquarters and a **coach shuttle service** runs between Bergamo, Varese, Brescia and Milan (and actually within the city for the latter). The shuttle coaches transported an average of 310 passengers per day in 2016 which prevented at least 1,000 tons of CO2 emissions compared with the use of cars [↗ G4-EN4, G4-EN17].

Smart working continued in 2016 with an appreciable increase in the participants. It is a project introduced in 2015 which contributes not only to reconcile personal and work dimensions of life, but also to reduce travel to-and-from work, because it allows employees to work from their own homes or at Group locations closer to where they live. A total of 3,013 days were spent smart working in 2016, with average savings of approximately 307,300 km of travel.

In 2012 the Group adopted a specific policy document for business travel, which gives priority, where possible, to the use of public and/or collective means of transport. A substantial contribution is made to the reduction of business travel and the related greenhouse gas and polluting emissions caused by transport by increasingly greater use of video conferences (up 20.8% on 2015 and 32.9% on 2014) [↗ G4-EN19].

G4-EN30 In consideration of the activity carried out, the indicator is not considered important, except in relation to employee mobility [↗ Sustainable mobility, G4-EN4, G4-EN17].

² The separate legal entities have no longer existed since February 2017, while the management and operational units of UBI Banca's Macro Geographical Areas remain on local markets for the operation of a unified branch network.

