

# One Bank One UniCredit



2016 Integrated Report  
Our sustainable value creation

Welcome to  
 **UniCredit**

We are a simple pan-European commercial bank with a fully plugged in Corporate & Investment Banking, delivering our unique Western Central and Eastern European network to our extensive client franchise.

We offer local expertise as well as international reach. We accompany and support our 25 million clients globally, providing them with unparalleled access to our leading banks in 14 core markets as well as to another 18 countries worldwide.

Our vision is to be “One Bank, One UniCredit”.

Everything we do to implement our vision is based on our Five Fundamentals.

Our top priority, every minute of the day, is to serve our customers the very best we can (Customers First).

To do this, we rely on the quality and commitment of our people (People Development), and on our ability to cooperate and generate synergies as “One Bank, One UniCredit” (Cooperation & Synergies).

We take the right kind of risk (Risk Management) whilst being very disciplined in executing our strategy (Execution & Discipline).

Life is full of ups and downs.  
We're there for both.



# Report structure

UniCredit published a Sustainability Report each year between 2000 and 2013. In line with the most recent international developments in corporate reporting, since 2014 the Group has continued to report on sustainability through its Integrated Report, which aims to describe the Group's financial and sustainability performance, business model, corporate governance, risk management, compliance, competitive environment, strategy and capitals. In addition, in keeping with 2015, to represent the combination, interrelations and dependencies that affect the organization's ability to create value over time, two connectivity case studies were updated; these studies use specific metrics to illustrate the relationships and connections between the various capitals.

The Report was produced at the request of the Group CEO and is managed by the Group Sustainability function, in collaboration with the Strategy, Business Development and M&A function. It is based on the guidelines set out in the International <IR> Framework published in December 2013 by the International Integrated Reporting Council (IIRC). The Supplement, annexed to the Integrated Report or available in the Sustainability section of our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)), is an integral part of this document; it presents a number of essential indicators and the quantitative data required to provide a complete and exhaustive overview in accordance with the GRI-G4 Guidelines.

The guidelines adopted for the preparation of the sustainability information included in the 2016 Integrated Report, including the Supplement, are the "G4 Sustainability Reporting Guidelines" and the "Financial Services Sector Disclosures" both of which were published in May 2013 by the Global Reporting Initiative (GRI). The Integrated Report is considered to comply with the aforesaid guidelines when considered in its entirety, inclusive of the annexed Supplement, which can also be found in the Sustainability section of our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)). The information in the Report refers to the issues identified as material and their associated indicators that either reflect the main economic, environmental and social impacts of the organization or could have a substantial influence on the views and decisions of the Group's stakeholders. Consequently, the materiality analysis assumes a fundamental role and, as in past years, has driven the identification of the topics to be reported. Again in 2016, the materiality analysis process was updated to include additional topics derived from external sources.

Specifically, the figures and information relating to Scope 1, Scope 2 and Scope 3 of Greenhouse Gas Emissions (GHG) have been prepared in accordance with the GRI-G4 Guidelines and "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition, 2004)".

The content of this Report refers to the year 2016 and, in particular, to the activities UniCredit carried out during the year, unless otherwise stated. Figures relating to previous years are provided solely for comparative purposes to enable an assessment of the Group's activities over a longer period of time. To ensure the reliability of the information reported, directly measurable quantities have been included, while limiting the use of estimates as far as possible. Measurements are based on the best available information or spot checks. Estimates and any restatements of comparative figures previously published are clearly indicated as such.

The reporting boundaries include 14 countries where the Group has significant operations: Italy, Germany, Austria, Poland and a number of Central and Eastern European (CEE) countries, namely Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia and Slovenia. This year Ukraine is not included in the reporting boundaries following the sale of the Group's stake in the Public Joint Stock Company Ukrspbank and its subsidiaries, which took place in October 2016.

For figures regarding staff and figures for the calculation of the Value Added, the scope of the Report corresponds to the 2016 Consolidated Reports and Accounts unless otherwise indicated. Any conditions that may limit the scope of this data are clearly disclosed throughout the Report.

The Report has been audited by Deloitte, which, at the end of the work performed, released the Report of the External Auditors – hereby enclosed – according to the criteria set out by the "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised").

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# Chief Executive Officer's message

“I am proud to have the opportunity to lead UniCredit. I and my management team are fully committed to making UniCredit one of the most attractive banks in Europe.”

**Jean Pierre Mustier**

Chief Executive Officer



Dear Stakeholders,

as this is my very first letter to you, I would like to say how proud and honored I am to have the opportunity to lead UniCredit and that I and my management team, are fully committed to making UniCredit one of the most attractive banks in Europe and to creating recurring value for all our stakeholders.

2016 was an eventful year for European financial services, including for the Italian banking sector. This, coupled with rapidly evolving client behaviors and expectations and the need to transform and strengthen the Bank, led us to launch an in depth strategic review in early July.

Our core priorities are to reinforce and optimize the Group's capital position, improve profitability, ensure continuous transformation of operations, maintain flexibility to seize value creating opportunities, further reduce costs, increase cross selling and above all further improve risk discipline.

There is now one executive governing body, one closely knit management team, led by the CEO and composed of the leaders of the key activities and geographies within UniCredit, with one single General Manager in charge of all businesses activities. There is now One Bank, One UniCredit.

Before we presented the outcome of the strategic review, Transform 2019, which is the beginning of a long term transformative process for the bank, we took bold actions to strengthen our capital ratios. We did so by agreeing the sales of Pioneer and Pekao and by optimizing our participation in Fineco as well as improving our asset quality by addressing our Italian legacy issues through the de-risking of a 17.7 billion euro non performing portfolio.

Transform 2019's core message is that UniCredit is a simple Pan-European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive client franchise; competitive advantages - on which we shall build.

The plan is based on pro-active self-help. Key levers of the plan, cost and risk, are fully under management control. This to ensure maximum value creation for all our stakeholders while reducing execution risk.

We de-risked the balance sheet by taking an 8.1 billion euro one-off provision in 2016 resulting in boosted coverage. This will significantly improve our asset quality.

Very strong risk discipline is another key component of the plan, this to further improve the quality of future origination with the objective to bring our group cost of risk down to about 49 bps by end 2019.

The transformation of business processes will allow our teams more client facing time, provide a better service and leading to a recurring 1.7 billion euro net annual cost reduction as of 2019. Group cost income ratio will decrease by more than 9.5 percentage points to below 52 per cent.

However, this transformation will also lead to a number of colleagues leaving the Group, primarily through early retirements and voluntary redundancies. We shall endeavor to treat everyone concerned with the utmost respect and dignity to facilitate their transition. My thanks for the contribution they have made to the Bank.

Going forward we will have a much leaner but strong steering corporate centre to drive Group performance and ensure accountability through a set of Group-wide KPIs.

Taking the current low rate environment and prevailing economic context into account, our objective is to reach a RoTE above 9 per cent in 2019.

Fully loaded CET1 will be above 12.5 per cent in 2019.

The Transform 2019 targets are tangible pragmatic and based on conservative assumptions. As a team we are fully committed to achieving them with management's interests fully aligned with shareholders'.

In order to achieve the plan targets and to significantly strengthen the Group's capital position in line with best-in-class global SIFIs, a 13 billion euro rights issue was proposed.

Let me also pay tribute to our employees and thank them for their ongoing commitment. This is only the beginning of our transformative journey and it is thanks to our teams, that we will be successful and create value.

Sincerely,

**Jean Pierre Mustier**  
Chief Executive Officer  
UniCredit S.p.A.



# Highlights

UniCredit is a strong pan-European Group with a simple commercial banking model and a fully plugged in Corporate & Investment Bank, delivering its unique Western, Central and Eastern European network to its extensive 25 million strong client franchise. UniCredit offers local expertise as well as international reach and accompanies and supports its clients globally, providing clients with unparalleled access to leading banks in its 14 core markets as well as an another 18 countries worldwide. UniCredit's European banking network includes Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, Serbia and Turkey.

## Financial Highlights<sup>1</sup>

Operating income

€ 18,801 m

Net profit (loss)

€ (11,790) m

Shareholders' equity

€ 39,336 m

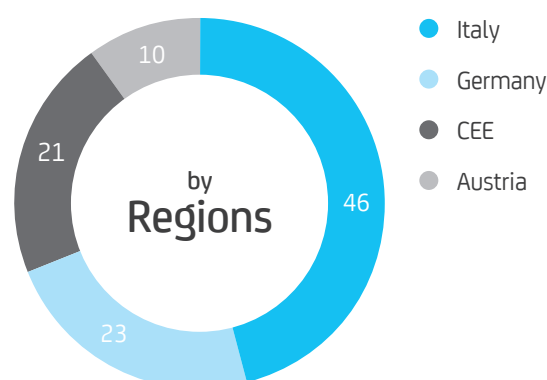
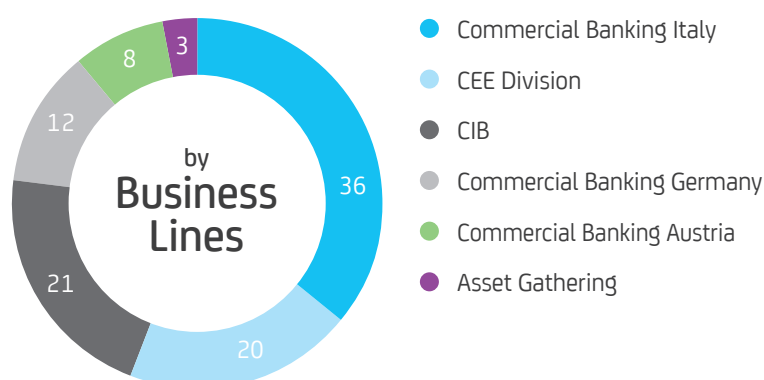
Total assets

€ 859,533 m

Common Equity Tier 1 ratio\*

11.15%

## Revenues<sup>1</sup> (%)



1. Data as at December 31, 2016. As at December 31, 2016, in accordance with IFRS5, the assets/liabilities and the profit/loss of Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies, as a result of their classification as "discontinued operations", were recognized:

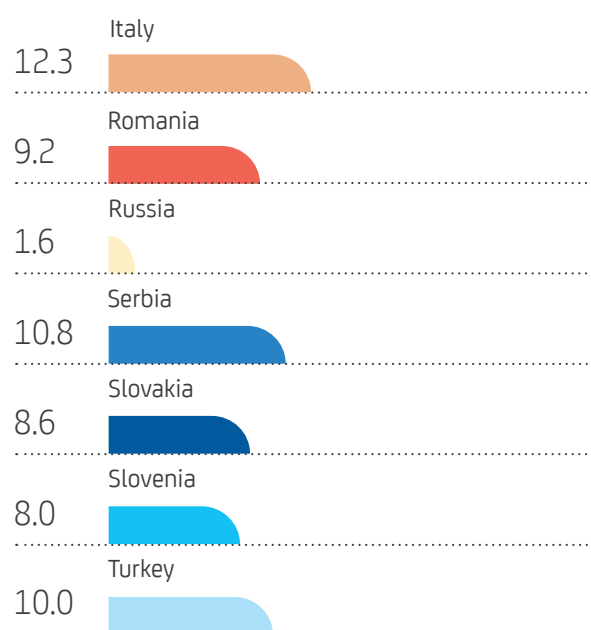
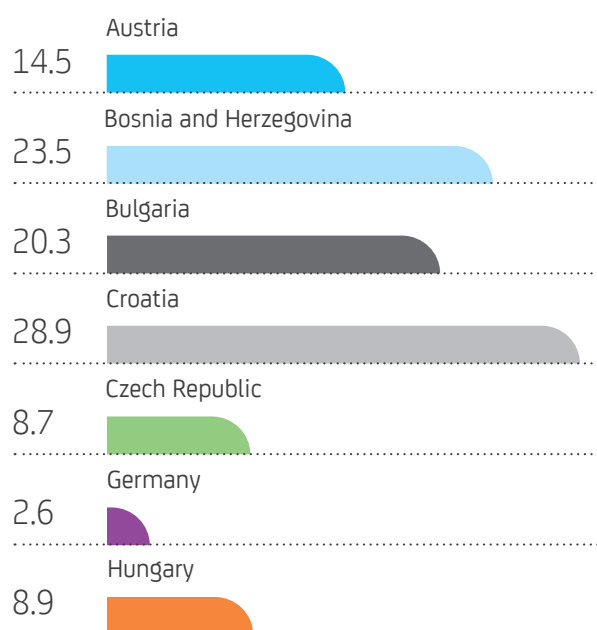
- in Balance Sheet under items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale";
- in Income Statement under item "Profit (loss) after tax from discontinued operation";
- the previous periods were restated accordingly to increase comparability.

\* Fully loaded CET1 ratio at 11.15% post capital increase, above 12% including Pioneer and Pekao deals. CET1 ratio transitional at 11.49% post capital increase.

## International Presence<sup>2</sup>

Austria  
 Bosnia and Herzegovina  
 Bulgaria  
 Croatia  
 Czech Republic  
 Germany  
 Hungary  
 Italy  
 Romania  
 Russia  
 Serbia  
 Slovakia  
 Slovenia  
 Turkey

## Market Shares<sup>3</sup> (%)



2. On December 8, 2016, UniCredit ("UCG") entered into a binding agreement with PZU SA and PFR (Polish Development Fund) for the sale of a 32.8% stake in Bank Pekao (Poland) and, on the same date, it announced the disposal of the remaining 7.3% via a market transaction. The CEE division includes only the 11 countries in which the Group operates through Retail branches. Accordingly, Azerbaijan, Estonia, Latvia and Lithuania have been excluded.

3. Market Shares in terms of Total Loans as at December 31, 2016. Source: Company data, National Central Banks.

# Our Purpose and Identity



# Value Creation over time

Main 2016 Results

Unique culture

## Governance

Governance model

Board Composition

Sustainability Governance

## Risk Management and Compliance

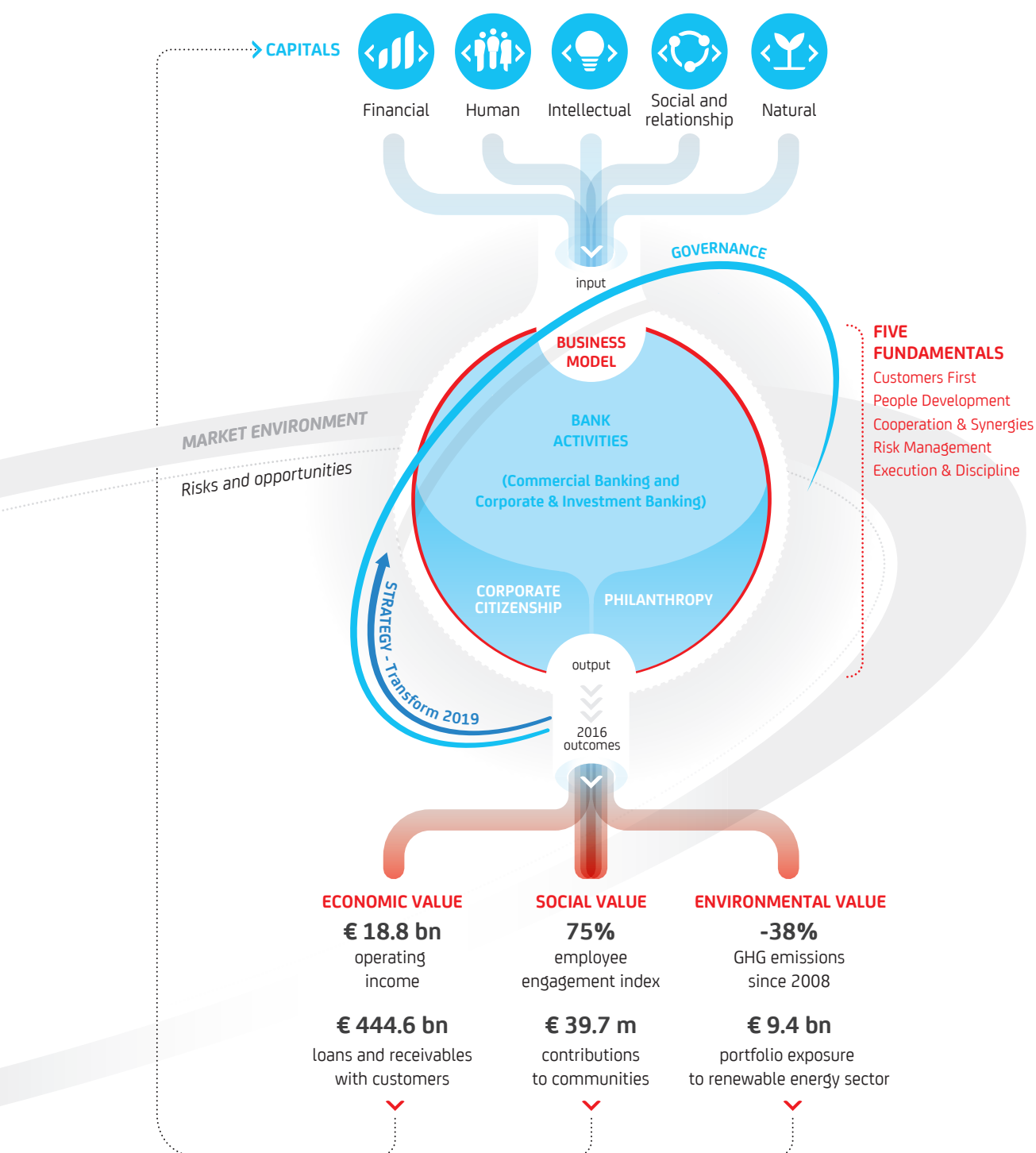
Risk Management

Risk Appetite Framework - RAF

Compliance culture

# Our Value Creation over time

Every minute of every day, our top priority will remain serving our customers the very best we can. To achieve this, we will rely on the quality and commitment of our people, as well as on our ability to cooperate effectively and generate synergies as One Bank, One UniCredit. We will also take care to accept only appropriate levels of risk and to execute our strategy with staunch discipline.





Our strategy is designed to realize our vision – a vision in which UniCredit remains profitable while catalyzing positive economic, social and environmental outcomes for all our stakeholders. Sustainable value is development that benefits every stakeholder. It is development generated in a way that makes our Group effective, efficient and profitable while simultaneously supporting the advancement of local communities, the competitiveness of enterprises and the well-being of individuals.

The sustainability of our Group is determined by our business model and by our interactions with the market environment. A simple and easily replicable business model will enable us to convert our resources and relationships into outputs and outcomes that achieve our strategic goals and create value over the short, medium and long-term.

The broad set of resources and relationships that we depend on to create value are known as capitals. Groupwide, we work to responsibly manage our Financial capital, Human capital, Intellectual capital, Social and relationship capital, and Natural capital, in an effort underpinned by the success of our customers and the trust and support of all our stakeholders.

This interdependent relationship requires us to stay attuned to stakeholders' changing needs and expectations. By providing responsible lending, savings, payments and investment products, we enable individuals to improve their quality of life and enhance their financial stability. By providing finance to small, medium and large corporations and financing the development of key sectors, we contribute to economic growth, job creation and innovation. And by improving financial literacy, promoting inclusion and conserving natural resources, we contribute to a sustainable future.

Our strategy will make this kind of considered, integrated thinking consistent throughout our organization. Ensuring that integrated thinking is embedded in our Group is part of our work to instill a *One Bank, One UniCredit* culture.

## Building a unique culture to support our value creation processes

UniCredit's organizational culture is based on integrity. It is codified in both our system of values and our Code of Conduct, which have played an important role ever since our Board of Directors approved them. The culture we have fostered supports our vision of a bank that places its clients at the center of everything it does, encourages innovation and challenges established processes, and empowers its leadership team and its people to execute its strategy. Everything we do is based on our *Five Fundamentals*.<sup>1</sup> These shared business principles are one of the critical pillars that will uphold our *One Bank, One UniCredit* culture. Our goal is to embed these principles firmly within our day-to-day business activities, bringing them to life through our conduct and our behavior at work.

The continued resilience of our Group depends upon instilling a culture in which our people are fully aware of the the rules, the risks and the impacts associated with our business activities. We promote a culture in which compliance with laws and regulations and acting ethically and fairly come naturally to every one of us in everything we do.

We establish an awareness of risk management and strengthen the culture associated with it, we follow a global approach that promotes a common organizational culture and a Groupwide understanding of risk concepts and expertise.

We continuously strengthen the understanding of our value generation and its related impacts by disseminating our sustainability approach across our Group. These efforts to increase internal communications on both Group and local intranet channels and to integrate a sustainability approach into various training courses (e.g., induction for new hires, the *Strategic Finance Lab* and the *Impact Graduate program*) are bringing our vision of UniCredit into focus everywhere.

• **One Bank, One UniCredit culture**  
• In 2016 more than **425,000 hours of training**  
• dedicated to compliance, risk management and  
• sustainability approach and performance.

MATERIAL  
TOPICS



1. Refer to the Human Capital chapter for more information.



# Governance

*UniCredit's system of corporate governance promotes clarity, accountability and the creation of sustainable long-term value.<sup>1</sup>*

## Governance Model

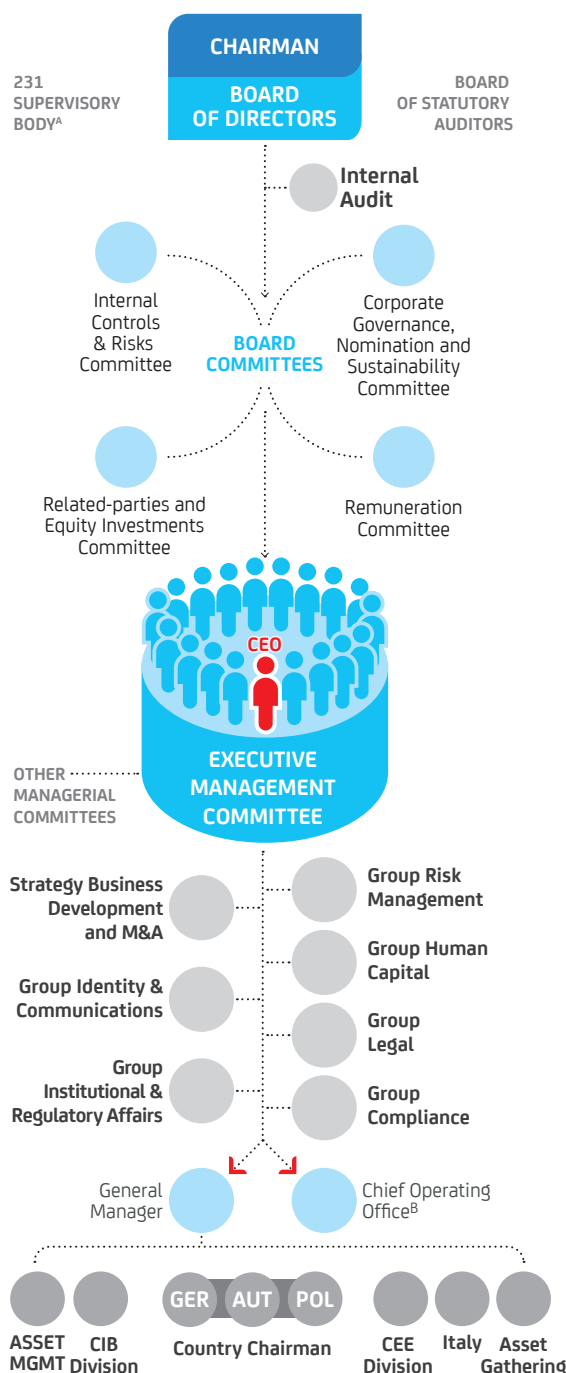
UniCredit is an Italian listed company, with a traditional management and control system featuring 2 corporate bodies, whose members are appointed by the Shareholders' Meeting: the Board of Directors, responsible for the strategic supervision and the management of the company, and the Board of Statutory Auditors, responsible for supervising management.<sup>2</sup>

Legal accounting supervision is entrusted by the Shareholders' Meeting to an external auditing firm, based on the proposal of the Board of Statutory Auditors.

This traditional management system, which assigns specific responsibilities to the Shareholders' Meeting, allows for a clear exchange of views between shareholders and management on fundamental decisions relating to governance. These include appointing and removing directors, appointing members to the Board of Statutory Auditors, granting a mandate for the external auditing to an auditing firm and approving all associated fees. Such decisions also include the approval of financial statements, the allocation of profits, resolutions on remuneration and incentive policies and practices, as well as criteria to determine compensation to be granted in the event of early termination of employment or early retirement from office.

The UniCredit Board of Directors in office is composed of 17 members, including the Chairman and the Chief Executive Officer (CEO).

## Organizational and governance structures (as of Dec. 31, 2016)



A. Set up according to the Legislative Decree No. 231 dated June 8, 2001.  
B. Position covered by two Co-Heads.

1. Refer to the Corporate Governance Report, the Group Compensation Policy and to the Reports and Accounts for more information.  
2. The members of the Board of Directors and the Board of Statutory Auditors are appointed at the Shareholders' Meeting on the basis of a proportional representation mechanism (voto di lista). This voting system features lists of the candidates who are competing against one another to ensure that minority shareholder representatives are elected. The above mentioned corporate bodies structure ensures gender balance in compliance with current provisions. The members of the Board of Directors and the Board of Statutory Auditors meet the requirements for professional experience, integrity and independence required by current regulatory and statutory provisions. The number of independent directors in office is above the minimum required by current regulatory and statutory provisions (11 out of 17 under UniCredit's Articles of Association and the Italian Corporate Governance Code, 16 out of 17 under Legislative Decree No. 58/1998, 16 of whom are non-executives). As per the provisions of UniCredit's Articles of Association, 2 Permanent Statutory Auditors, among whom the President, and 2 Substitute Statutory Auditors are appointed by minority shareholders.

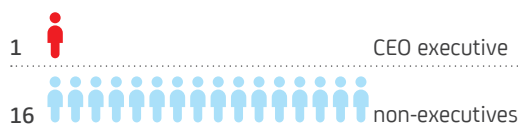
The Board of Directors is supported by 4 committees, which provide advice and submit proposals to the Board. The work of the CEO to run the Group is supported by the General Manager. The CEO's work to make strategic decisions on behalf of the Group is supported by the Executive Management Committee (EMC), a management body that performs consultative functions. As the director in charge of the internal controls and risk management system, the CEO is also supported in managing and overseeing the internal controls system by a managerial committee, the Group Risk & Internal Control Committee, which is chaired by the CEO.

## Board composition

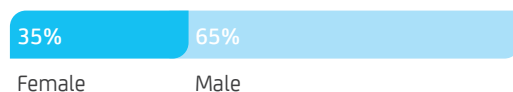
The composition of the Board of Directors quantitatively and qualitatively corresponds to the theoretical profile approved by the Board itself. All of the directors meet the required professional experience, integrity and independence requirements.

### Board in numbers

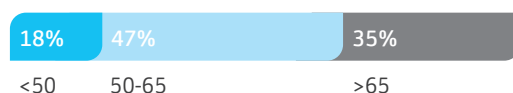
#### Balance of executive and non-executive directors



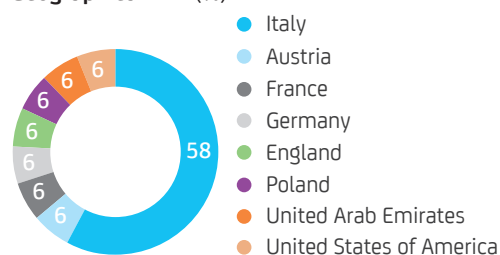
#### Board gender balance



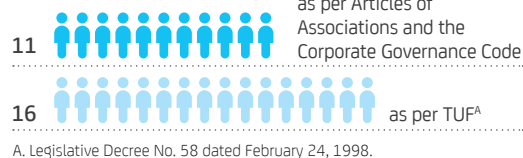
#### Average age



#### Geographical mix (%)



### Board independence



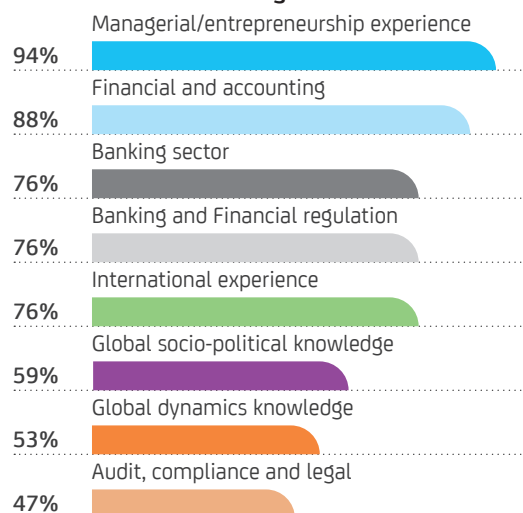
### Average tenure length - 2016: 5.3 years

### Board attendance rate - 2016



All competence areas were accounted for by the members of the Board. Each director possessed at least 2 of the required competence areas. On average, directors possessed 6 of the competence areas.

### Board skills and knowledge areas



MATERIAL TOPICS



## FOCUS

### Sustainability Governance

Sustainability is integral to the governance of our Group.

At the end of 2016, we strengthened our corporate governance system by assigning responsibility for overseeing sustainability issues to the Corporate Governance, HR and Nomination Committee, which was subsequently renamed the Corporate Governance, Nomination and Sustainability Committee.

The Group Environmental and Social Council (GESC) proposes the Group Environmental and Social Strategy, annual objectives as well as the related activities to Executive Management Committee (EMC) and to the CEO for approval.

Furthermore the GESC oversees the implementation of UniCredit's environmental and social initiatives and commitments.

The Head of Group Identity & Communications chairs the GESC.

The Group Sustainability unit, part of the Group Identity & Communications (Group I&C) department, acts as the GESC's secretariat and is responsible for supporting the work of senior management to develop strategies that integrate sustainability considerations into the value creation process and generate long-term benefits for all stakeholders.

The unit is also charged with monitoring key performance indicators and communicating UniCredit's sustainability approach and results to external audiences.



A. Refer to the Sustainability section on our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) for more information.

B. Refer to the Risk Management and Compliance chapter (Reputational risk) for more information.



## Board and Top Management compensation<sup>1</sup>

The CEO is the only executive director who sits on the Board of Directors, and part of his remuneration is linked to sustainability over time of UniCredit financial results.

All the other members are non-executive directors and are not beneficiaries of incentive plans utilizing stock options or, more generally, of any plan that makes use of financial instruments.

The approach to compensation for UniCredit's Top Management (CEO and General Manager), as detailed in the Group Compensation Policy,<sup>2</sup> is performance-based, market-aware and aligned with our business strategy and stakeholder interests.

The Group Compensation Policy, as proposed by the Remuneration Committee, is submitted for approval to the Board of Directors and, subsequently, to shareholders at the Annual General Meeting.

### CEO

With reference to 2016, the CEO received a fixed remuneration of €2 million, including director's remuneration. It has been paid as pro rata for the period July 12, 2016 - December 31, 2016 for the amount of €0.95 million. As announced at a Capital Markets Day held in London on December 13, 2016 for the presentation to analysts and investors of the strategic plan *Transform 2019*, CEO fixed remuneration has been reduced by 40 percent effective January 1, 2017.

### General Manager

In 2016, the General Manager received a total fixed remuneration of €1.2 million, of which €0.4 million pro-rated, referred to General Manager position.

## Variable Compensation

The Board of Directors, in consideration of the Group's results for the year 2016, while expressing sincere appreciation for the work done by the management in relation with the in-depth strategic review that brought the presentation and the launch of the strategic plan *Transform 2019*, resolved not to proceed with any bonus payment for 2016 for the CEO, General Manager and other executives with strategic responsibilities,<sup>1</sup> independently from individual performance assessment.

For 2017 and for the whole time horizon of the strategic plan *Transform 2019*, the variable remuneration for the CEO and General Manager is based on the 2017-2019 Long Term Incentive Plan, tied to the strategic plan targets.

### FOCUS

#### 2016: New CEO and Organizational Structure

On June 30, 2016 the Board of Directors of UniCredit SpA unanimously approved the appointment of Mr. Jean Pierre Mustier as the new CEO, effective July 12, 2016. Mr. Mustier succeeded Mr. Federico Ghizzoni.<sup>3</sup>

On July 26, 2016 the UniCredit SpA Board of Directors approved a new organizational structure, effective September 1, 2016. All business-related activities across the Group are under the responsibility of Gianni Franco Papa.<sup>4</sup> Mr. Papa assumed the position of General Manager, a role that has been considerably expanded and strengthened.

1. Refer to the Supplement – Governance section for more information.

2. Refer to the Group Compensation Policy on our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) for more information.

3. Whose relationship has been resolved on September 30, 2016 with a severance payment of €9.58 million gross, of which €4.58 million (corresponding to the cost of the indemnity in lieu of notice and to 20 percent of the severance) has been paid upon termination. For the remaining quota of €5 million it is foreseen the deferred disbursement over further 5 years, in cash and shares, conditional to maintenance of adequate capitalization and liquidity requirements by the Bank and subject to malus and clawback clauses.

4. Previously Deputy General Manager of UniCredit and Head of the Corporate and Investment Banking division.

# Risk Management and Compliance

*Risk lies at the very heart of what we do and how we do it. As a bank, risk management and compliance must be foremost in the daily thoughts and actions of every employee, informing our collective and individual efforts regarding the current and future risks our organization may face.*

## The risks faced by UniCredit

### Credit risk<sup>A</sup>

The risk of incurring losses arising from the possibility that a borrower, counter-party or an issuer of a financial obligation (bonds, notes, etc.) is not able to repay interest and/or principal or any other amount due (Default Risk). In a broader sense, credit risk can also be related to potential losses arising either from a default of the borrower/issuer or a decrease of the market value of a financial obligation due to a deterioration in its credit quality (migration risk).

### Financial risks<sup>A</sup>

Financial risks may be broken down as follows:

**Market risk:** the risk of losses due to factors that impact the overall performance of financial markets

**Liquidity risk:** the risk that the bank is unable to meet its payment obligations

**Interest rate risk:** the potential impact of changing interest rates on the value of assets, liabilities and off-balance sheet items, or on the income the bank derives from interest payments

**Counterparty credit risk:** the risk that a counterparty may default on sums owed on a derivative transaction.

### Operational risk<sup>B</sup>

The risk of loss due to errors, infringements, interruptions or damages caused by internal processes, personnel or systems, or by external events.

### Reputational risk

The risk of negative perceptions of the bank by customers and counterparties such as shareholders, investors or regulators which can adversely affect business relationships and decrease access to sources of funding.

### Compliance risk<sup>C</sup>

The risk of incurring penalties, losses or reputational damage as a result of non-compliance with laws, regulations or the decisions of supervisory authorities, or with self-regulatory standards such as corporate statutes and codes of conduct.

### Environmental & social risk

The risk of financial or reputational losses deriving from negative environmental and social impacts related to specific transactions or sectors.

### Other emerging risks

New risk categories such as information technology risk, which is the risk of incurring financial, reputational or market share losses in connection with the use of information and communications technology.

A. Refer to the 2016 Consolidated Reports and Accounts for more information.

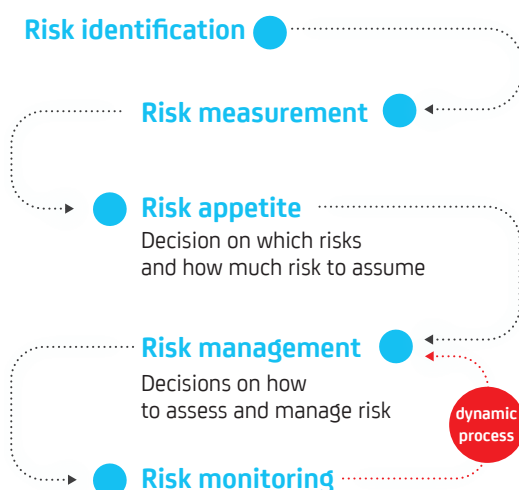
B. Refer to the Intellectual Capital chapter for more information.

C. Refer to the Manage a culture of compliance as an indispensable feature of the Group chapter for more information.

## Guarantee a sound risk management

Risk Management is one of our *Five Fundamentals*.<sup>1</sup> Our strategic plan, *Transform 2019*, emphasizes the importance of taking decisive action to resolve legacy issues, transform the bank and build on our existing competitive advantages to capture opportunities and secure sustainable levels of profitability for our enterprise.<sup>2</sup> Risk management is pivotal to creating a balanced risk appetite framework and mitigating risk – actions that can help assure the healthy growth of our business.

### Our risk methodology



### Identifying risks

UniCredit's Risk Management function relies on its internal processes to identify, measure, manage and mitigate (where necessary) the risks faced by the entire Group. The function's risk management framework, which has been recently upgraded, is disseminated from the Group Corporate Center to all countries and divisional legal entities. UniCredit's One Bank vision further confirms this risk management framework.<sup>2</sup> The rules, methodologies, policies and strategies we use to manage risk not only comply with regulatory requirements but also support the bank's strategic planning processes. To allow for

the best trade-off between risk and return, the Risk Management function maintains a Risk Appetite Framework, which determines the levels of risk the bank is willing to accept as it pursues its business goals. Furthermore, the function proactively monitors all risks and invests in fostering a strong Groupwide risk culture.

### Risk Appetite Framework

Our strategic plan envisages the adoption of a balanced Risk Appetite Framework that will assist our Group to achieve sustainable levels of profitability and healthily grow our business. As such, the Risk Management function is responsible for supporting the CEO's work to determine the Group's proposed appetite for risk. This framework, which is submitted to the Board of Directors for approval, triggers our annual and multi-year budget processes.

Its main goals are to:

- **Align risk, strategy and business**

The Risk Appetite Framework is designed to take into account the expectations of various internal and external stakeholders. It establishes a desired risk profile vis-à-vis our short- and long-term strategic objectives and our business plan, both for the Group and its legal entities. This framework is incorporated into our day-to-day risk management activities via rules, operational limits and compensation programs.<sup>3</sup>

- **Encourage prudent risk-taking behavior**

The Risk Appetite Framework is directly linked to our incentive system to encourage prudent risk-taking attitudes across our organization. For example risk adjusted goals are a component of the performance review and of the variable incentive decisions for several key employee categories, including Group executives and colleagues responsible for taking significant risks.<sup>1</sup> This measure is critical to maintaining appropriate levels of risk and ensuring the creation of a sound risk culture. Especially for this reason, UniCredit defines its risk culture as the behavioral norms, which are reflected in the daily thoughts and actions of every employee at the bank, that underlie our collective and individual ability to identify, understand, openly discuss and make decisions regarding the current and future risks our organization may face.

MATERIAL  
TOPICS



1. Refer to the Human Capital chapter for more information.

2. Refer to the Strategic Plan section for more information.

3. Refer to the 2014 Integrated Report for more information.

## FOCUS Risk Culture

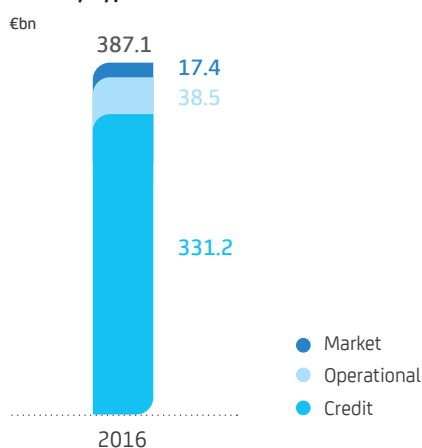
Our risk culture program is sponsored by the CEO and the Executive Management Committee and includes the *Risk Academy*, an initiative that was conceptualized, designed and managed by Group Risk Management in cooperation with our internal learning and training competence centers.<sup>4</sup> To respond to increased regulatory requirements and reinforce our risk discipline, the training offered by the *Risk Academy* is updated and enhanced on an ongoing basis.

Since its establishment in 2010, the *Risk Academy* has provided more than **394,000** hours of training to more than **18,500** people.

## Managing every risk

UniCredit's market-risk RWA (Risk Weighted Assets) and operational-risk RWA account for only €17.4 billion (4.5 percent) and €38.5 billion (9.9 percent), respectively, of its total RWAs. The predominant share of the Group's RWAs, 85.6 percent, are related to credit risk, which is diversified both across geographies and asset classes.

### RWA by type



Furthermore, as a member of the financial sector the Group, alongside its peers, naturally faces a range of reputational, compliance, environmental and social and other emerging risks, that are not quantified for regulatory purposes.

At UniCredit, nevertheless, we believe reputational risk to be one of the most sensitive risks we face today, while we consider the importance of the environmental and social risk as the most prominent recent trend.

### Credit risk

Over the past few years, our Group has worked to increase the performance of its primary asset quality indicators. Despite macroeconomic uncertainty, we have managed, since 2015, to lower our ratio of non-performing loans to total loans on core portfolio (from 6.1 percent to 5.6 percent), and increase our overall coverage ratio (from 50.8 percent to 55.6 percent). As credit risk is the most relevant risk for us in terms of our Group's RWA exposure, we have reviewed our credit processes with an increased focus on our credit risk appetite and defined credit risk strategies, as well as on our underwriting practices.

Loan classification <sup>A</sup>	Amount as of Dec 31, 2016	Y/Y change	Coverage ratio
Bad loans	€31,799 m	-36%	65.6%
Unlikely to pay	€23,165 m	-9%	43.3%
Past Due loans	€1,378 m	-47%	34.3%
Performing loans	€421,804 m	3%	0.5%

A. Loan Classification includes:

Bad Loans: exposures to borrowers in a state of insolvency (even when not recognized in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank; Unlikely to Pay: classification in this category is the result of the judgment of the bank about the unlikelihood, without recourse to actions such as realizing collaterals, that the obligor will pay in full (principal and / or interest) its credit obligations; Past Due Loans: problematic exposures that are more than 90 days past due on any material obligation; Performing loans: exposures which are not past due for more than 90 days or to borrowers in a problematic state.

Our *Transform 2019* strategic plan focuses on the need to strengthen and optimize the Group's risk management. The plan calls for us to address our legacy issues by de-risking our portfolios and tightly managing the quality of our assets. We will also reinforce our risk discipline for the origination, underwriting and monitoring of new loans. These efforts represent the continuation of the conservative risk approach our Group has adopted over the past few years.

<sup>4</sup>. Refer to the 2015 Integrated Report for more information.



### Reputational risk

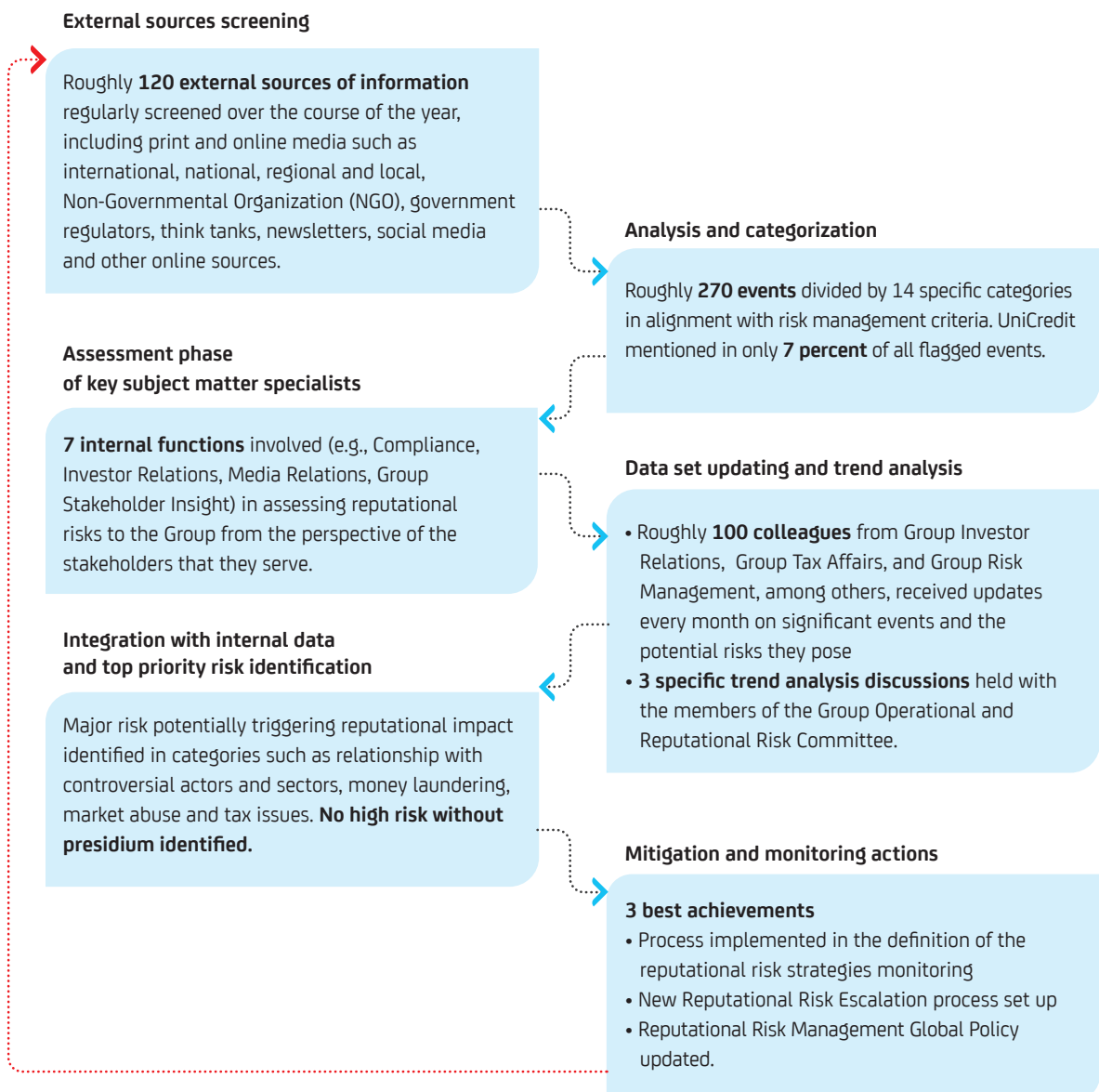
Since 2015, we have deployed a monitoring system to strongly reinforce the Group's capacity to identify and analyze the reputational risks in the financial sector. Thanks to this system we monitor external events that may trigger reputational risk and assess their potential impact on UniCredit by engaging with the internal functions (e.g., Investor Relations, Compliance) that intimately understand the

perspectives of our many different stakeholders. This information is used by the Group Operational and Reputational Risk Committee, which regularly considers and discusses trend analyses and potential impact assessments. It is also distributed internally to raise awareness of potential reputational risks across the Group. This process has been integrated into the Group's risk management framework.

MATERIAL  
TOPICS



### Our ESG<sup>A</sup> reputational risk prevention process & 2016 highlights



A. Environmental, Social and Governance topics.



### **Environmental and social risk**

The Group Environmental and Social Council (GESC)<sup>5</sup> supports and coordinates the Group's environmental and social strategy. It also is in charge of addressing any related potential risk.

Our Environmental and Human Rights Commitments describe the strategic approach, roles and responsibilities, principles, rules, procedures and systems adopted by UniCredit to prevent and manage any potential negative environmental and social impacts or risks that are inherent to our operations and our value chain. In keeping with our commitments, we work to disseminate across our

Group a strong risk culture that prioritizes social and environmental issues, among others.

Furthermore we reinforced our internal presidium and monitoring concerning the potential regulatory developments linked to environmental and social matters in order to preempt potential impacts for the Group.

In 2016, we implemented a project focused on human rights issues that responds to the continued evolution of our Group's approach and to the expectations of our stakeholders with the aim to update our Human Rights Commitment.

## **ENVIRONMENTAL AND SOCIAL RISK – 2016 HIGHLIGHTS**

### **Environmental and social risk management**

- held 3 GESC meetings to propose and discuss improvements to our environmental and social strategy, objectives in alignment with the strategic plan by taking into consideration an accurate benchmarking of peers and other sector experience and stakeholders, analysts, investors and regulators expectations
- 88 percent attendance rate for GESC members.

### **Environmental and social sector policies monitoring<sup>A</sup>**

- screened roughly 530 transactions for environmental, social and reputational risk issues
- trained roughly 60 people on UniCredit policies pertaining to the mining and coal-fired power generations sectors since July 2015
- trained roughly 50 people on UniCredit policies pertaining to the weapons/defense sector.

### **Equator principles<sup>B</sup>**

- evaluated 77 project transactions and financed 30 projects
- trained roughly 80 people on the Equator Principles standards.

### **Human rights and environmental culture**

- updated Human Rights Commitment
- shared human rights content to all colleagues via the Group intranet and with more than 900 colleagues through ad hoc communications
- involved more than 900 colleagues on various environmental topics (e.g. GHG emissions, renewable energies, etc.) through dedicated communication and engagement activities.

### **Stakeholder engagement**

Supported constructive dialogue among our stakeholders by participating in working groups and forums such as:

- **The Thun Group of Banks<sup>C</sup>** – working discussions on how the United Nations Guiding Principles on Business and Human Rights apply to banking activities
- **United Nation Global Compact<sup>D</sup>** – In 2016, signatories to the Global Compact focused on human rights, diversity and inclusion, business and the achievement of the Sustainable Development Goals
- **UNEP Inquiry<sup>E</sup>** – contribution to a Report of the Italian National Dialogue on Sustainable Finance promoted by United Nations Environment Programme for the chapter Environmental risk and stress test.

A. Refer to the Supplement - Implementation of our environmental, social and reputational risk sector policies paragraph for more information.

B. Refer to the Supplement - Equator Principles paragraph for more information.

C. The Thun Group is an informal group of bank representatives that discusses on human rights.

D. UniCredit is a member of the UN Global Compact - Global Compact Network Italy Foundation, which is a strategic policy initiative that is promoted by the United Nations at the national level.

E. The UNEP Inquiry: The Inquiry into the Design of a Sustainable Financial System initiated by the United Nations Environment Programme to advance policy options to improve the financial system's effectiveness in mobilizing capital for sustainable development.

5. Refer to the Governance chapter for more information.

## Monitoring risks

The final part of our risk management process involves monitoring the Group's risk profile to ensure it is in line with our stated risk appetite. Using a set of operational KPIs, we monitor the performance of UniCredit's underlying activities and their encumbered risk. The risk reporting activity is the consequent and crucial step of the overall internal control system, supporting the decision making process in the management and mitigation of risks as well as the adoption of these decisions across the Group.

In the event of breaches or macroeconomic changes that affect the risk profile of a business line, legal entity or the Group, decisions are escalated to UniCredit's competent bodies. These bodies will consider a range of different alternative scenarios, balance the trade-off between risk and return, and identify the actions the Group will take to ensure its exposure is aligned with its risk appetite. Actions that may be considered include mitigation, transfer, elimination or toleration.

MATERIAL  
TOPICS



### Risk Presidium: main committees

Group Risk & Internal Control Committee	Responsibilities	Members
	Steering, coordinating and monitoring the risks at Group level as well as supporting the CEO in the management and oversight of the internal control system	CEO (Chairman), Group Chief Risk Officer, General Manager, Chief Operating Officer, Group Compliance Officer
Group Credit Committee	Discussing and approving credit proposals within its responsibility, including restructuring and workout positions, relevant strategies and corrective actions to be taken for watchlist positions	CEO (Chairman), General Manager, Group Chief Risk Officer, Group Compliance Officer
Group Transactional Credit Committee <sup>A</sup>	Decision making, advising and/or issuing non-binding opinions to the Group's legal entities on credit transactions	Group Chief Risk Officer (Chairman), Head of Group Credit Transactions (Vice Chairman), Co-Heads of CIB Division, Head of CEE Division
Group Operational and Reputational Risks Committee <sup>A</sup>	Monitoring and controlling operational and reputational risk at Group level	Group Chief Risk Officer (Chairman), Head of Group Operational & Reputational Risks (Vice-Chairman), Head of CIB Division, Group Compliance Officer, Head of Group Legal
Group Assets & Liabilities Committee <sup>A</sup>	Defining strategies, policies, methodologies and limits (where applicable) for liquidity risk, FX and banking book interest rate risks, transfer pricing, Funding Plan, Contingency Funding Plan and in monitoring activities	Group Chief Financial Officer (Chairman), Group Chief Risk Officer (Vice-Chairman), Co-Head of CIB Division, Head of CEE Division, Head of Group Finance
Group Market Risk Committee <sup>A</sup>	Monitoring market risks at Group level evaluating the impact of transactions significantly affecting the overall market risk portfolio profile	Group Chief Risk Officer (Chairman), Head of Group Financial Risk (Vice-Chairman), Co-Head of CIB Division, Group Compliance Officer, Head of Markets

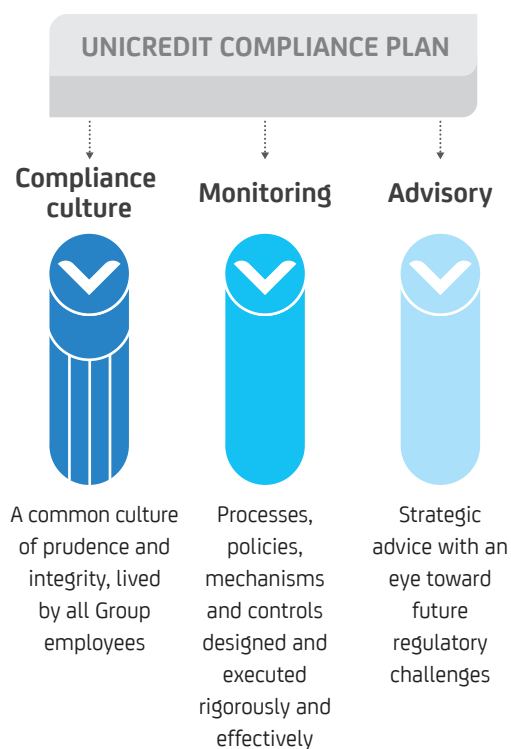
<sup>A</sup> List of members not exhaustive.

## Manage a culture of compliance as an indispensable feature of the Group

At UniCredit, compliance is an inseparable aspect of the Group's business activities. Our commitment to compliance is founded on our internal approach to proper conduct, is consistent with our Group's core values and serves the expectations of our customers, of regulators and of society at large.

### Integrating compliance into everyday business

Compliance is a prerequisite to the legitimacy of our business and the sustainability of our Group. By adhering to all applicable laws, regulations and internal rules, both locally and Groupwide, UniCredit prevents misconduct and helps society combat financial crime. Because we are committed to foster compliance behaviour of every employee, keeping a strong cooperation between Compliance and our business units is of paramount importance, and we focused our competence line on 3 core activities (all included in *UniCredit Compliance Plan 2016*):



The *UniCredit Compliance Plan* was approved by the Board of Directors. In order to develop an integrated Group-wide compliance plan, covering 16 banks in 13 countries, a common process was developed by Compliance function, with guidelines and strategic priorities defined at Group level and cascaded locally.

### ✓ Compliance culture

We aim to build and enforce a common culture of compliance through all levels of our organization and across all of our geographic regions. In 2016, all key internal functions (e.g. Business units, Human Capital, Identity & Communications, Organization) provided strong support in promoting this culture throughout the Group through various initiatives and projects, with an emphasis on risk awareness.

### Compliance culture framework



#### ➤ Senior management endorsement

A series of ongoing activities have been carried out both locally and at the level of the holding company; these have been sponsored by the Group's senior management, many of whom have also been personally involved through our *Tone from the Top* campaign. In 2016, the messages from the Group CEO and senior managers (including, among other initiatives, some videos), were conveyed to Group employees mainly via Group and local intranet.

#### ➤ Governance

The Group's Global Policy - Compliance Culture, approved and adopted in November 2016, defines the key principles of the compliance culture at UniCredit, as well as the roles and responsibilities of relevant internal functions in enforcing the policy (e.g. Compliance, Human Capital and Communications).

#### ➤ Learning and Development

In 2016, our goal has been to enhance training quality and strengthen our compliance culture.

During the year more than 354,000 hours of training were provided.

In particular we developed 2 leadership training courses on proper conduct and business ethics, including our sustainability framework and we reviewed the *Compliance Academy*.<sup>1</sup>

### ➤ Communication and people engagement

Our internal communication plan in 2016 focused on a number of initiatives addressing compliance risks and expected behaviors. Groupwide alerts and videos were disseminated to address such real-life concerns as bribery, market manipulation and fraud and a dedicated campaign on whistleblowing has been launched reaching more than 10,000 colleagues.

### ➤ Performance appraisal and consequence management

Promotion of behaviours of compliance and misconduct prevention are key factors in our human resources management processes, they are also included in clear indicators via our performance management.<sup>2</sup>

#### FOCUS

#### Whistleblowing: to maintain a healthy business

Whistleblowing helps protecting the business and reputation of our organization as well as the rest of our colleagues. The bank's whistleblowing process enables employees to disclose information for unacceptable behaviours within UniCredit through several channels such as e-mail, telephone, dedicated e-mail addresses, internal tools or ordinary mail. In 2016, more than 60 internal cases were received through these channels, all of which were processed in accordance with the Group's internal procedures.<sup>3</sup>



#### Monitoring

At UniCredit, Compliance function aims to ensure the effectiveness, speed and consistency of the services it provides in risk assessment and controls. The consolidated risk assessment methodology, which is updated regularly, helps monitor all compliance risks and triggers mitigation actions to resolve detected anomalies. Outcomes are reported on a quarterly basis to 2 Group Committees (Internal Controls and Risk Committee<sup>4</sup> and Group Risk & Internal Control Committee<sup>5</sup>) and to the Board of

Statutory Auditors. In 2016, the overall compliance monitoring model was improved to ensure consistency across all Group legal entities and to enhance efficiency.



#### Advisory

In 2016, we continued to oversee key regulatory topics that have had to be addressed in recent years, including the Dodd-Frank Act, the Market Abuse Regulation and the new Markets in Financial Instruments Directive (MiFID II).<sup>1</sup> Moreover, specific initiatives have been undertaken concerning antitrust regulations, i.e., the *Compliance Antitrust Program*, which seeks to ensure compliance with competition rules at both EU and national level.<sup>1</sup> In 2017 we will focus on new PRIIPs<sup>6</sup> and on new initiatives to be launched at Group level, such as the *General Data Protection Regulation Project* and *MiFIR Group Project* aimed at reviewing the bank's processes and procedures in compliance with new regulatory requirements.

MATERIAL TOPICS



#### PRIORITIES 2017

- Dedicated campaign for Executive Management Committee members and workshops for senior managers

#### ➤ Strengthening of Tone from the Top

- Quantitative assessment on the state of maturity of compliance culture through a pilot project in 5 legal entities based on the 5 pillars of compliance culture framework
- Extension to other legal entities also planned

#### ➤ Compliance culture enhancement

- 5 new compliance courses: Conflicts of Interest, Code of Conduct, Antitrust, Market Abuse and MiFID II
- Extension of *Compliance Academy* to all Group employees planned
- New editions of *Business ethics lab*

#### ➤ Training enhancement

- Code of Conduct update
- #### ➤ Proper conduct and behaviours

- Decrease of internal rules number, reduction of their length and complexity and enhancement of their roll-out process

#### ➤ Group Compliance Rules rationalization, simplification and effectiveness

1. Refer to the Supplement - Risk Management and Compliance section for more information.  
2. Refer to Human Capital chapter for more information.  
3. Refer to the Supplement - Whistleblowing paragraph for more information.  
4. Refer to the Governance chapter for more information.  
5. Refer to the Guarantee a sound risk management chapter for more information.  
6. PRIIPs means packaged retail and insurance-based investment products.

# Our Business Environment





# Business Model in action

Market environment

Our Distinctive Assets

## Stakeholder Engagement

Relevant topics  
for our stakeholders

# Business Model in action

The banking sector is in flux, with regulations, macroeconomic conditions and customer behaviors changing at a rapid pace. UniCredit's Transform 2019 plan has been developed to specifically address these changes. Our simple commercial banking business model and our distinctive assets will enable us to turn this environment to our advantage, becoming a better bank that reliably delivers sustainable, long-term profitability.

## MARKET ENVIRONMENT

Low growth and low interest rates are affecting every bank in Europe

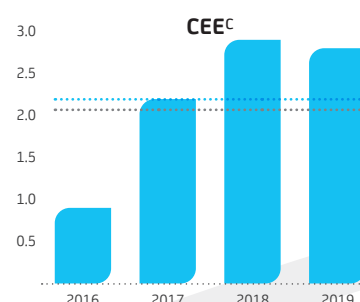
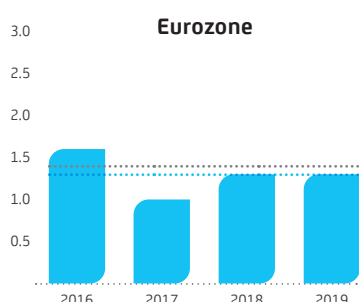
### Growth in line with consensus

Real GDP growth y/y and average, %

■ UCG estimates<sup>A</sup>

..... UCG estimates<sup>A</sup> (avg. 2016-2019)

..... Consensus<sup>B</sup> (avg 2016-2019)



### Lower for longer rates and yield environment

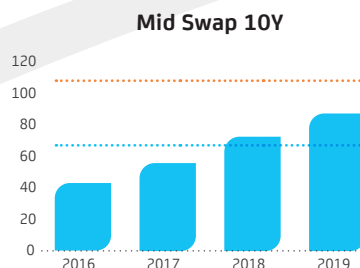
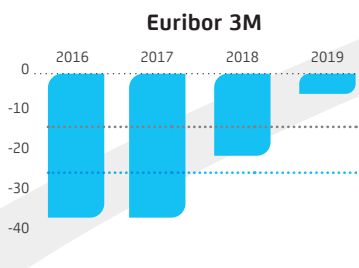
Bps, EoP

■ UCG estimates<sup>A</sup>

..... UCG estimates<sup>A</sup> (avg. 2016-2019)

..... Consensus<sup>B</sup> (avg 2016-2019)

..... Forward<sup>D</sup> (avg 2016-2019)

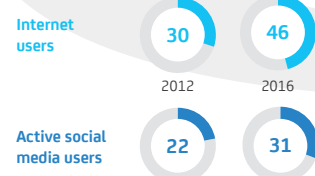


Changing customer behaviors must not only be immediately recognized, but also anticipated

The adoption and growth of remote channels continues at a rapid rate.

### Global digital snapshot<sup>D</sup>

% of world population



The growth of our business depends on the competitiveness of companies and the well-being of individuals within each country

The top priorities in the countries where we operate<sup>E</sup>:

- Citizens who benefit from infancy services
- Percentage of young people not in education, employment, or training (NEET)
- People suffering poor housing conditions
- Life expectancy without activity limitations at 65 years of age.

The regulatory framework for banking and finance is constantly changing, with many new regulations expected in the years to come, aiming at addressing:

- Banks' loss absorbency capacity to grant an orderly resolution of institutions in case of failure
- Banks' assets and liabilities having a sustainable structure in terms of maturity
- The implementation of more stringent criteria for the calculation of Risk-Weighted Assets (RWA), limiting the use of internal models
- A more timely recognition of credit losses and adequate provisioning through the implementation of the new accounting standards IFRS9.

A. UniCredit Group (UCG) house view.

B. For GDP growth and EUR3M, source is Consensus Economics; for Mid Swap 10Y forward from Bloomberg as of 8 December 2016.

C. CEE excluding Poland and Ukraine.

D. Source: Digital in 2016 report, by We Are Social; growth figures may in part be the result of improved reporting.

E. Analysis based on proprietary methodology applied to the countries where we have a major operational presence: Italy, Germany, Austria, Bulgaria, Croatia, Hungary and Romania. Refer to the Social and relationship Capital chapter for more information.

## OUR DISTINCTIVE ASSETS



### Pan European Commercial Bank

Strong presence in **14** countries<sup>A</sup>

Top ranked by assets in Europe<sup>B</sup>  
**n.1** in Austria and CEE by assets  
**n.2** in Italy, **n.3** in Germany

**79%**  
of revenues from  
Commercial Banking<sup>C</sup>



### Unique Client Franchise

**25** million clients<sup>D</sup>

Second largest provider of  
corporate finance in the eurozone<sup>E</sup>



### Distinctive Factories

CIB platform fully plugged in

Best in class CIB products provider

**n.1** EMEA<sup>F</sup> Syndicated loans EUR;  
Sponsor-driven acquisition finance;  
Covered bonds

MATERIAL  
TOPICS



## MARKET ENVIRONMENT



### COMMERCIAL BANKING (CBK)



#### Individuals

Flexible and easy access to banking products such as payments, mortgages, consumer finance, investments and savings accounts offered through traditional and digital channels.



#### Companies

Tailored, profit-driven solutions for entrepreneurs that help them conduct day-to-day business operations or execute new projects or strategies.



#### Private Banking

A 360-degree advisory model, customized investment strategies and access to international markets through specialized advisors.

## BUSINESS MODEL

### Cost / Income

### Revenues

**CBK**  
**€7.4 bn**  
**ITA**

62%

**CIB**  
**€4.3 bn**

41%

### 2016 RESULTS by division

**CBK**  
**€2.5 bn**  
**GER**

77%

**CBK**  
**€1.6 bn**  
**AUT**

76%

**€4.2 bn**  
**CEE**

36%

A. Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia, Slovenia, Romania, Russia, Turkey.

B. Data as of 9M2016, for Austria domestic assets as of end of 2015 on local GAAP (source OeNB), for Germany only private banks.

C. CBK Italy, CBK Germany, CBK Austria, CEE on new Group perimeter considered the disposals of Immo Holding, Ukraine, 30% Fineco, Pekao and Pioneer.

D. Data as of 9M2016, includes 100% clients in Turkey.

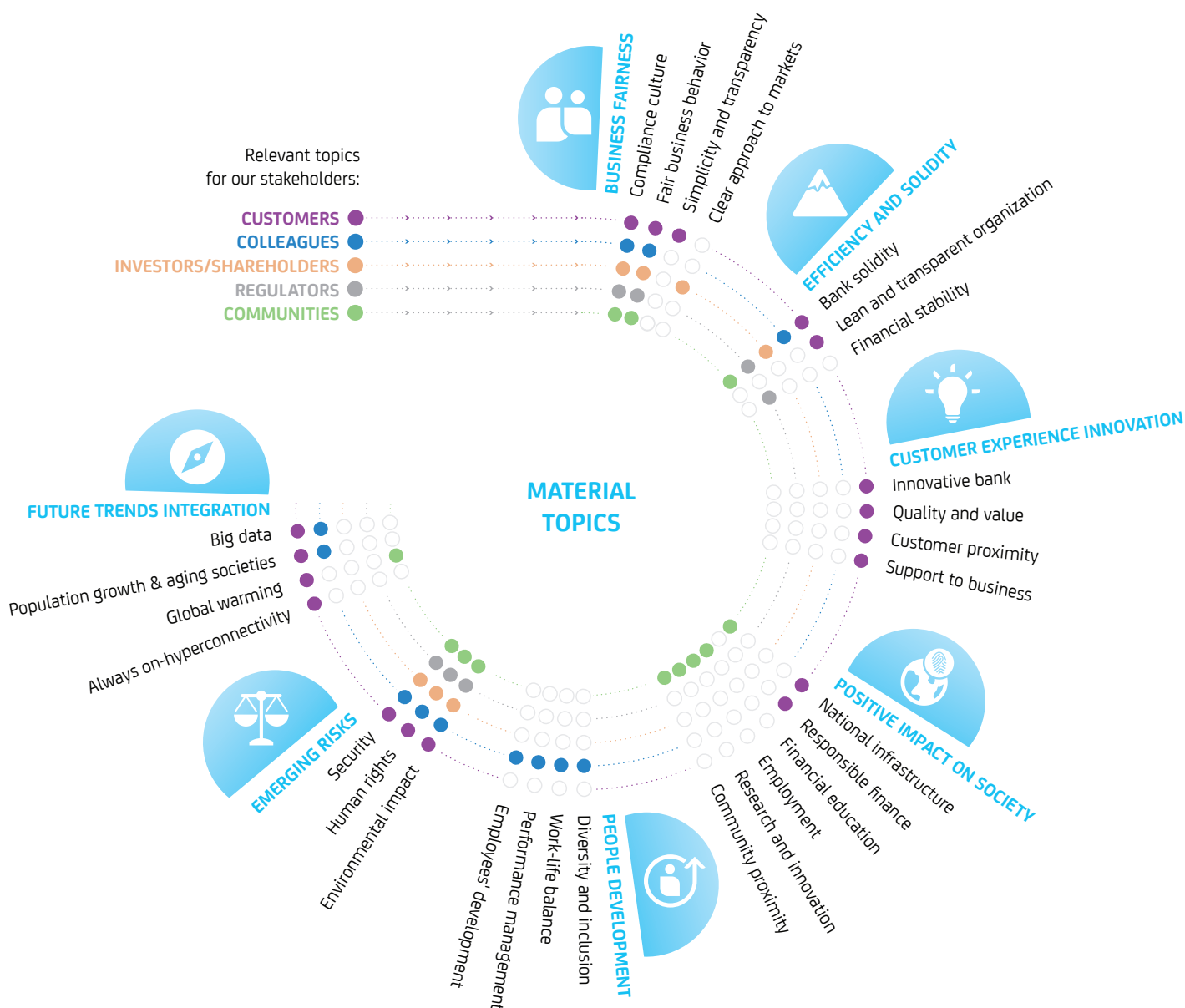
E. Data as of 9M2016; peers include: BNP Paribas, Deutsche Bank, Intesa Sanpaolo, Santander, Société Générale.

F. Data from league tables as of 9M2016.



# Stakeholder Engagement

Continuous interaction with stakeholders at every level of our organization is an essential component of the Group's decision-making processes, which are aimed at the long-term creation of value. Expanding the knowledge base of our stakeholders is a vital undertaking that calls for specific skills and processes, and we continuously invest in the development of these assets.



see page S. 40  
for further info



## Dialogue tools with Stakeholders

CUSTOMERS	COLLEAGUES	INVESTORS/SHAREHOLDERS	REGULATORS
<ul style="list-style-type: none"> <li>Customer satisfaction assessment</li> <li>Brand reputation assessment</li> <li>Mystery shopping</li> <li>Instant feedback</li> <li>Focus group, workshops, seminars</li> </ul>	<ul style="list-style-type: none"> <li>People Survey of professional engagement</li> <li>Internal clients' perceptions of headquarters services</li> <li>Group Intranet Portal</li> <li>Departmental online communities</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly webcasts and conference calls to present results</li> <li>One-on-one and group meetings, calls</li> <li>Shareholders' meeting</li> </ul>	<ul style="list-style-type: none"> <li>One-on-one and group meetings, calls</li> </ul>
			COMMUNITIES
			<ul style="list-style-type: none"> <li>Surveys</li> <li>Social Media</li> </ul>

see page S. 43  
for further info



### MATERIAL TOPICS



Listening to stakeholders has always been fundamental to UniCredit's business, and the Group regularly invests in mutual feedback activities that embrace all types of stakeholders.

As part of this process, since 2010 UniCredit has periodically carried out a materiality analysis. The resulting matrix is used to consolidate and study signals from all of the bank's stakeholders. It not only takes into account their needs and expectations, but also monitors our investment in and capacity to address the issues they care about. To assemble the materiality matrix, we follow a structured, phased approach that:

- maps and prioritizes our stakeholders by relevance, which is measured by assessing their economic dependence, ability to influence and the relative urgency with which we must respond to their expectations
- identifies relevant issues using a number of internal and external sources, peer benchmarks, sustainability rating agencies, searches of regular and social media, research on global risks and opportunities, listening tools, scenario analyses, etc.
- prioritizes the identified issues according to the feedback gathered through our primary stakeholder listening programs
- assesses internal consensus on the issues that are most important to our stakeholders. This process is conducted by engaging the Group functions that specialize in interacting with our different partners.<sup>1</sup>

As illustrated in the table above, we pay close attention to every type of stakeholder associated with our Group. Thanks to the multiple ad hoc dialogue tools that we have developed over time, we receive a steady stream of valuable feedback, through which we can identify the main needs of our

stakeholders committing to satisfy them.

For example, more than 10 years ago, to respond to the needs of a key stakeholder group – our customers – we launched a program to measure customer satisfaction. Over time, this program has evolved, and we have integrated new tools that enable us to receive a steady flow of constructive feedback from our customers regarding every moment of truth.

In 2016, we consulted with more than 100 opinion leaders to learn which systemic trends they think will present both risks and opportunities to the banking sector over the next 10 years.

The most important of these trends (big data, population growth, aging societies, always-on hyperconnectivity, global warming) were integrated into our materiality analysis following an internal assessment carried out by the business functions responsible for evaluating the Group's investments in these issues.

Our goal is to consolidate our relationship with opinion leaders and in this way, we would be able to seek out their opinions regularly to gain a better sense of how the macroeconomic scenario is shifting in comparison to our frame of reference. Another major listening initiative carried out in 2016 was our first environmental, social and corporate governance roadshow. This roadshow allowed us to gather valuable feedback from our major investors about the effectiveness of our sustainability approach.

By incorporating these and other inputs into our analysis, we believe that we can continue to rely on the materiality matrix to support and guide our senior management's ability to make strategic decisions that lead to the creation of long-term value.

1. Refer to the Supplement - Stakeholder Engagement section for more information.

# Our Strategy





# Strategic Plan

Integration of Strategic Pillars and Capitals

Strategic Pillars

Main 2016 Initiatives and Results

Targets 2019

## Connectivity

Case studies

## Capitals

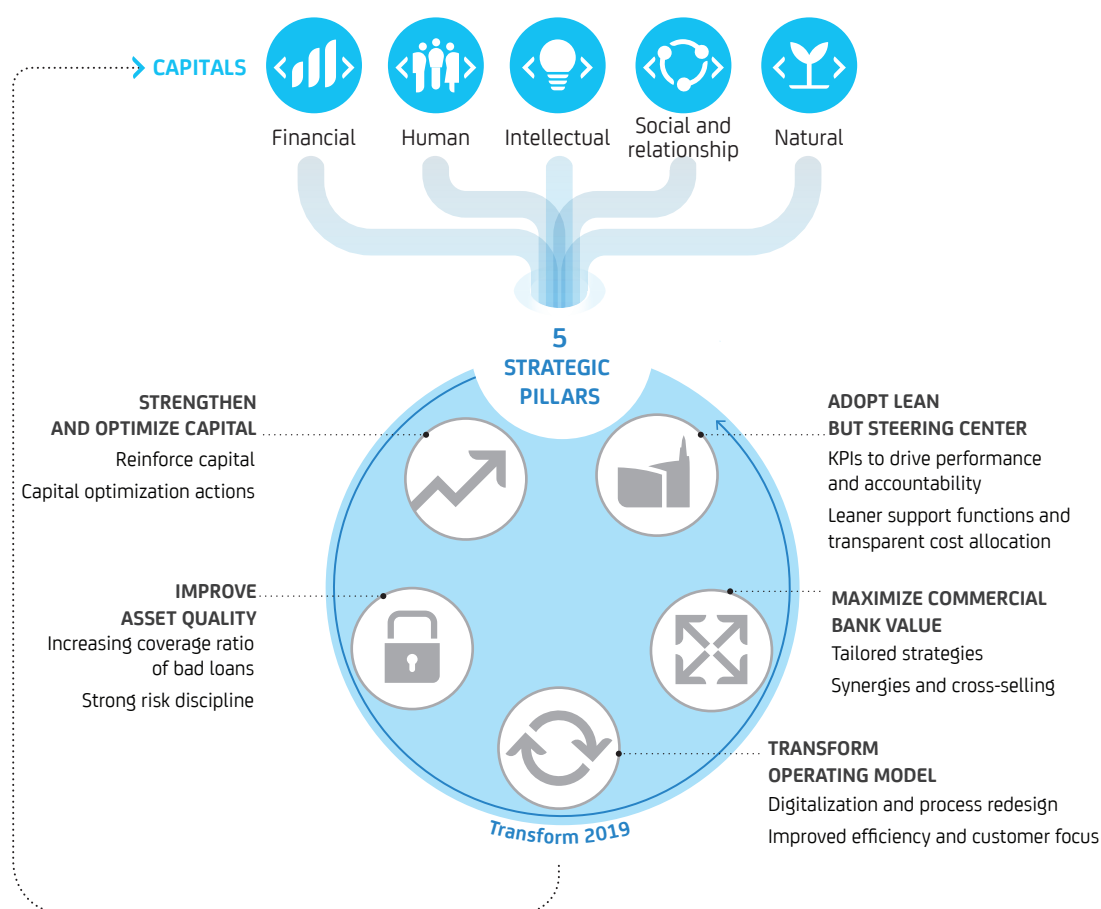
Stocks of Capitals

Main 2016 Initiatives and Results

Community Impact

# Strategic Plan

*Our vision is to be One Bank, One UniCredit: a simple but strong pan-European Commercial bank with a fully plugged in ClB, delivering a unique Western, Central and Eastern European network to its extensive client franchise. In 2016, in response to the rapid evolution of the banking sector and changing customer expectations, we released our strategic plan, Transform 2019. We have decided to take decisive action on a number of legacy issues and gather the resources we require to become a stronger bank that can create maximum value for all our stakeholders.*



The banking industry is now functioning in an era of constant flux, as regulations, macroeconomic conditions and customer behaviors change at a rapid pace. UniCredit aims to anticipate these changes and, whenever possible, turn them into opportunities to enhance our customer focus. This is how we will continue to achieve sustainable, long-term profitability and contribute to the prosperity of the territories where we operate.

In July 2016, we launched a strategic review that encompassed all major aspects of the bank. The review specifically focused on determining how best to reinforce and optimize the Group's capital position, reduce the risk profile of its balance sheet and continuously transform its operations to enable

additional cost reductions and cross-selling across all Group entities.

Following this strategic review, our Group presented the 2016-2019 Strategic Plan, *Transform 2019*, to the market on December 13, 2016. The three-year plan calls for us to build on our existing competitive advantages, making us more efficient and allowing us to better serve our customers, who represent our highest priority.

As we work to implement this plan, we will continue to reinforce and make careful use of the capitals<sup>1</sup> available to us, with due consideration for the ways in which they are interconnected.

1. Capitals are sources of value and relationships that are affected or transformed by the activities and outputs of our organization.

The targets of *Transform 2019* are pragmatic, tangible and achievable. They are based on conservative assumptions and have been organized in 5 strategic pillars.

As per the pillar *Strengthen and Optimize Capital*, we will work to align our capital ratios with the best-in-class global systematically important financial institutions (G-SIFIs). To achieve this goal, several firm steps were taken in 2016, including the sale of Pioneer Investments, an asset management business, and our shareholding in Bank Pekao, a subsidiary in Poland. UniCredit's Board of Directors also approved of a plan to raise €13 billion through a capital increase, which was successfully completed in March 2017. When combined with cost savings and organic capital generation, the steps we have taken will give us a fully loaded CET1<sup>2</sup> ratio above 12.5 percent by 2019, well in line with other best-in-class G-SIFIs.

To *Improve Asset Quality* and address legacy issues, we have launched a two-phase project to de-risk €17.7 billion of non-performing loans via a securitized portfolio (so called *Project FINO*). Furthermore, we have also increased the coverage ratio of bad loans and unlikely-to-pay exposures of Commercial Banking Italy and Non-Core segments, in order make the collection process faster and more efficient (so called *Project PORTO*). As a result of the active de-risking of our balance sheet, we have strengthened our coverage ratio, and we will continue to reinforce our risk discipline to improve the quality of new credit flows. We expect these actions to lower our cost of risk to 49 basis points in 2019, down from 89 basis points at the end of 2015.

The remaining 3 strategic pillars will enable us to drive the transformation of the bank forward by building on our strengths and competitive advantages.

*Transform Operating Model* has been a priority for the past few years now. Actions related to this strategic pillar are aimed at strengthening our customer focus while simplifying the Group and improving its efficiency. Our €1.6 billion IT cash out investment over the time horizon of the plan will allow us to transform the network through a revamp of our core IT systems; we will use digitization

as an enabler to both improve the quality of our client offer and streamline our internal end-to-end processes. At the same time, we are leveraging our global IT operations footprint and we are continuing to optimize our network in Western Europe through branch refurbishments and reductions. Overall, implementing a lower, more sustainable cost structure will result in €1.7 billion in net annual recurring cost savings as of 2019. This figure represents €900 million additional savings than in the previous plan.

Under the pillar *Maximize Commercial Bank Value*, we are capitalizing on our relationships with retail customers, leveraging our status as the go-to bank for corporations and building on our leadership in Central and Eastern Europe (CEE). To these ends, we aim to increase customers' total financial assets (TFA) by more than €80 billion, reaching €856 billion in 2019.

And finally, *Adopt Lean But Steering Center*, concerns the adoption of a leaner organizational model for the holding company marked by transparent cost allocation. We aim to trim the cost of our corporate center from 5.1 percent of total costs in 2015 down to 2.9 percent by 2019. At the same time, clear KPIs will drive performance and ensure bottom-line accountability and results.

The entire Group is fully committed to the *Transform 2019* plan and has prioritized its implementation. A clear project structure and effective governance have already been put in place to ensure its execution.<sup>3</sup>

#### Our Transform 2019 key targets

	2019	Δ vs. 2015 <sup>B</sup>
Net cost savings <sup>A</sup>	-	-€1.7 bn
Cost/Income	<52%	>9.5%
Cost of risk	49 bps	-40 bps
Gross NPE stock	€44.3 bn	-€33.5 bn
Net NPE stock	€20.2 bn	-€18.1 bn
RoTE	>9%	>5%
CET1 ratio <sup>C</sup>	>12.5%	>2.1%

A. Net of wage increase annual recurring savings.

B. All 2015 figures restated assuming new Group perimeter, except for CET1 ratio.

C. CET1 ratio is fully loaded throughout document.

MATERIAL  
TOPICS



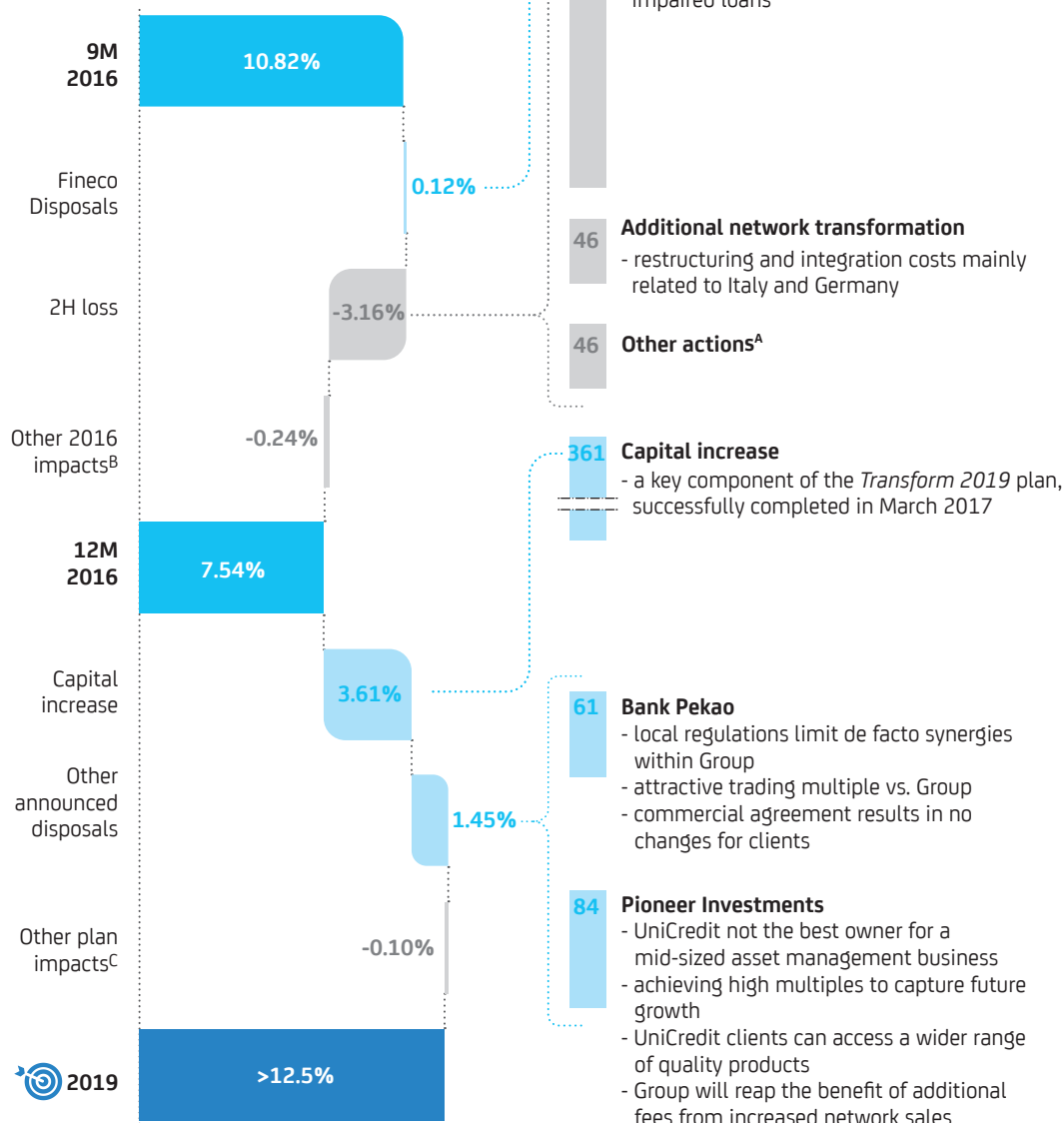
2. The Common Equity Tier 1 ratio measures a bank's core equity capital in proportion to its total risk-weighted assets. It is used to assess a bank's financial strength.  
3. Refer to *Adopt lean but Steering Center* chapter for more information.



## Strengthen and optimize capital

In 2016, we decided to take decisive actions that will significantly strengthen our capital ratios in line with best-in-class G-SIFIs and well above current regulatory requirements. Our goal is to increase our CET1 ratio to well above 12.5 percent by 2019.

### CET1 ratio evolution



A. Includes write down on Group participations, other provisions and net gain on card processing activities, etc.

B. Impacts mainly driven by +22 bps (0.9 €/bn) by Reserves (o/w AFS -7bps, FX +18bps, DBO +11bps) and -41 bps (-2 €/bn) by DTA/FSE Investment thresholds deductions.

C. Impacts such as regulation, model and procyclicality.



## Improve Asset Quality

The Group's drive to strengthen its capital structure dovetails with measures aimed at improving the quality of the Group's assets. We are addressing legacy issues mainly related to our non-core portfolio in Italy while continuing to enhance our risk discipline to improve the quality of new loans.

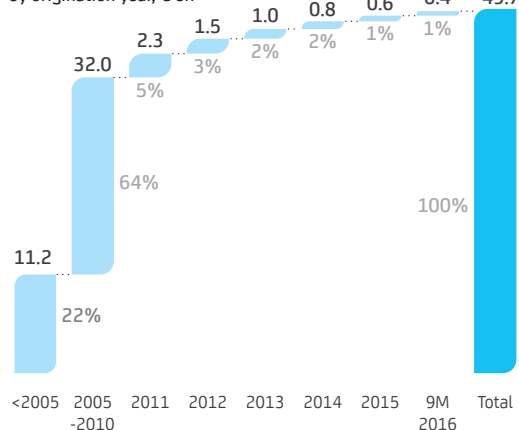
### Addressing our legacy issues

Over the past few years, UniCredit has taken steps to address its exposure to non-performing loans. Such exposure absorbs capital that would otherwise be available for business development and value creation.

In 2013, a non-core segment was set up, comprising roughly €86 billion of Italian gross loans with a risk-return profile not compatible with Group expectations. In-depth analyses subsequently confirmed that roughly 90 percent of the non-performing exposure (NPE) from the non-core portfolio in Italy was originated before 2011 and resulted from previous underwriting practices and earlier acquisitions.

#### A pre-crisis legacy<sup>A</sup>

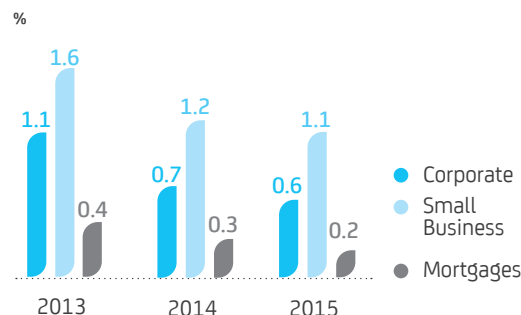
Italian Non Core Gross NPE stock by origination year, € bn



A. Numbers might not add due to rounding reasons.

Consequently, we have taken steps to accelerate the reduction of the non-core portfolio. These steps primarily entail disposals, recoveries and repayments. At the same time, we have reviewed our credit practices and an analysis of the loans we have originated over the past 6 years confirms that they have performed well despite the economic downturn.

### Commercial Banking Italy: First 12 months Default rate on new loans

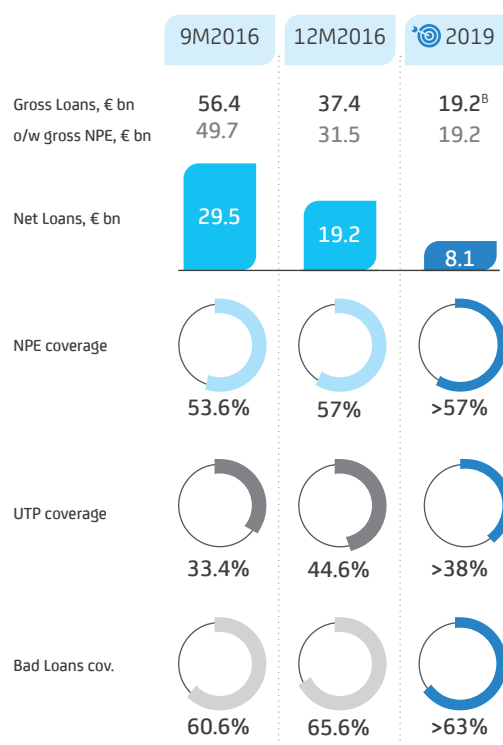


MATERIAL TOPICS



The new approach to managing our current level of NPE has enabled us to accelerate the reduction of our non-core portfolio in Italy. Collateral values have been updated to reflect recent market transactions and loan workout analyses. A comprehensive assessment and workout of our restructured loan portfolios with valuations in excess of €1 million has been performed, and we have increased our coverage of impaired loans through one-off provisions.

#### Non Core evolution<sup>A</sup>



A. All 9M2016 figures restated assuming new Group perimeter; figures adjusted including one-off LLP on restated perimeter; numbers might not add due to rounding reasons.

B. €15.0bn Bad Loans (32% Corporate, 10% Small business, 1% Old Vintage, 1% Individuals, 29% Mortgages, 27% Leasing), €4.0bn UTP (72% Corporate, <1% Small business, 0% Old Vintage, <1% Individuals, 7% Mortgages, 20% Leasing), and €0.2bn Past Due.



Project *FINO*, a two-phase de-risking of €17.7 billion in non-performing loans, will further speed up the process of reducing our non-core portfolio. The elements of the portfolio that will not be disposed of as part of Project *FINO* will be addressed in the following ways.

First, our proactive, strengthening focus on customers who are making payments on their loans will attract additional healthy clients back to our core portfolio. Next, commercial trends are expected to contribute to further repayments of loans. We will also work to reduce our stock of NPLs by partnering with certain outside parties, such as real estate developers, to make tactical disposals. By leveraging UniCredit's partnerships and internal workout skills, we will also improve our capacity to recover unpaid debts. Lastly, active portfolio management and cost optimization will result in further write-offs.

## Strengthening our risk discipline

Legacies aside, UniCredit is continuing to implement the conservative risk approach it has adopted in recent years by further reinforcing risk discipline on new originations and monitoring of loans. The commercial bank in Italy is pursuing new originations in a disciplined manner supported by centralized underwriting for selected portfolios, such as real estate and project finance.

In Italy we will also continue to focus on investment-grade customers and will further enhance the quality of the loan origination procedures by automating the credit underwriting processes, particularly for the individual and small business segments. Measures to strengthen asset quality are being pursued Groupwide. Germany and Austria will leverage Group practices in order to extend the automation of credit processes to their respective individual and small business segments.

In CEE, which has consistently delivered sound profitability over a number of years, asset quality trends are expected to be resilient through 2019. A set of initiatives tailored for the region will focus on countries with sound macroeconomic environments. Further centralization of underwriting processes, adoption of stricter criteria for new originations, reinforcement of collection processes for individuals and small businesses, disposals and enhanced repossession procedures are also being considered for our CEE operations.

These steps will enable all business divisions (Commercial Banking in Italy, Germany and Austria

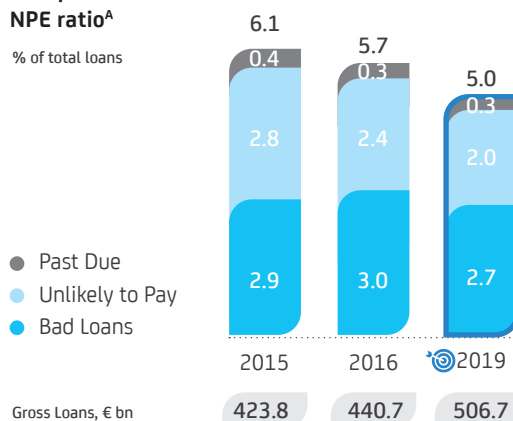
and CIB) to continue to deliver solid asset quality, while CEE asset quality will remain stable over the life of the strategic plan. In addition, managerial KPIs will be defined and monitored through the period of the plan to enforce strict control over the key variables that underpin our new loan origination processes.

All these measures enhance our Group's conservative risk culture, supporting the achievement of key 2019 targets for our NPE ratio, NPE coverage and cost of risk.

### Group Core Gross NPE ratio<sup>A</sup>

% of total loans

- Past Due
- Unlikely to Pay
- Bad Loans

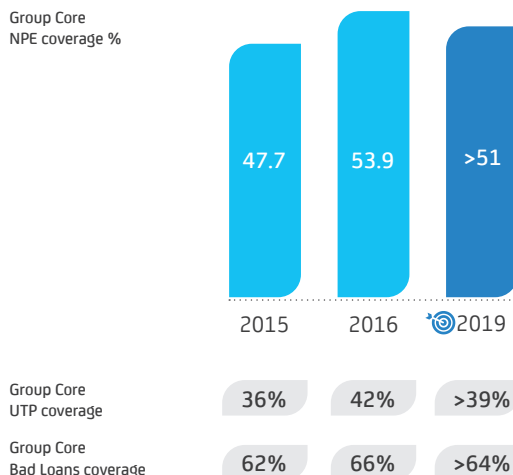


### NPE coverage<sup>A</sup>

Group Core NPE coverage %

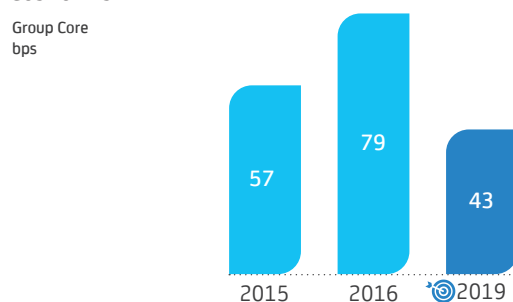
Group Core UTP coverage

Group Core Bad Loans coverage



### Cost of risk<sup>A</sup>

Group Core bps



A. All 2015 and 2016 figures restated assuming new Group perimeter; numbers might not add due to rounding reasons.



## Transform operating model and Maximize value of the commercial bank

We want to take our operating model to the next level in terms of its technological sophistication, resource efficiency and commercial effectiveness. To kick-start this process, a number of programs have already been put in place.

We are continuing to optimize the operating model, from IT simplification to procurement and real estate, to ensure efficiencies over time. As we embark on this transformation journey, IT investments are necessary and these will be coupled with a strong attention to cost and projects selection and execution.

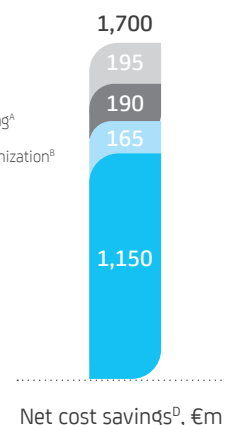
One of our key priorities is to enable the bank's transformation through the redesign of our end-to-end processes to support our customers' digitization journey and further improve their experience when interacting with us. At the same time, we also use digitization as an enabler to rethink our processes and ensure a lower sustainable cost base.

Lastly, we are working to secure the execution of the plan across the Group through disciplined demand management and implementation to ensure that the *Transform 2019* targets are fully achieved within the expected timeframe. We are achieving this through rigorous monitoring and project management with close senior management involvement and accountability.

Overall, implementing a lower, more sustainable cost structure will result in €1.7 billion in net annual recurring cost savings as of 2019, a key part of which will come from staff expenses. This translates into a net reduction of full-time-equivalent (FTE) by approximately 14,000, an additional 6,500 FTE reduction compared to the previous plan. A reduction of around 2,800 was already achieved in 2016. The FTE reduction is being responsibly managed with due consideration for local business requirements and laws. For example, in 2016, agreements with Trade Unions were reached in every country, securing the entire planned exits.

### Key Transformation programs

- IT simplification and evolution<sup>A</sup>
- Centralized operations streamlining<sup>B</sup>
- Procurement and real estate optimization<sup>B</sup>
- Bank's transformation
- Lean but steering Center<sup>C</sup>



### MATERIAL TOPICS



A. Refer to the Intellectual Capital chapter for more information.  
B. Refer to the Natural Capital chapter for more information.  
C. Refer to the Adopt Lean but Steering Center chapter for more information.  
D. Net cost savings 2015-2019.

We want to be a simple, pan-European commercial bank that delivers a unique Western, Central and Eastern European (CEE) network to our extensive client franchise of individuals and companies; to further drive the transformation of our operating model and maximize the value of our commercial bank, we are committed to:

- transforming our Western European<sup>1</sup> commercial banking operations to improve focus on customers and create a sustainable, lower cost structure
- further strengthening our leadership position in CEE
- capturing more cross-selling opportunities through an efficient Corporate & Investment Banking Division that is fully plugged into commercial banking
- maximizing revenue synergies and the sharing of best practices across business lines and countries.

### Transforming our Western European commercial banking

In Italy, Germany and Austria, our core countries in Western Europe, we have worked to further enhance our customer focus while leveraging a more efficient, innovative and digital service model that has a sustainable, lower cost structure. We have also taken steps to accelerate growth by introducing products and services that provide higher levels of risk-adjusted profitability.

1. Western Europe includes Commercial Banking Italy, Germany and Austria.

### Customer focus enhancement with sustainable service models and a lower cost structure

The increasing use of technology is changing consumer behavior and expectations. In recent years, to enhance our customer focus and meet their increasingly sophisticated demands, we have begun adopting a tailored approach to our distribution and sales channels that improves our interactions with customers and applies innovation and digitization to day-to-day banking products and services. This supports UniCredit's efforts to become a leaner, more efficient organization by reducing costs and protecting revenues.

UniCredit has a strong record of successfully transforming its distribution models in its core Western European markets. This creates value for our Group and for our key stakeholders, particularly our customers.

#### Our simple, Groupwide, commercial banking model

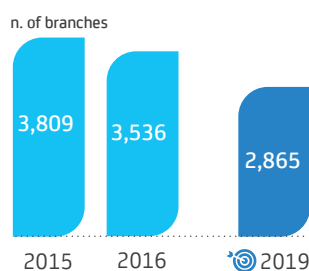
	Value for Clients	Value for UniCredit
<b>A. Sales channels</b>	Tailored for each client segment	Sustainable
<b>B. Customer interaction</b>	Seamless/innovative	Accretive
<b>C. Day-to-day banking</b>	Digitalized/convenient	Efficient
<b>D. Network organization</b>	Specialized	Lean

#### A. Sales channels

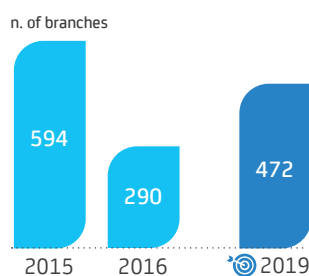
As part of the transformation of our distribution model and sales channels, intended to make our bank more accessible, we are optimizing our footprint by:

- further consolidating branches in high-density areas such as mid-size and large cities
- rationalizing branch presence in small towns and rural areas
- increasing branch efficiency by adopting leaner formats with enhanced automation (e.g., smart/cashless branches).

#### Branches reduction<sup>A</sup>



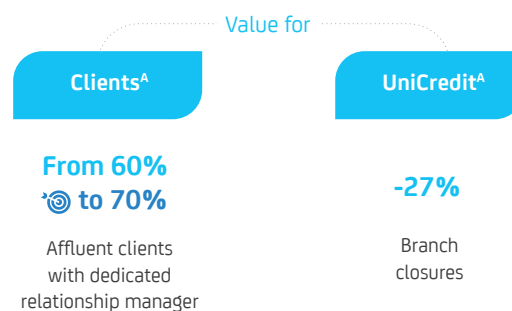
#### Branches refurbishments<sup>A</sup>



A. Retail branches in Italy, Germany and Austria.

We have refurbished more than 700 branches (23 percent) in Italy since 2011. With modern layouts, more efficient use of space and high-tech interfaces, these refurbished branches are more welcoming and comfortable for customers. Branches continue to be the focal point of our relationships with clients; the technical upgrades that fully integrate them with all of our alternative banking channels enable us to conduct more complex interactions with our customers. The UniCredit branch network has been further optimized by branch closures; since 2013, we have closed 222 branches.

These changes have enabled us to focus on higher-quality advisory services. Indeed, we expect our number of relationship managers in Italy to increase by 5 percent by 2019 while our coverage of affluent individual clients with dedicated relationship managers will continue to increase in the course of the strategic plan, reaching 70 percent in 2019.



A. 2015-2019, focus on Italy.

In Germany, we were among the first movers in seeking to reposition our branch network and service model when we embarked on our transformation in 2013. As of 2016, the network transformation resulted in the closure of more than 230 branches and refurbishment of more than 340 branches. In that period, our number of affluent clients has remained stable thanks to our strengthening value proposition. For example, in 2016 we provided all of our individual customers with upgrades to top account packages, with more benefits and a simplified pricing structure. We have accompanied these measures with roughly 19,000 total hours of rigorous training for nearly 2,500 colleagues, representing 95 percent of our retail staff.

Similarly, in Austria, through *Bank Austria Reloaded*, a program of organizational changes in the retail area (and corporate center), we are continuing to streamline our organization by focusing on premium advisory services and digital channels for our individuals and small business customers. In 2016, 39 branches were closed and more than 20 were refurbished, in line with our new, state-of-the-art digital service model, which features modern layouts and deploys new technologies, such as cash recyclers, electronic signature pads, Wi-Fi-enabled tablets and remote advisory services. While we are making our branches more digital and accessible, we have also worked to improve our investment advisory services, by making more experts available to provide remote mortgage and asset management consulting services tailored to our customers' needs. In 2016, thanks to the completed rollout of *AUM-Experts*, an asset management service for individuals and small businesses, more than 12,900 client meetings were conducted. These meetings garnered excellent feedback from participating customers and resulted in roughly 8,000 securities orders. To ensure the successful implementation of our new service model, we have made major investments in expanding the skills and digital expertise of our employees. Over the course of 2016, more than 200 people received over 670 hours of training.

## B. Customer Interaction

To enable UniCredit's transformation for the digital era and further improve the interaction with customers, we are enhancing the design and digitization of our end-to-end processes.

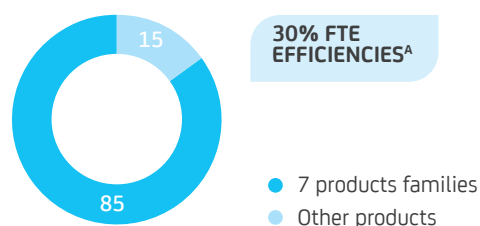
In recent years, our Group successfully completed several pilot projects that redesigned end-to-end processes with customer service in mind and exploited digital enablers for process automation and effectiveness. These innovative approaches

are now being extended Groupwide to drive the transformation process.<sup>2</sup>

## Improving customer interaction by streamlining top products - Focus on Italy

### End-to-end redesign of the most relevant processes...

Network and headquarter FTE, %

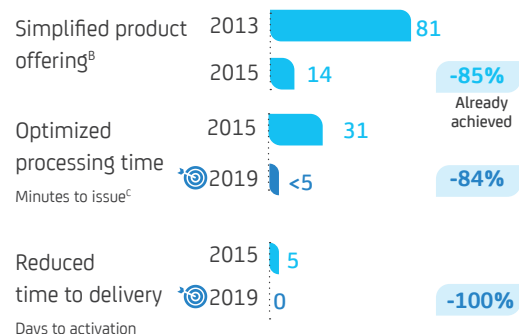


### Focus on end-to-end redesign

- Setup of an end-to-end delivery unit with cross-functional teams between Business and IT
- Product simplification

### ...with improved service to customers

Credit card example



A. Expected FTE reduction on redesigned processes.

B. Number of product variations in catalogue.

C. Refers to net FTE time required to complete underlying activities.

## C. Day-to-day banking

We are steadily becoming a true *brick-to-click* bank. While we still do most of our business through our branches, we are prepared to support our customers as they gradually migrate to digital services for their day-to-day banking. UniCredit has already implemented a blueprint for digital innovation across various channels and products. These include mobile and payment solutions that cover all of a customer's basic transactions, instant lending solutions for mobile users such as the *One Click Personal Loan*, use of big data and the deployment of robo-advisory services.<sup>2</sup>

Thanks to our innovative digital products and services, in Italy we worked to increase both the share

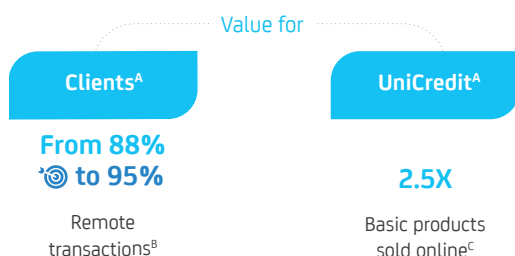
<sup>2</sup>. Refer to the Intellectual Capital chapter for more information.

## Our Strategy

→ Strategic Plan



of remote transactions as well as the number of basic products sold online such as current accounts,



A. 2015-2019, focus on Italy.

B. Includes cash withdrawals, cash deposits and transfers.

C. Includes current accounts, personal loans, overdraft, car insurance.

personal loans, overdraft, and car insurance.

To further introduce customers to our digital offer, we have organised *UniCredit Digital Today* in 2016. Roughly 1,000 employees, who serve as our digital ambassadors, introduced our innovative digital offer

During *UniCredit Digital Today*:

- roughly 110,000 clients activated our mobile banking app
- more than 20,000 clients activated *Monhey*, our mobile payment app launched in 2016
- more than 4,000 clients subscribed to *My Business View*, which was updated in 2016 with new functions.

to over one million of our customers across Italy. Also in Germany in 2016, we improved our digital offer by launching a new banking app with innovative features such as an invoice scanner and the *AppTan* process, which allows customers to complete transactions within the app itself. As a result, we have increased customer usage of our banking apps by over 20 percent (*AppTan* usage increased by over 150 percent). The new app received high customer ratings in app stores (4 – 4.5 stars). Approximately 40 percent of our online banking users in Germany are also active mobile banking users.

In Austria, we reinforced our digital offer by introducing several new innovative products and services in 2016. Through our new self-service multimedia terminals (MMT), high-volumes of manual administrative work from our branches can be now executed 24/7 by our customers. Furthermore, in addition to our mobile banking app, we launched *Mobile Geldbörse*, a mobile wallet app for quick POS payments, and enhanced its basic features with additional customized solutions for our customers. These solutions include instant overdrafts and the Bank Austria loyalty program, which delivers offers from our cooperating partners directly into customers' mobile wallets. The app was positively received and was downloaded over 14,000 times in 2016.

## FOCUS

### Boosting digital offers to ensure the Bank's readiness for clients' changing behaviors

In line with our *Transform 2019* strategy, in the coming years we will continue to invest in boosting our digital offer to ensure we can rapidly adapt to changing customer behaviors.

#### Future developments

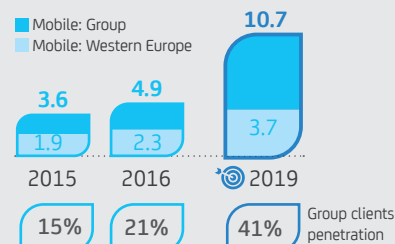
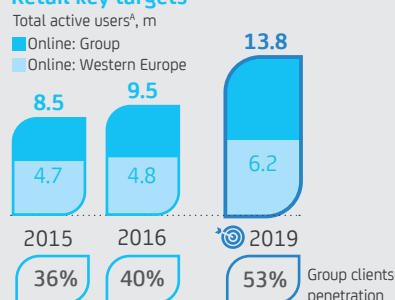
##### Retail

- New internet/mobile platforms fully integrated with CRM allowing real-time customer engagement and interaction
- Remote Advisory for individuals and companies also exploiting robo-advisory engines
- Fast credit on digital channels with advanced pre-scoring techniques

##### Corporate

- New e-banking front-end as a single sign-on for integrated functionalities (trade finance, supply chain finance and global cash management)
- New digital solutions to reduce response time and to simplify the interaction with customers (e.g., instant payments, cross-border payments – same day use of funds)

#### Retail key targets



A. Retail customers with at least 1 login in the last 3 months; incl. Turkey 100% and Fineco; excl. Ukraine.



## Growth with products that generate higher risk-adjusted profitability

We aim to consolidate our asset gathering position, reaffirm our leadership in banking and capture the full potential of our corporate franchise, while progressively reducing our NPE ratio. As with our Groupwide commercial banking model, the same simple approach will be rolled out to all of our operations in Western Europe.

### Key Targets



A. vs 2015.

B. Excluding market performance effect and including Fineco.

In 2016 we worked to **consolidate our asset gathering** activities via several channels, including:

- asset management
- advisory services
- relationship management.

UniCredit successfully signed a binding agreement with Amundi for the sale of Pioneer Investments. As a result, UniCredit will enjoy a partnership with a leading asset management player – first in Europe and eighth globally – that has unique expertise in serving retail networks and strong product and investment capabilities. This will result in an enriched product and service offering, benefitting UniCredit's clients in Europe. The partnership for the distribution of asset management products is underpinned by a 10-year distribution agreement that covers Italy, Germany and Austria.

Other actions taken to consolidate our asset gathering position included the implementation of an improved platform to serve high-net-worth individuals (HNWIs) and Private Banking customers. A range of additional advanced solutions were also introduced by our Corporate and Investment Banking division.

Regarding our advisory services, in Italy, we leveraged the position of Fineco, our multichannel direct bank, with a leading-edge advisory model.

We are also continuing to invest in new technologies, including the development of advanced financial consulting services that deploy cyborg-advisory technologies. Fineco, leveraging on its best-in-class internal IT culture, is able to take care of a more structured asset allocation that is based on an algorithmic/quantitative approach. In this way, the network can dedicate more time to managing relationships with clients, better understanding their needs and how they evolve over time, thereby increasing the quality of services offered and the customer experience. At the same time this allows Fineco's Personal Financial Advisors (PFAs) to reach an increased number of clients while improving productivity. During 2016, Fineco set up a brand new platform for PFAs, called *X-net*, and a tool called *Needs* that can estimate clients' financial gaps and generate personalized investment proposals. These innovations help PFAs to increase their number of actively managed clients, increasing penetration rate on total assets under management from 45 percent in 2015 to 56 percent in 2016. This percentage continues to rise.

In Germany, growth in 2016 was supported by our structured, holistic advisory model, *Finanzkonzept*, which provides clients with transparent, neutral and portfolio-oriented advisory services, along with our flat-fee *Depot Global* securities account. Recommendations for mutual funds follow an extensive and stringent, best-in-class selection process. With the high-quality advisory expertise provided by *Finanzkonzept*, we aim to set a benchmark for the German banking market. In 2016, roughly 215,000 advisory sessions were conducted, yielding a recognizable increase in customer satisfaction and the number of top clients.

Lastly, to enhance the growth of UniCredit's asset gathering, we are revamping our Group's relationship management model. As part of this effort, we launched Cordusio SIM in 2016 to reinforce our positioning with ultra-high-net-worth individuals (UHNWIs), offering them a highly specialized service model. Cordusio SIM serves more than 3,500 families in Italy with more than 170 financial advisory specialists in over 20 cities. Its highly specialized investments consultancy covers areas such as real estate, art, estate planning and philanthropy. By the end of 2016, Cordusio SIM managed over €23 billion in assets, with substantial potential for growth.

We are reaffirming **our leadership in retail** by capitalizing on the potential of our client relationships and by increasing our market share in customer loans.



In retail, we are focusing on the consumer finance and small business segments, enhancing our offering with more innovative and tailored products, as well as near real-time pre-approved processes. These include:

- advanced customer relationship management (CRM) intelligence
- need-responsive offerings
- near real-time disbursement via pre-approvals.

Our portfolio of consumer loans amounted to €9 billion in 2016.<sup>3</sup> We are targeting roughly a 12 percent CAGR increase in volumes by 2019.

Similarly, for our small business segment, we have worked to improve our penetration and retention of existing customers. Measures taken have included investments in adjusting our service model. We improved our advisory services by creating dedicated centers to serve our more sophisticated customers, while also increasing our use of remote channels.

In Italy in 2016, we launched an updated version of the *My Business View* service. The service uses big data to enable companies that manage their sales transactions through UniCredit's POS systems to analyze buying behavior, access aggregated industry information, analyze and develop new sales and marketing strategies.

Over 17,000 small and medium enterprises (SME) customers activated *My Business View* by the end of 2016.

Similarly, we have taken steps to improve *My Business Manager*, which we created for companies that use our internet banking services. With this service, companies can monitor their current accounts and credit lines via a graphical user interface. Enhancements in 2016 include the integration of advance invoices and an additional benchmarking function that allows customers to view aggregated sectoral data.

In Germany in 2016, we continued to improve the ability of our SME customers to remotely access advisory services through the *Business Easy* service model. We added simplified, online processes to open new accounts and take out standard loans, as well as other basic products. As a result, in 2016, we improved the efficiency of our cross-selling activities while significantly increasing our Customer Satisfaction Index (CSI) score by 4 points over 2015.

Overall, based on the improvements we have made to our service model for small business clients, we are targeting a 3.2 percent increase in loan volumes for this segment by 2019.

In **corporate banking**, we are capturing the full potential of our franchise across Europe by leveraging our status as a go-to bank.

UniCredit is already a leading corporate bank in Europe, and we enjoy solid and longstanding relationships with more than 600,000 SME and corporate clients in Europe. We have made more than €310 billion in loans to these segments, making us one of the eurozone's top corporate lenders.

In Italy, in 2016, we further developed our capability to support the national and international growth of our corporate clients active in various economic sectors.<sup>4</sup>

Furthermore, the continuous improvement of our service model through innovative technology and the further development of customized solutions resulted in greater customer satisfaction. This year we registered a TRI\*M Index score of 59 (+1 over 2015).<sup>5</sup>

Similarly, in Germany, we are the go-to bank for European Mittelstand corporate clients. To confirm our position as a strategic business partner, in 2016 we continued to increase client advisory sessions and loan volumes. Thanks to our specialized advice, trade finance and treasury products, we further improved customer satisfaction in this segment, which was already at a high level when last measured in 2015.

We will continue to increase our share of the corporate market by leveraging innovative customer relationship management tools, renewing our product offering and cross-selling our value-added services.

Our target is to make more than €55 billion<sup>6</sup> in new corporate loans through our Western European commercial banking operations.

3. Data as of September 2016.

4. Refer to the Social and relationship Capital chapter for more details on corporate initiatives in Italy, Germany and Austria.

5. The TRI\*M Index score here reported refers to Italy for the Corporate segment. Refer to the Supplement – Social and relationship Capital section for more information.

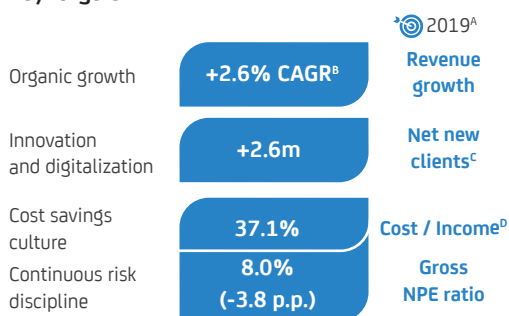
6. Cumulated corporate new loans; 2016-2019; CIB excluded.

## Strengthening our leadership position in Central and Eastern Europe (CEE)

UniCredit's CEE franchise is the largest and most diversified in the region. We provide strong local coverage with more than 1,800 retail branches<sup>7</sup> across 11 countries and are one of the region's leading corporate banks, providing roughly €60 billion in credit to CEE businesses.

In line with the *Transform 2019* plan, we continued to invest in organic growth. We aim to consolidate our leadership in the region, which will enable us to further stimulate its socioeconomic growth. Our approach consists of enhancing our capacity to innovate and digitally transforming our operations. In this way, we can better respond to rapidly changing customer needs while maintaining a sustainable cost structure and strong risk discipline.

### Key targets



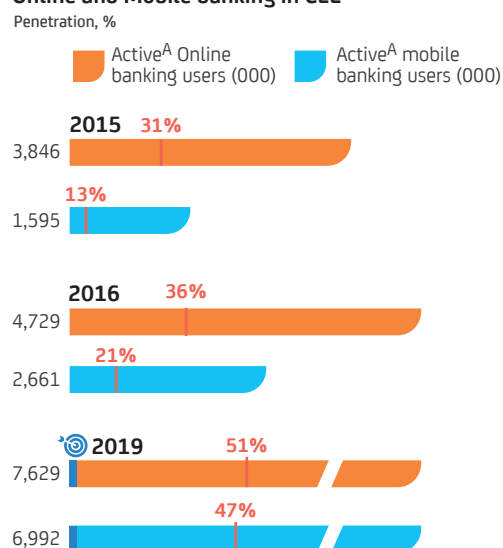
A. vs. 2015; all 2015 figures are restated assuming new Group perimeter.  
B. At current FX rate, Constant FX Rate CAGR 3.4%.  
C. Including Turkey at 100%.  
D. In 2019. At current FX, 36.3% at constant FX.

We are also working to achieve organic growth by focusing on the acquisition of new clients. We are deploying innovative onboarding and retention strategies, as well providing a distinctive value proposition for multinational and international corporate clients in the region.

### Growth through innovation and digitization

In 2016, we rolled out our redesigned public websites. The new design provides easy, interactive access to our core banking products and has led to an increase in online self-service transactions. It has also generated more leads through online product applications; more than 87,000 leads were registered in 2016. At the same time, we have improved our mobile and internet banking solutions in various countries by increasing their functionality and security. Although we still see potential to increase our penetration of digital channels, we have already achieved high user rates for them.

### Online and Mobile banking in CEE



A. Retail customers with at least one login in the last three months incl. Turkey 100% excl. Ukraine.

Customer data analytics represent another area we have focused on, as they allow us to better understand our customers and make sure our services remain relevant to them.

In last year's report, we discussed the *Big Data* project that was kicked off in 2015. This project was initiated to install a data analysis architecture that could provide a 360-degree view of our customers.<sup>8</sup> After a successful pilot project in Romania in 2016, the project was extended to 5 more CEE countries, using the same innovative and agile approach.<sup>9</sup> Roughly 65 colleagues worked in several teams to cover three key streams: Metrics & Models, Processes & Governance, and Offers & Channels. The project team developed more than 20 machine learning models with the predictive power to make our marketing campaigns more effective. Consequently, our high conversion rates<sup>10</sup> for targeted populations in all project countries clearly demonstrated that big data driven campaigns perform better than standard campaigns. The highly customized strategies that big data lets us employ when promoting our offers and channels enable us to present the right value propositions to the right customers.

We are also using big data analytics to enhance our offer for corporate clients. *Big Data for CIB*, which we launched in 2015, was continued in 2016. It is focused on the design and application of analytics and algorithms that utilize a wide range of facts and statistics data. This allows us to propose needs-based offers and build trust-based relationships with existing customers and create a high-quality customer base.

7. Including Yapi Kredi (YKB) in Turkey.

8. Refer to the 2015 Integrated Report for more information.

9. Bulgaria, Croatia, Hungary, Russia and Serbia.

10. The conversion rate is the percentage of marketing proposals that generate a result.





In 2015 and 2016, we used *Big Data for CIB* to focus on enhancing our Global Transactions Banking (GTB) products, supporting client acquisition activities and our cross selling strategy in 2 CEE pilot countries. In 2017, the project will be extended to 5 more CEE countries, and its capacities will be increased.

### Support the growth of companies in CEE

UniCredit is a leading corporate lender in CEE. We serve approximately 80,000 corporate clients in the region with a market share of roughly 16 percent,<sup>11</sup> a figure that represents a slight increase over 2015.

UniCredit is intent on maintaining its position as the leading provider of services to cross-border clients in CEE.<sup>12</sup>

In 2016, we served 24,500 international clients in CEE. Our target is to serve roughly 28,000 cross-border clients by 2019.

### FOCUS

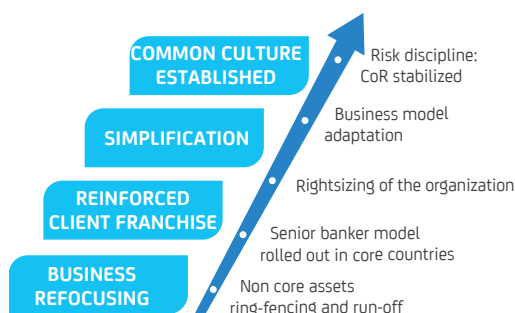
#### EU funds<sup>13</sup>

European funds play an important role in supporting CEE economies and the growth of companies. On average, the funds allocated to the CEE countries account for some 3 to 4 percent of their GDP. For the current programming period (2014-2020), more than €200 billion were allocated by the European Commission under European Structural and Investment Funds (ESIFs) to the EU CEE Member States.

UniCredit has significant expertise in handling state and EU-supported programs. The Group runs European Competence Centers and other specialized units in 9 CEE countries, providing first-class services and products that enable our clients to access EU funds and financing solutions. More than €2.2 billion in EU-funded loans facilitated by UniCredit has been approved for projects in CEE for the previous programming period. We are strongly committed to providing advisory services to companies looking to seize new EU Funds opportunities under the current programming period.

## Capturing more cross-selling opportunities through an efficient Corporate & Investment Banking Division that is fully plugged into Commercial Banking

Over the past few years, our Corporate & Investment Banking (CIB) Division was significantly reshaped and simplified to establish a common culture and strong risk discipline.



Thanks to this, CIB is now fully plugged into Commercial Banking and is an established leader in our core geographies, serving multinational corporates and key financial institutions, delivering services to more than 600,000 corporate and public sector clients and offering investment solutions for 24 million retail and private banking clients. Its leading position among European financial institutions is recognized in multiple league tables.

n.1 corporate loans in EUR  
n.1 EMEA bonds in EUR by no. of transactions<sup>14</sup>  
n.1 Trade Finance provider in Western Europe and CEE.

CIB is also a major engine of growth for UniCredit, generating roughly €4.2 billion in revenues in 2016. In line with the *Transform 2019* plan, our three-pronged strategy for CIB is simple and straightforward.

First, we want to consolidate and improve CIB's market-leading position by building on our strengths and further expanding our leadership into areas such as global transaction banking and debt finance. To achieve this, we will leverage our international network and clients while ramping up our market capabilities for the benefit of our corporate and financial institution clients. The steps we have already taken enabled 71 percent of CIB's total revenues to be client-driven, and we aim to increase that figure to 84 percent by 2019.

Secondly, we are enhancing Group synergies by strengthening cross-selling.

11. 15.8 percent market share of non-financial corporations (excluded Russia); this percentage increased by 1 percent y/y as of November 2016.

12. Refer to the Connectivity - case studies chapter for more information.

13. Refer to the Social and relationship Capital chapter for more information.

14. Excluding self-led transactions.



In the 2015 Integrated Report, we discussed the new joint venture that was formed between CIB Division and Commercial Banking Italy.<sup>15</sup> The JV aims to integrate our traditional offerings to corporate customers with a wider range of products and services that enable them to take advantage of structural changes in the financial markets.

The JV offers a 360-degree client-centric approach that benefits from direct senior management involvement, fully coordinated commercial activities and an aligned incentive system. Thanks to this customized service model, our customers can access high-value-added products and services such as access to capital markets, advisory services, and financial risk and liquidity management.

#### 2016 ACHIEVEMENTS CIB-CCB JV

- launched the JV in Germany
- conducted over 1,400 pitches that used a structured origination approach to engage our clients
- generated JV revenues amounting to €189.7 million in 2016, an increase of 3 percent from €184 million last year. We are aiming to double our revenues, up to €363 million, by 2019.

The third and final feature of the strategy, which is in line with both our efforts over the past few years and our *Transform 2019* plan, is to deploy strong cost and risk discipline to enable CIB to grow.<sup>16</sup>

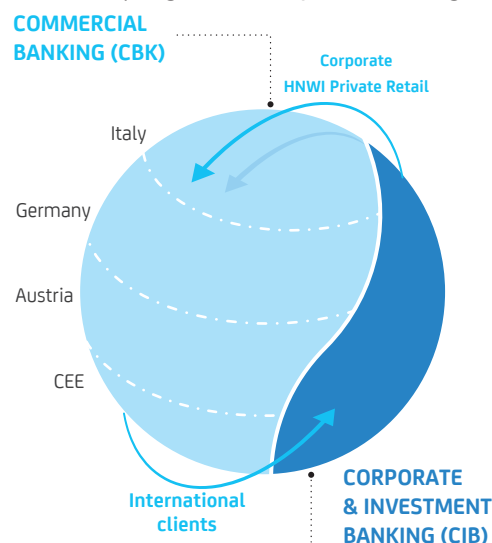
### Maximizing revenue synergies and best-practice sharing across business lines and countries

UniCredit has significant potential to promote synergies across our business lines and countries. With our new *One Bank, One UniCredit* approach, we are working to take full advantage of every opportunity by leveraging Groupwide best-practice-sharing platforms to better serve our customers.

In addition to the JV between the CIB and Commercial Banking, we are focusing on developing a range of additional synergies. These involve our corporate, high-net-worth individuals (HNWI), private banking, retail customer segments, as well the services we provide to our international clients.

For our corporate and HNWI clients, we are working to strengthen our relationships with entrepreneurs by establishing a joint approach to manage both their corporate needs and their private wealth.

### Maximize synergies and best practice sharing



For example, in Germany over the past year, we continued to build on the cooperative relationship we implemented between our JV Private Banking/Wealth Management and our Unternehmer (commercial) bank to better support clients within the existing network. By offering an unique 360-degree client advisory service, we have become more capable of helping clients manage their private wealth. As a result, the number of new clients increased by roughly 5 percent year-on-year. In our CEE division we launched a cutting-edge web application platform which integrates various analytical and operational functions. By facilitating our end-to-end commercial processes, this platform allows us to provide the best possible service to our corporate customers in the region.

Supporting the international activities of our clients with dedicated products and services is a key component of our business strategy. We have invested substantially in this area for the past several years, and we believe it will be fundamental to our future success. We clearly understand the challenges associated with managing an international business, and we are pleased to put our deep knowledge of international markets to work for our clients. Across the countries where we operate, we maintain International Centers that consistently serve to support our clients. Through these UniCredit International Centers, we offer all potential investors a single point of entry for their international trade transactions. Our international experts engage in regular client meetings aimed at fostering the international business of customers. The 360-degree support banking we provide covers everything from simple current accounts to complex structured financial solutions.<sup>17</sup>

15. Refer to the 2015 Integrated Report - Strategic Plan chapter for more information.

16. Refer to the Improve Asset Quality chapter for more information.

17. Refer to the Connectivity - case studies for more information.

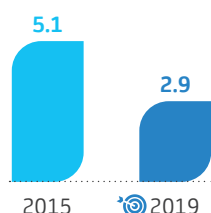


## Adopt a lean but steering center

We have taken several key steps to create a strong steering center that can firmly guide our various divisions and business lines. At the same time, we are implementing measures to reduce the impact of our corporate center in terms of costs.

### Reduction of weight of Group Corporate Center of total costs

Weight of Group Corporate Center on total costs, %



In July 2016, UniCredit decided to strengthen the role of the General Manager, expanding responsibilities to cover all business activities. This includes, among other items, our CIB and CEE divisions as well as all operations in Italy, Germany, Austria. This represents an important step toward expanding UniCredit's client offering and maximizing cross-selling and value creation across the entire Group. It will also better enable us to implement our digital strategy and make changes to the bank's service model.

With a simplified organization and a strong management team, we are ready and fully committed to implementing the *Transform 2019* plan. To this end, 18 Groupwide projects based on 3 core platforms have been launched, and a strong governance and monitoring framework has been erected to enable us to achieve our targets and objectives. The *IT Demand Platform* will ensure discipline and the optimization of IT investments while supporting our transformation by allocating resources to the most impactful initiatives. The *Finance Platform* will serve as the authoritative source for all revenue and cost figures, enabling us to consistently track progress toward our strategic plan targets. It will also ensure that overall performance management is based on our steering managerial KPIs. The *Human Resources Platform* will track progress toward our targets and drive forward people engagement, talent development and

training activities. Regular monitoring of program implementation will be carried out at weekly steering committee meetings. There will also be regular monthly senior meetings chaired by the CEO and involving pillar sponsors and platform owners to review overall progress and results achieved. These monitoring measures will promote accountability and drive the transformation forward.

The steering managerial KPIs, which are uniformly applied across the Group, are fully aligned with our overall Group Risk Appetite Framework and tightly linked to our incentive scheme.<sup>1</sup> These KPIs have been disseminated to every division and business line.

### Effective execution and governance of the transformation program

KPIs		Rationale
KPIs cascaded down to divisions	Value Creation	
	ROAC	Business profitability including all P&L items
	Risk & capital governance	
	CET1 ratio fully loaded	Focus on capital strength
	New business ELA	Quality of new business
	Performing stock ELA	Risk dynamics of performing credit portfolio
	Δ Gross NPE y/y	Development of non-performing credit portfolio
	Loan and deposit volumes	Liquidity position
	Industrial drivers and clients	
	Δ Opex vs. target	Cost-efficiency developments vs. targets
	Cross-selling	Cross-selling effectiveness across business lines and countries
	Net new clients	New client origination, differentiating between active and dormant clients

A. EL stands for Expected Loss

1. Refer to the Risk Management and Compliance chapter for more information.

## Divisional KPIs

MATERIAL  
TOPICS



A. Excluding intercompany and repos.

B. Including Turkey at 40.9%.

C. Retail only - Excluded minor premises, Corporate and Private Banking.

D. Retail only - Excluded minor premises, Corporate and Private Banking; including Turkey at 100%, excluding Ukraine.

E. At least one login in the last three months.

F. Excluding Fineco.

# Connectivity - case studies

*Value is created from the connections made between a wide range of factors. An understanding of how the company's capitals, material topics for stakeholders, strategic pillars and business model are interconnected and interact is key to properly assessing our value creation process over time.<sup>1</sup>*

## Transform our operating model in Italy

Digitization has increased the commoditization of banking and finance products, especially in the individual clients segment. Customers expectations of their banks are rapidly changing, creating the possibility that customers will access some of their products and services from different providers. This is a threat to traditional commercial banks, but it is partially offset by the opportunity to gain market share.

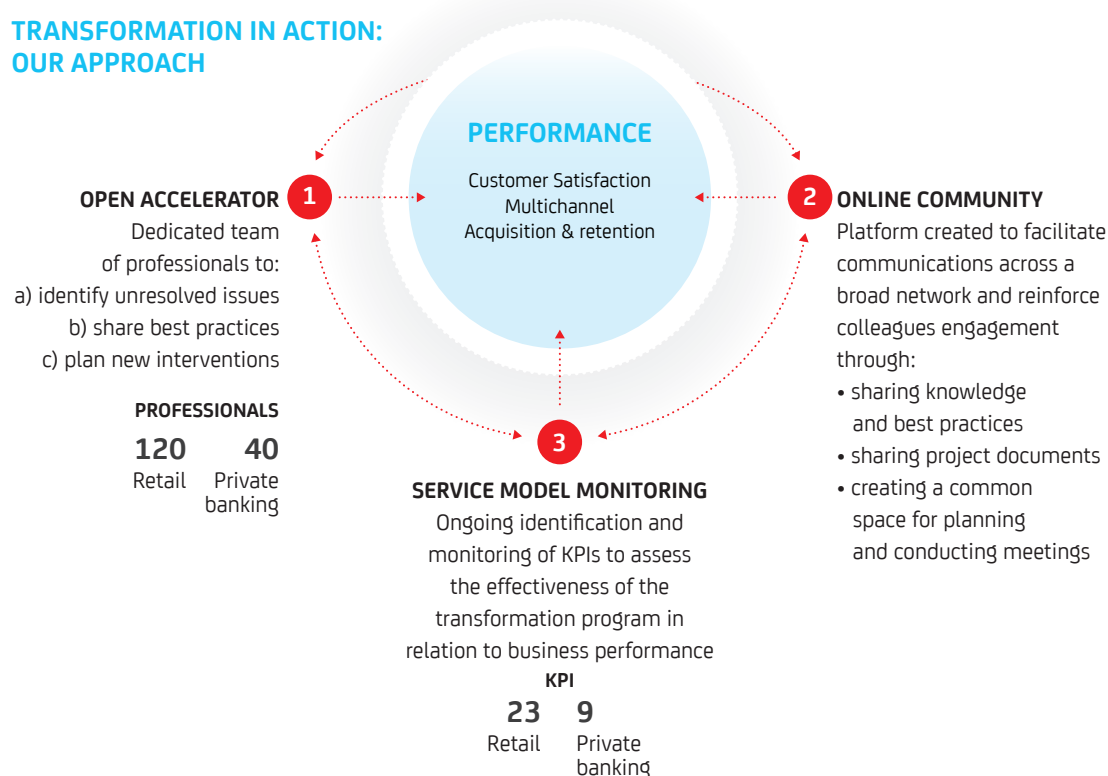
We consider the changing behaviors of our clients an incentive to further transform our network and the way we serve them. Our objective is to make sure we are slightly ahead of the curve, responding to new trends and improving the quality of what we do on an ongoing basis. In 2013, UniCredit launched a major turnaround program in Italy, where the Group has

more than 7 million retail customers and 12 percent market share.<sup>2</sup> This program, *Open*, encompassed a significant review of our distribution and service model. Its purpose was to enhance customer experiences and nurture the kind of innovation that not only creates value for our customers but also optimizes our cost to serve.

Thanks to this program, we have significantly transformed our network by rebalancing the combination of digital and physical interactions we have with our customers.

To speed up the pace of change within our organization, we leverage the existing knowledge in our intellectual capital. In addition, we make significant investments in enhancing the skills of our people, who represent our human capital. The *Open in Action* project, which has been running for the past few years, was designed to facilitate the transformation of both the retail and the private banking segments. The project utilizes an integrated, three-pronged approach that consists of dedicated professionals team, an online community and a service model monitoring the program's progress. Together, this approach amplifies the impact of the changes we make, and assures the achievement of our performance targets. The release of the strategic plan, *Transform 2019*, served to confirm and reinforce this approach to transforming our operating model.

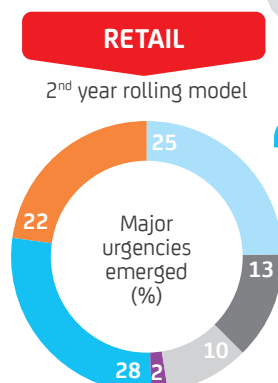
### TRANSFORMATION IN ACTION: OUR APPROACH



1. Refer to <http://integratedreporting.org/resource/international-ir-framework/> for more information about Connectivity concept.  
2. Households loans and deposits, August 2016.



## 2016 CAPITALS: KEY INVESTMENTS

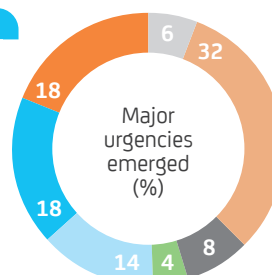


### AREAS TO BE UPGRADED

- Organizational Complexity
- Logic behind KPI
- Mindset
- Staff skills
- Service model know-how
- Processes
- Technical
- Others<sup>A</sup>

## PRIVATE BANKING

1<sup>st</sup> year rolling model



### OUR ACTIONS

#### 7 experts of Customer Satisfaction

and on-demand compliance experts reinforced our Open Accelerator team

**~30% of our network**

visited by our Open Accelerators

**>24,000<sup>B</sup> colleagues**

participated in self-teaching programs

**~3,000 colleagues**

received an average of 11 hours of face-to-face training

#### 40 Open Accelerators

visited all our centers

**40% of the network**

visited by Customer Satisfaction team

**>1,000 colleagues**

participated in self-teaching programs

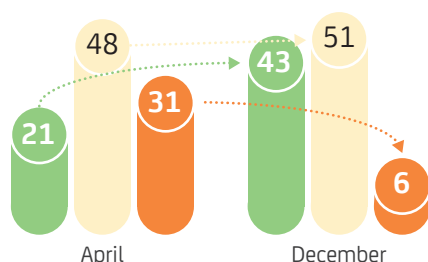
**100% of network managers**

committed to meeting targets



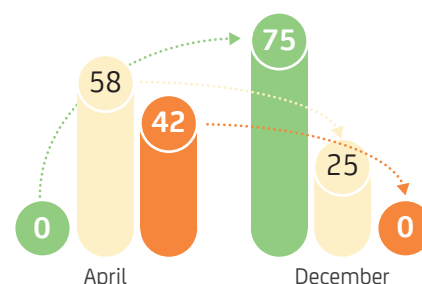
### TRANSFORMATION IN ACTION

### RESULTS



Transformation achievements by area<sup>C</sup> (% of total)

High Medium Low



### PERFORMANCE 2016 vs. 2015

**>9 points**

Customer Satisfaction vs. Competitors

**+1.5% n. of customers**

**+5% active online banking users**



Financial



Social and relationship

**+3 points**

Customer Satisfaction

**+6.5% n. of customers**

**Remote Advice from 4% to 26%**

A. Others refer to local specificities related to model roll-out.

B. Data from 2014 to 2016.

C. Results based on the calculation of a synthetic index from the 23 retail and 9 private banking KPIs to monitor transformation performance over time, by clustering the network areas based on their performance in 3 groups (high, medium and low performers).

MATERIAL TOPICS



# UniCredit's International network

Growth in the volume of international business conducted by domestic companies represents a major engine of national economic development. In 2015, global trade accounted for more than 55 percent of global GDP.<sup>1</sup> Italy and Germany, which

together account for more than 65 percent of UniCredit's revenues, combined in 2015 to handle more than 9 percent of global trade in merchandise and commercial services.<sup>2</sup> UniCredit's international footprint and pan-European clientele are two of our most distinctive assets.<sup>3</sup> As such, they are critical to the continuing consolidation of our leading position in corporate banking and to supporting our customers' growth strategies in international markets.

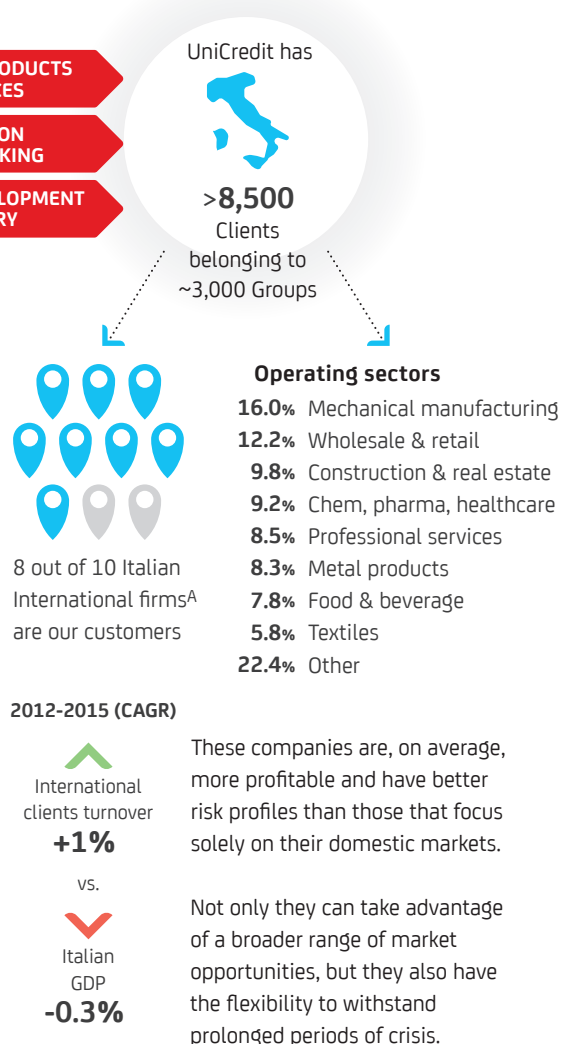
## OUR SERVICE MODEL

UniCredit is one of just a few banks that can offer the structured banking solutions that many of our clients require thanks to its distinctive service model.



## OUR INTERNATIONAL CLIENTS - FOCUS ON ITALY

UniCredit's focus on internationalization allows the bank to cater to clients<sup>4</sup> who conduct business both at home and abroad.



A. UniCredit's 2015 market share is calculated by considering all Italian firms with subsidiaries abroad and turnover greater than €5 million per year; the resulting figure represents the number of UniCredit's international clients vs. the total number of international companies in Italy.

1. Source: World Bank (<http://data.worldbank.org/>). The figure is calculated from the sum of exports and imports of goods and services measured as a share of Gross Domestic Product.  
2. Italy and Germany's share of global trade - World Trade Statistical Review 2016.  
3. Refer to the Business Model in Action chapter for more information.  
4. International clients are defined as those with headquarters in Italy and at least one operating subsidiary abroad (excluding CIB division customers) or Italian subsidiaries of multinational companies based overseas.





## 2016 CAPITALS: KEY INVESTMENTS

Intellectual

Human

### Cross-border business Easy to deal with

- Simplified the process of opening cross-border accounts from selected home countries, saving clients time and money

### Portfolio enlargement

- Increased our portfolio of products for cash management, transactional banking and trade finance, supply chain and receivable finance

### Service offering

### Enhanced digital services

- Harmonization of core banking IT platform across the branch network located outside the Group core markets. Project scheduled for completion in 2018
- Development of a common e-banking platform for multinational companies to be progressively rolled out across the network

### International presence Reinforced our network

- Opened a new branch in Madrid
- New dedicated teams in London and New York
- Launched a project to open a new branch in Abu Dhabi

### Talent development

### 45 colleagues selected

- Launched an internal campaign to provide Group colleagues with development opportunities worldwide; initiatives to strengthen the competences of our international network

### Training and events

### >840 Employees, >6 hours per capita

- Provided training to relationship managers to improve their competences involving internationalization products and services
- Organized 42 forums to spread knowledge of regional and local business practices to clients

MATERIAL  
TOPICS

Transform 2019

Transform 2019

UNICREDIT  
INTERNATIONAL  
NETWORK

## 2016 CAPITALS: KEY ACHIEVEMENTS

Financial

Social and relationship

### Sustained performance 2015-2016 Revenues ↑

- Despite persistently weak economic growth in Italy, the international segment<sup>A</sup> registered a growth in revenues booked abroad
- Thanks to UniCredit's leadership position in the region, revenues were heavily concentrated in CEE, followed by Austria and the United States

### Client Satisfaction

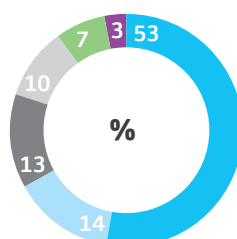
### +3 points vs. overall segment satisfaction<sup>A</sup>

- International clients demonstrate a higher level of overall satisfaction with services provided
- ~3,000 participants
- 42 forums were organized to strengthen customers' knowledge of international markets

### Country impact

- Italian international clients account for a significant share of Italian GDP and jobs generated by UniCredit<sup>B</sup>

- CEE
- Austria
- US
- Germany
- APAC
- UK



GDP	Jobs	
3.4%	3.6%	Contribution of Unicredit Italy <sup>C</sup> (% of total)
2.6%		Int. clients as % of total Italian clients (#)
17%	16%	Contribution of int. clients with traditional loans <sup>D</sup> (% of total loans)

- According to international trade statistics, Italy ranks first or second globally in the fashion, automotive and mechanical manufacturing sectors<sup>E</sup> of UniCredit's traditional loans to its International clients in key Italian sectors

A. Figures refer to clients with headquarters in Italy and at least one operating subsidiary abroad, excluding CIB division customers.

B. The most recent data available is for 2014. More recent data was not included due to the unavailability of customer reports and accounts.

C. Total UniCredit contribution to Italian GDP was calculated based on the Leontief model and ISTAT input-output matrices.

D. Traditional loans generate 2.2% and 2.6%, respectively, of GDP and jobs in Italy.

E. Based on the WTO Trade Performance Index 2014 and client Ateco codes.



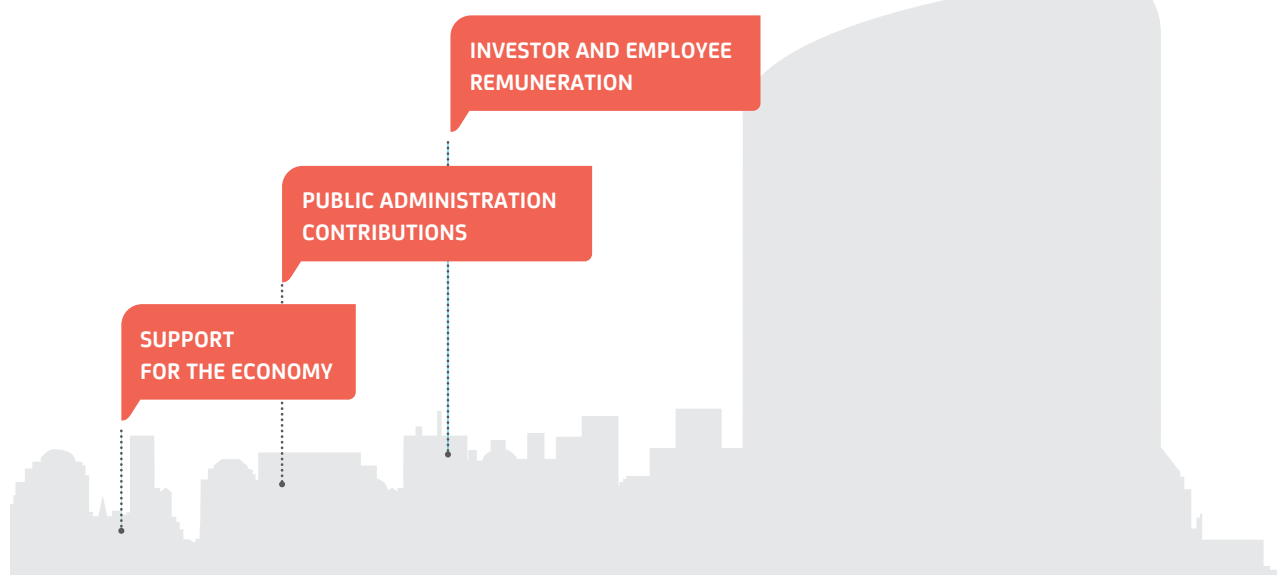
# Financial Capital

*Financial resources obtained from external providers and generated by our bank's activity, that are used to support clients' business and bank operations for the medium-long term.<sup>1</sup>*

## OUR STOCKS OF CAPITAL



## COMMUNITY IMPACTS

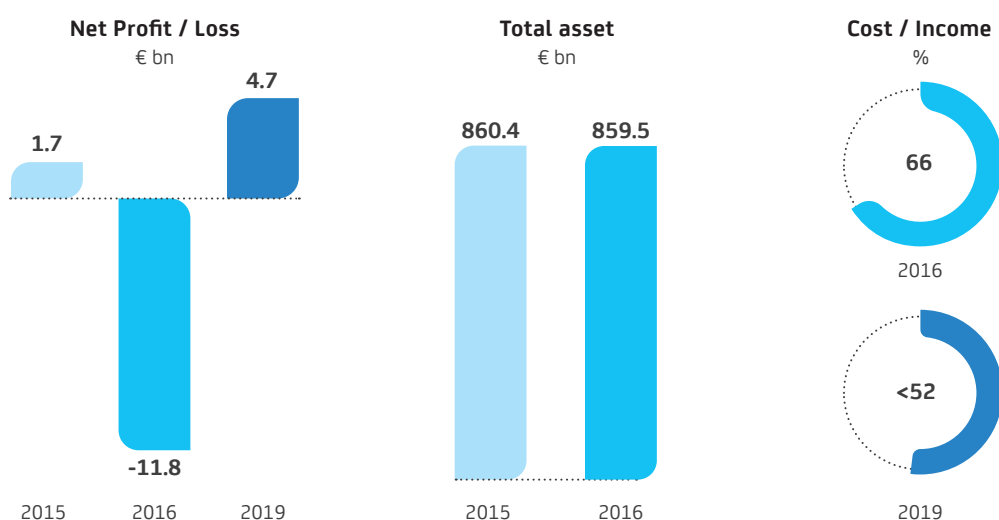


## PRIORITIES 2017

- Strengthen and optimize capital
- Improve asset quality
- Cost discipline and efficiency measures to reduce cost income ratio and transform business processes

1. Financial data corresponds to information in our 2016 Consolidated Reports and Accounts. When not applicable, management data is used. For additional information on Group results, refer to the 2016 Consolidated Reports and Accounts and to the Presentation on 2016 preliminary results available on the investors section of the Group website. Refer to the Strategic Plan section for more information.

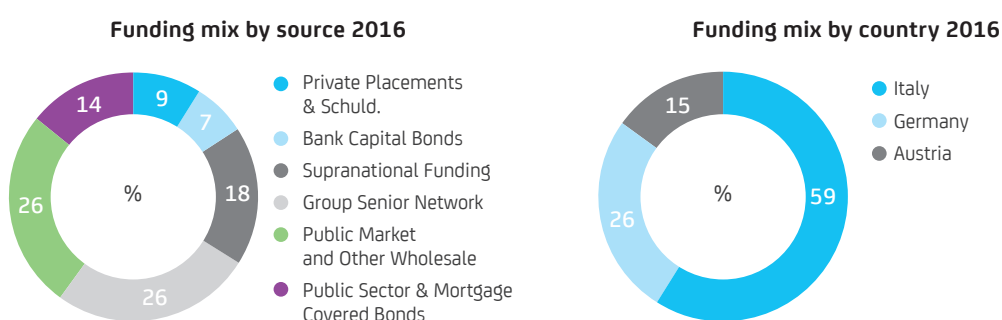
## Solid Equity Position



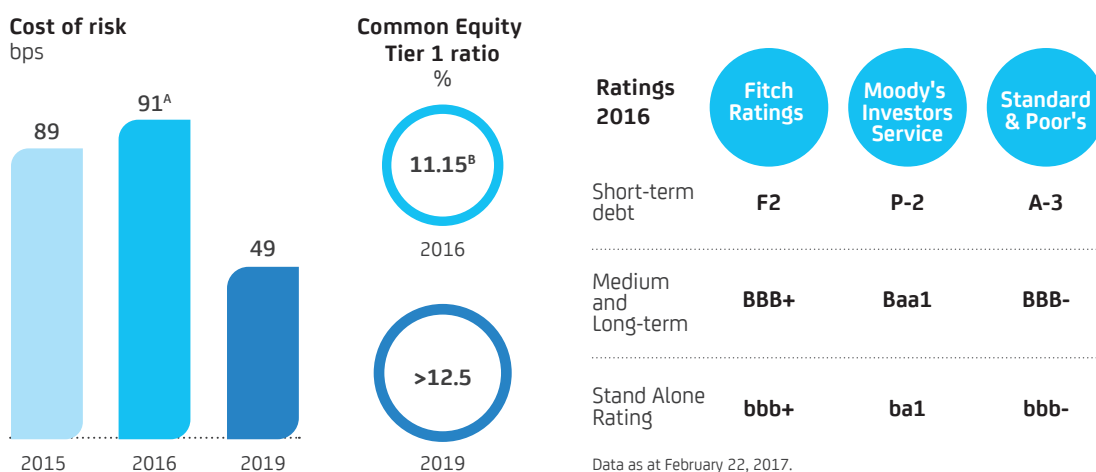
MATERIAL TOPICS



## Balanced funding mix



## Long-term financial stability



A. Cost of risk adjusted for -€8.1 bn non recurring LLP in 4Q16, related to *Transform 2019*. Cost of risk not adjusted at 31.12.2016 = 269bps.

B. Fully loaded CET1 ratio at 11.15% post capital increase, above 12% including Pioneer and Pekao deals. CET1 ratio transitional at 11.49% post capital increase.

# Human Capital

*The alignment of UniCredit colleagues with our corporate values, core proficiencies, compliance and risk management policies; their ability to understand, develop and implement our Group's strategy; their abilities to lead, manage and collaborate in alignment with our governance; and their richly diversified skills, capabilities, experience and innovative capacity.*

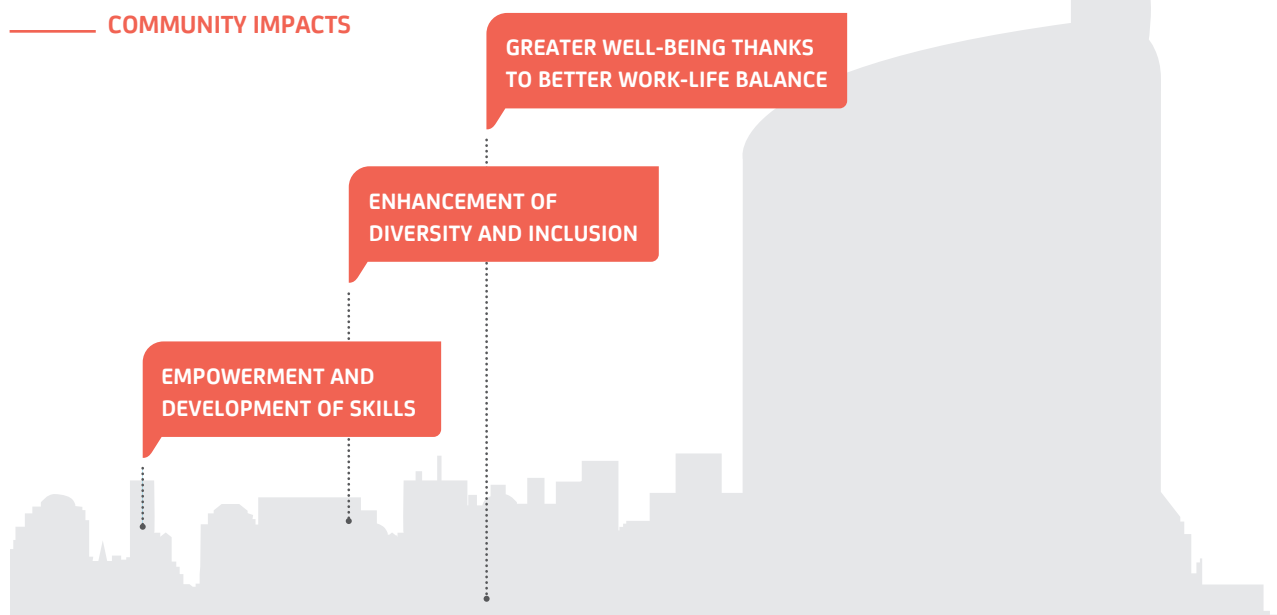
## OUR STOCKS OF CAPITAL



## RESULTS

- **75 percent** engagement index
- **~24** training hours per capita
- **23 percent** female presence in senior management

## COMMUNITY IMPACTS



## PRIORITIES 2017

- Evolution of talent management
- Enhancement of an engaging environment for our colleagues
- Digitization of HR service model



## Unlock potential

We support our colleagues throughout their professional lives by listening to their needs, valuing their skills, implementing training programs and development plans, and promoting diversity, inclusion and work-life balance. This is why all UniCredit colleagues share our vision of *One Bank, One UniCredit* and are able to understand, develop and implement the *Transform 2019* plan.<sup>1</sup>

Changes to the macroeconomic environment are pressuring members of the banking industry to deeply review their business models, a process that has ramifications for those employed in the sector.

Our Group remains committed to managing the challenges related to this effort with a responsible and positive approach.<sup>2</sup> As part of this commitment, we will continue to invest in the engagement, the professional development and the diverse talents of our people.

## Engage colleagues

The engagement of employees is key to the viability of our business; it is at the heart of our strategy and underpins our aspiration to become *One Bank, One UniCredit*.

### Communicating and inspiring with our actions

Throughout 2016, we have worked to extensively communicate our Group strategy, performance, results, business and HR issues to colleagues.

Much of this effort focused on the *Transform 2019* plan so employees could understand the role they will play in its implementation. On the day this plan was presented in London, our Group intranet provided all UniCredit colleagues access to content that described its details, including a CEO video message with supporting presentations that received roughly 96,000 page views on that same day.

Furthermore, Group managers had access to a live video of the event, which they streamed for more than 5 hours. Following the presentation of the plan, senior management actively helped make the specifics of our new goals and key actions known Groupwide with specific events.

We then focused our communication efforts on engaging colleagues in our drive to become *One Bank, One UniCredit*, emphasizing that the *Five Fundamentals* of our Group are the main pillars of our common culture. To stress that these principles set the foundation for how we do business at UniCredit, we established a global communication plan using unique definitions and a single communication style for the entire Group.

Video messages from our CEO and General Manager were broadcast on the Group intranet, while related materials were produced to align all UniCredit employees with these principles.

We have also determined it is important to have engaged colleagues who can act as ambassadors for our Group on social media, given its increased ability to influence businesses and their reputations.

Accordingly, in 2016 we worked to boost participation in our *Natural Born Advocates* employee advocacy program.

Today there are roughly **100 UniCredit advocates** in **3 countries** (Italy, Poland and Croatia).

These advocates share information about our Group with their personal contacts on social media, amplifying our corporate messages about strategy products, services, business and events.

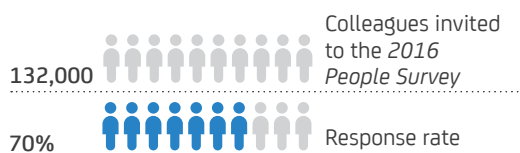
As they have gained experience and participated in dedicated initiatives (online meetings, newsletters, training, events and rewards), their work to share UniCredit's messages has become progressively more effective.

Thanks to these and other efforts, engagement with our Group on social media platforms has increased.

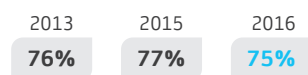
1. Refer to the Strategic Plan section for more information.

2. Refer to the Transform operating model and Maximize value of the commercial bank chapter for more information.

## Listening to our people



### Engagement index



The results of our *People Survey*, a regular listening initiative run by UniCredit since 2003, speak to the engagement of our employees in our enterprise.

The 2016 survey, held in September, revealed that our overall engagement index stood at 75 percent. A slight decrease from previous years, this score most likely reflects the series of complex challenges the Group now faces. Even so, it is a good result that strongly indicates our colleagues continue to support the values of our company and are proud to be part of it.

## Enhance competences

Our investments to attract, manage and develop talent aim at making us an employer of choice. We want to be a company where people can fully deploy their skills, abilities and qualities.

### Recruiting talent

To guarantee sustainable support for the transformation and digitization of the Group, we continue to recruit talented young graduates both in our mature and emerging markets.

In 2016, *Impact* and the *CIB graduate program* hired 51 promising recent graduates to attend customized development programs. Through its international graduate programs, UniCredit has hired more than 200 talented young graduates in the last 5 years.

UniCredit Business Integrated Solutions, our Group's global services company, has hired more than 800 people through its *Young for Future* program, mainly in CEE, since the program was launched in 2013. This figure includes 240 people who were hired in 2016. These new colleagues are offered specialized internal and external IT training in addition to on-the-job training.

### FOCUS

#### An Ideal Employer

Universum's employer rankings each year reveal which employers are the most attractive to talent.

In 2016, over 1.5 million students responded to this survey in 50 countries, with over 36,000 students responding from Italy.

Although the survey has shown that the financial sector in Italy has been decreasingly attractive since 2012, in 2016 UniCredit for the third year in a row was ranked as the most attractive employer in this sector.<sup>3</sup>

## Managing performance

Overall, our *Global Job Model* and *UniCredit Competency Model* form the basis for the management and development of our employees.

The *UniCredit Competency Model* describes those behaviors that are expected from all UniCredit people to enable our Group to meet its ambitions and satisfy our customers' evolving needs.

The *UniCredit Competency Model* is the ground on which all our employees are evaluated. It is based on our *Five Fundamentals*, which are the main pillars of our *One Bank, One UniCredit* culture and the core principles that provide the foundation for how we do business at UniCredit.

In 2016, we simplified our approach to promoting these expected behaviors, adopting a model with fewer requirements that are easier to communicate and remember. As a result, only 2 sets of behaviors are now expected of all of our businesses and countries, with one set for executives and another for non-executives. We believe this reinforces our *One Bank, One UniCredit* culture.

3. Refer to the Supplement - Selection of 2016 awards section for more information.

## Our Five Fundamentals



Customers are our lifeblood and the reason the bank exists

### Customers First



Each and every one of us need to be motivated by and engaged in the success of the bank

### People Development



It is what will drive the bank, make the business stronger and more profitable

### Cooperation & Synergies



Managing risk is at the core of our business, we need to apply it to everything we do

### Risk Management



Discipline and focus is what will make us successful; not only do we say what we do, we do what we say

### Execution & Discipline

For our Group executives and other key employee categories who have a material impact on our risk profile (so-called *Identified Staff*), appropriate performance targets are selected from our KPI Bluebook.

The KPI Bluebook is the framework to support consistent goal setting and evaluation within the Group incentive system and provides general guidelines for the assignment of goals as well as a dashboard of Group-certified KPIs. According to these guidelines, half of the performance goals must be based on sustainability drivers (e.g., KPIs that incorporate the concept of value creation over time, taking into account multiple stakeholders) and at least one performance goal must be risk-adjusted.

This approach guarantees that the sustainability of all actions is considered for leadership evaluations and compensation decisions.

## Developing skills

Our annual review of UniCredit executives and colleagues on the executive track enables our Group to plan, manage and develop a sustainable leadership pipeline. This review assesses performance and skills, defines career and succession plans, and identifies activities to support leadership development.

Among these activities, international and cross-functional experiences are encouraged in order to increase connections among different arms of the Group and to boost the *One Bank, One UniCredit* mindset among our future leaders. In CEE in 2016, for example, 54 percent of first-liners had cross-functional experience (an increase of 9 percent from 2014) while 35 percent of them gained international experience (an increase of 23 percent from 2014).

Our learning and development initiatives are designed to address the professional growth needs of colleagues and to ensure they can support UniCredit's transformation objectives.

For current and future Group leaders, the *Leadership Curriculum* was upgraded in 2016 with innovative programs to help us meet the challenges related to UniCredit's digital transformation and to promote innovative mindsets that can facilitate and drive change.

Delivered in partnership with top-tier business schools, **390 colleagues** from 16 different countries participated in these leadership programs over the course of the year.

Our *Functional Academies* continued to support professional growth in specific competence and business lines in 2016 by offering modular and flexible training.<sup>4</sup>

As part of this effort, 2 *Functional Academies* that support new business strategies and needs for more than 750 employees in CEE were augmented with a single online learning platform that is accessible from every country, increasing our professional development offer, transparency and engagement in the region.

MATERIAL TOPICS



4. Refer to the Risk Management and Compliance chapter for more information.

### Digital training initiatives

Due to the role of digitization as the key enabler of UniCredit's transformation, a diverse range of activities were carried out in 2016 to increase the digital mindset and skills of our employees.

We evaluated the digital literacy of our people through a *Digital Readiness Test*, composed of 54 questions and delivered to nearly **3,600 colleagues** in Italy and CEE.

In line with the European DigComp Framework, the test evaluates 21 digital competences clustered in 5 competence areas: information, communication, content creation, safety and problem solving.

Participants received feedback to reinforce their digital awareness, while the test enabled our Group to understand areas of weakness and take steps to provide appropriate support.

Several digital initiatives also took place at local levels. Nearly 48,000 colleagues in Italy were provided tablets thanks to an agreement between the Group and local employee representatives to support the development of digital skills and culture. These devices provide an opportunity for colleagues to familiarize themselves with the digital services offered by UniCredit and to access content dedicated to our Group's digital transformation.

In Russia, we added to our digital learning toolkit by launching 110 e-courses and introducing webinars as a new professional development tool for all employees in the country.

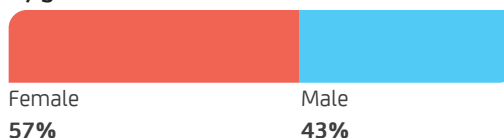
## Value diversity and inclusion

We are investing in a richly diversified workforce and an inclusive working environment where all of the talent, skills, experiences and different perspectives of our people can be fully expressed.

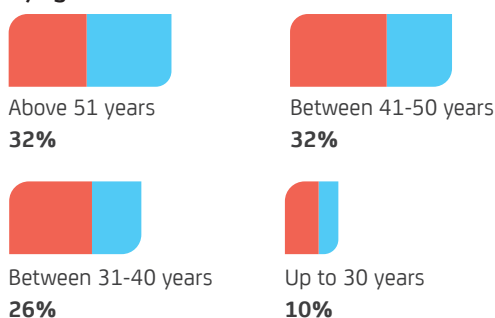
In 2016, we continued to focus these efforts on promoting gender balance, bridging generational gaps in the workplace and supporting people with disabilities.

### Our workforce

#### By gender



#### By age



### Promoting gender balance

UniCredit's workforce is 57 percent female and our Group remains committed to achieving more gender balance in our leadership.

Since 2013, we have maintained a Global Policy on Gender Equality. This policy sets out principles and guidelines to ensure a level playing field where all employees, regardless of gender, can realize their full potential.

Our gender equality guidelines apply to company processes and practices in the areas of recruitment and internal appointments, professional development, remuneration, work-life balance, information and education. This policy also outlines the roles and responsibilities for its application, and requires the regular production of a dashboard of KPIs measuring gender diversity in our Group.

In 2016, our Group performed further qualitative and quantitative analyses of gender in our workforce in order to:

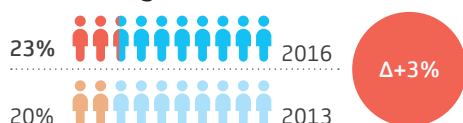
- provide all managers a deeper understanding of women's material issues, priorities and engagement
- increase awareness of the importance of gender pay equality at all levels and set up Group standards for monitoring improvements.

As in previous years, our Group diversity managers held regular conference calls and a workshop in Vienna to ensure collaboration and the sharing of information and best practices.

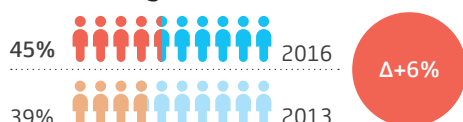


## Female Presence by Tier<sup>A</sup>

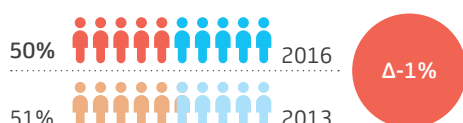
### Senior management



### Middle management



### Professional



A. Source: gender balance dashboard.

At local levels, we continued with several activities designed to support the growth and development of female colleagues.

In Italy, we developed 2 new initiatives. The first initiative, *WOW Women@Work*, is a series of interviews and surveys that provide women the opportunity to explore their individual potential to promote greater empowerment and inclusion at work. More than 5,000 female colleagues joined the program in 2016.

The second new initiative, *Maternity as a Master* (Maam U), is an online educational tool to support mothers-to-be throughout their pregnancies. It provides them with an opportunity to learn and develop new skills (in an experience similar to a getting a master's degree). As of November 2016, more than 200 female colleagues had participated in this program.

## Investing in a multigenerational workforce

The UniCredit workforce spans multiple generations, and we have continued to invest in initiatives to enable all of our employees to work more effectively by valuing their generational differences.

In Bulgaria, 35 colleagues were involved in *UnBound Pro*, an internal development program designed for professionals with 10 or more years of professional experience. The idea was born from the *People Survey*, which highlighted the need to initiate development programs for our more senior employees.

Participants were given the opportunity to step out of their comfort zones, to share and broaden their professional knowledge, to get more exposure to different functions and businesses, to build their network of colleagues, and to gain visibility in the workplace.

The kick-off event for *UnBound Pro* was held in April, when participants began working in mixed groups on the simplification and improvement of several banking processes. They then presented the results of their work to the management board of UniCredit Bulbank.

## Supporting colleagues with disabilities

In our continued commitment to supporting people with disabilities, in Italy more than 160 colleagues with disabilities participated in customized training activities in 2016, *Oltre lo sguardo* for visually impaired colleagues and *Se mi guardi ti sento* for deaf or hearing impaired colleagues.

This training was integrated with the *Disability Management* workshop for those who directly manage colleagues with disabilities in order to engage them in surrounding issues, raise their awareness of disabilities and develop specific skills.

## FOCUS Supporting work-life balance

By the end of 2016, roughly 7,500 colleagues had begun taking advantage of smart working arrangements across our Group. This figure includes the 1,300 colleagues who joined the initiative during the course of 2016 in our Iasi and Belgrade offices. Under these arrangements, roughly 4,000 employees in the Group were able to begin working remotely from home.

Thanks to this and other initiatives, we support the work-life balance of our people and offer them greater flexibility in managing their time, with positive impacts on their engagement and performance levels.<sup>5</sup>

5. Refer to the Supplement - Human Capital section for more information.



# Intellectual Capital

*Innovation-related capabilities from which future economic benefits are expected. In UniCredit's case, it includes information and communications technology systems, our internal process framework and innovation processes.*

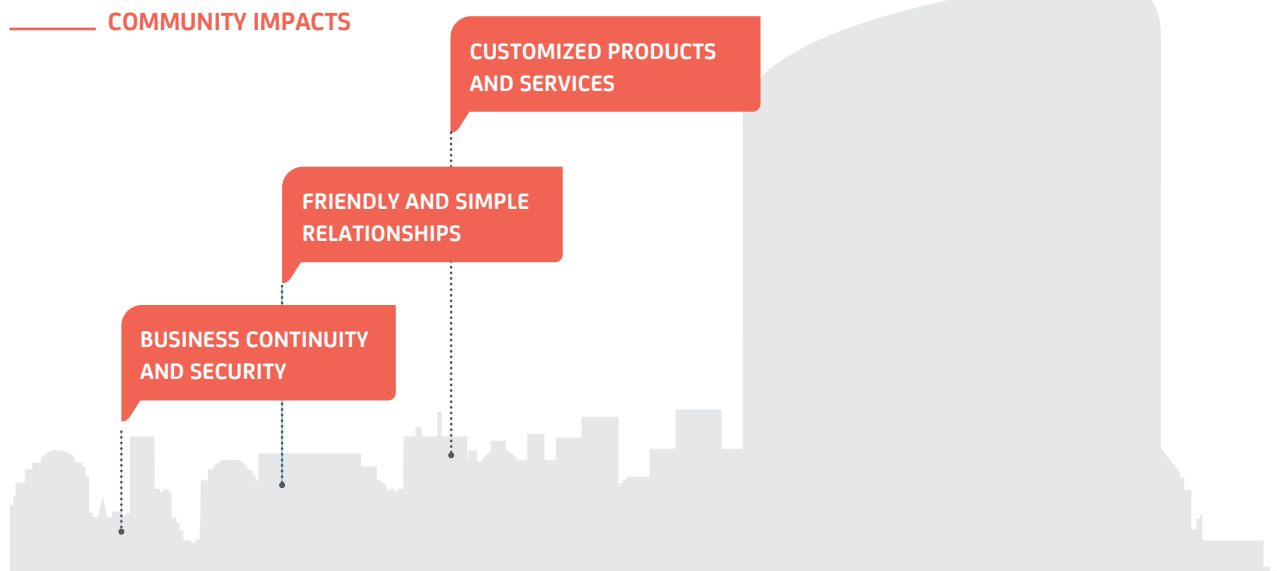
## OUR STOCKS OF CAPITAL



## RESULTS

- **€930 million** invested in ICT
- Successful pilot projects in end-to-end process redesign
- **~€25 million** invested in fintechs through *UniCredit EVO*

## COMMUNITY IMPACTS



## PRIORITIES 2017

- ICT optimization initiatives to increase our agility and enable cost reduction
- End-to-end process redesign to streamline the delivery of key products, providing a better customer experience

## Ensure our Group's digitization

To transform UniCredit's operating model and improve our customer experience, we will continue investing in digitization – a key enabler of the *Transform 2019* plan.<sup>1</sup>

The plan calls for us to simplify and upgrade our Group's ICT by modernizing our legacy systems and assuring their security and resilience in ways that continue to support the evolution of our business.

### Simplifying and upgrading our ICT

In spite of our increased focus on costs, over the next 3 years UniCredit will maintain a sustained level of investment to facilitate its transformation and meet regulatory demands. This is a commitment to invest €1.6 billion in ICT for business and a further €700 million in ICT to fulfill regulatory demands, amounting to €2.3 billion in total IT investments from 2017 to 2019. The modernization of our systems and a convergence towards global solutions will enable us to decommission obsolete technologies while gradually implementing a new digital core banking system for mature markets.

Regarding UniCredit's front end systems, our architecture is enabling our business to evolve by securely adopting innovative technologies (e.g., open Application Programming Interfaces, APIs) and methodologies (e.g., more agile forms of working).

We are also strengthening our data architecture. This architecture leverages investments in a centralized data model and calculation engines to better respond to regulatory requirements. It also, through big data technologies and machine learning techniques, enhances our commercial effectiveness, increases customer satisfaction and reduces churn.

*In 2016, UniCredit deployed roughly 200 internal IT resources and €20 million in IT investments to respond to increased demand for big data solutions.*

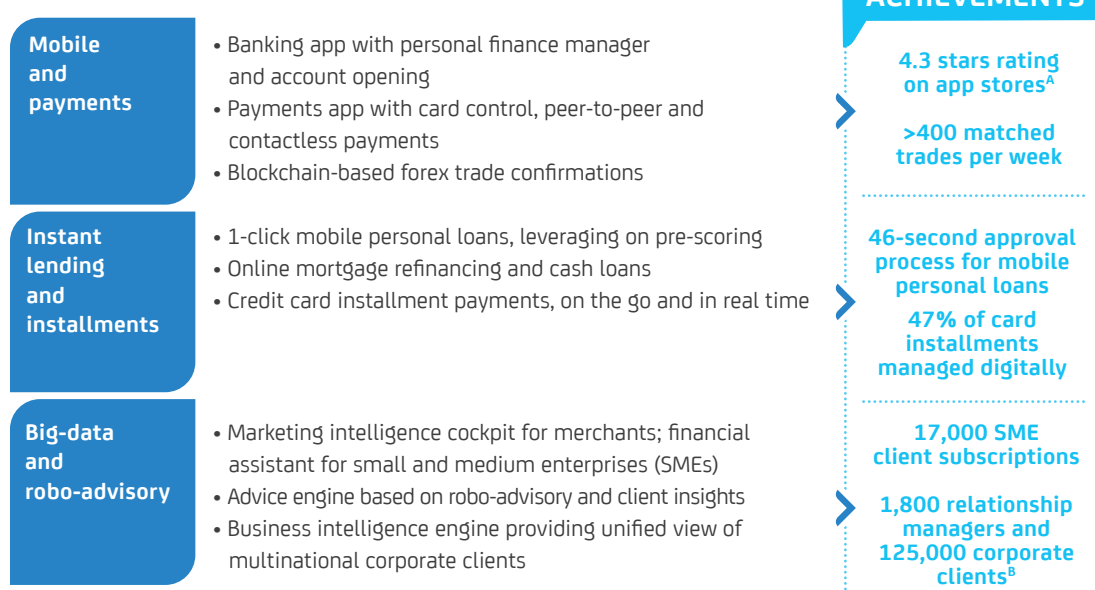
### A better customer experience

In 2016, a number of initiatives were promoted to facilitate the growth of our business. For example, we developed a new global internet and mobile platform that redesigns how we interact with customers. This platform is part of the new generation of front-end systems that are being rolled out in Italy (to be completed in 2017) and will be progressively brought online in other Group countries.

MATERIAL TOPICS



## A snapshot of UniCredit solutions enabled by digital innovation



A. UniCredit Italy mobile banking app 2016: historical evaluation Google Play; 4 stars on Apple iTunes. App Germany launched in April 4.5 stars rating on app stores.

B. Includes figures from rolled out programs in CEE (in Bulgaria, Croatia, Czech Republic, Hungary, Romania, Slovakia) and in countries where it will be extended in February 2017 (Italy, Bosnia and Herzegovina, Serbia and Slovenia).

1. Refer to the Strategic Plan section for more information.

## Our Strategy

### → Intellectual Capital

In the mobile banking and payments area, we renewed our mobile banking app, adding a personal finance manager and an automated account opening process. We also released a payments app that allows card control and peer-to-peer and contactless payments.

We also reengineered our credit systems to adopt new, leaner credit processes and automated procedures for instant lending and installments. These benefits are also available via an app.

Regarding big data, we released a marketing intelligence dashboard for merchants and SMEs. For our CEE countries we rolled out a centralized business intelligence engine for our corporate customers.

## Enhancing ICT security

Given the increasingly complex digital world we live in, information security has never been more important for the banking sector. Consequently, a substantial proportion of our ICT investments are allocated to strengthening and monitoring our cyber security systems. Our objective is to protect our customers and the Group's business by guaranteeing UniCredit's security. The steps we are taking will mitigate our exposure to operational and reputational risks.

Cyber security is a key component of our Group's operational risk mitigation strategies. All of our legal entities are working to strengthen their security systems to counter rapidly evolving threats and improve their security posture. In all of the countries where it operates, UniCredit also has Computer Crime Coverage Insurance in place. Network security, endpoint protection and operational monitoring (by the Security Operation Center, SOC) rank among our highest priorities.

Our ICT security strategy takes into account several factors, including trends in external threats, evolving technologies and regulatory requirements. As part of this strategy, our Group also:

- integrates lessons learned from security events that affect both UniCredit and other entities
- searches for security gaps in our systems by requiring each of our legal entities to conduct periodical vulnerability assessments
- modulates existing security plans based on the assessments of both internal and external auditors.

The ICT security multi-year plan reflects our Group's strategy, while the ICT security governance policy framework defines the guidelines for the entire Group.

## ICT security governance

Our ICT security governance framework has been designed according to cyber security international standards and best practices, including ISO 27001, ISO 27032, ISO 27005, NIST Framework and Cobit 5 standard. At the Group level, more than 650 FTEs are charged with managing ICT security topics, including a special cyber threat intelligence team.

To boost our ICT security governance, we set up a uniform framework of policies in 2016. The framework covers ICT security both at the higher level (e.g., General Information Security Policy, ICT Security Architecture Policy) and at certain lower levels (e.g., managing technical vulnerabilities and cloud services).

The framework also clearly defines an incident management system that covers incident handling (e.g., classification, resolution, closure), communication, escalation and reporting. These policies have been distributed Groupwide and are currently in implementation in our legal entities.

## Security training

Our ICT security policies are published on the Group intranet, which is available to all UniCredit employees. We have also invested in ICT training and other awareness-raising initiatives.

During 2016, **48 training modules** dedicated to ICT security, antifraud and physical security topics were available at our main legal entities in **12 different countries**.

In conjunction, we ran a multi-country social-driven vulnerability assessment in 16 languages to evaluate the company's level of exposure to cyber attacks that target the human factor. We followed up on this assessment by running an ICT security awareness campaign on the Group intranet.

Lastly, we developed and launched the *Be Aware, Be Secure* campaign to promote the compliant and safe behaviors all employees are expected to exhibit in both work and private life to protect our company, our clients and our colleagues.

In 2016, the campaign posted 4 articles on the Group intranet portal with tips and best practices on topics like security passwords, data classification and phishing attacks.

## Optimize processes

Our investments in digitization are enabling us to optimize our processes to the benefit of our customers. In recent years, our Group has successfully completed several pilot projects that efficiently redesigned end-to-end processes with an approach based on multi-disciplinary teams (e.g., IT, business and support personnel working together).

### Successful pilot projects

#### Italian tax payment flows (F24)

- Time to process reduced by 30%
- FTE efficiency increased by 26%

#### Money transfer

- Time to process reduced by 20%
- FTE efficiency increased by 19%

#### Households unsecured lending<sup>A</sup>

- >80% of all credit decisions automated
- 1 simple platform, down from 6

A. Overdraft and personal loan already live.

We now intend to leverage these successful experiences to drive our transformation. Notably, through the set up of a new end-to-end delivery unit we aim to streamline the delivery of products and services thanks to:

- multi-disciplinary teams working in parallel, on the end-to-end redesign and digitization of each product
- 15-20 FTEs per team from all relevant functions (IT, business, support), with more than 150 resources involved
- co-location in one “design studio”, allowing for continuous interaction between teams
- agile development with quicker, progressive releases of “modules of change”.

This will allow us to achieve substantial savings, particularly in Italy.

Digital authentication offers us another opportunity to streamline our processes and provide the best customer experience. This technology delivers digitally native products, enabling process automation and effectiveness; for this reason, we have heavily invested in these solutions across different channels (e.g., remote, mobile and physical) and we are working to extend their geographic coverage.

### Digital authentication increasingly available

	One Time Password		Biometrics	
	Mobile token	SMS PIN	Signpad	Mobile <sup>A</sup>
Italy	✓	✓	✓	✓
Germany	✓	✓	✓	✓
Austria	✓	✓		✓
CEE <sup>B</sup>	✓	✓	✓	✓

A. Germany and Austria pure authentication; not yet live transaction authorization.

B. Consolidated information for CEE to reflect different maturity levels.

✓ already available    ✓ planned deployment

MATERIAL TOPICS



## Innovate for business

We remain focused on seeking new ideas and new talent to develop pioneering solutions that make our products and services work better for our clients. We are scouting for these solutions from a range of different sources.

In 2016, we launched *UniCredit EVO*, a joint investment partnership with Anthemis Group focused on identifying and investing in best-in-class financial technology startups.

• In 2016, *UniCredit EVO* has reviewed a total of 300 fintechs, identifying a pipeline of 74 qualified companies and investing a total amount of around €25 million in 4 of them.

We also released *UniCredit Idea Sharing*, a new global IT platform. As the first cloud initiative at Group level, it offers employees the chance to share their experiences and actively participate in the development of groundbreaking new Group practices. After a pilot phase fostered collaboration and communication among roughly 6,000 colleagues, in 2016 the initiative went mainstream in all CEE countries; we aim to extend it to the entire Group.

To support the business of the bank with solutions based on cutting-edge technologies, we continue to invest in strengthening our industrial and academic partnerships (e.g., Berkeley University of California, Scuola Normale Superiore di Pisa). These partnerships enable us to develop long-term solutions. We are also working to develop new networks in the scientific community.

# Social and relationship Capital

*Close relations with our main stakeholders create long-term value and support individual and collective growth.*

## OUR STOCKS OF CAPITAL



## RESULTS

- Customer Satisfaction - TRI\*M Index results: stable y/y performance, increased performance vs peers
- **More than 500,000** stakeholders providing feedback
- **€39.7 million** contributions to communities

## COMMUNITY IMPACTS



## PRIORITIES 2017

- Development of a more structured diagnostic for a better intelligence on our stakeholders' feedback
- Enhancement of our social impact capabilities

## Generate benefits for individuals, enterprises and society

We recognize that the viability of our enterprise depends on our ability to sustain strong relationships with customers and with the wider community for whom we also create value.

These cooperative relationships shape crucial perceptions of our Group in the countries where we are present. Consequently, we invest in a series of initiatives that enhance collaboration and ongoing dialogue with our customers. We also contribute to the sustainable growth of our communities by offering affordable products and services for individuals in every stage of life and for companies in their development journeys and by promoting responsible financial habits. Finally our Group seeks to improve the well-being of our countries, understanding individual and collective concerns, anticipating emerging social needs and supporting social enterprises, fundraising and democratic cultural dissemination.

UniCredit's reputation is the true barometer of our success in this massive undertaking. Its influence over

the perceptions and decisions of consumers require us to remain focused on enhancing and protecting our brand. To this end, we have been collecting data on global perceptions of UniCredit; by proactively monitoring our stakeholders' views and expectations, we can uncover new opportunities to drive engagement, create growth and promote innovation.

Overall, UniCredit is a firmly established and highly recognized international brand. Our investment in the development of our people and the creation of a high level of professionalism across our Group is reflected in the good reputation we enjoy as a company.

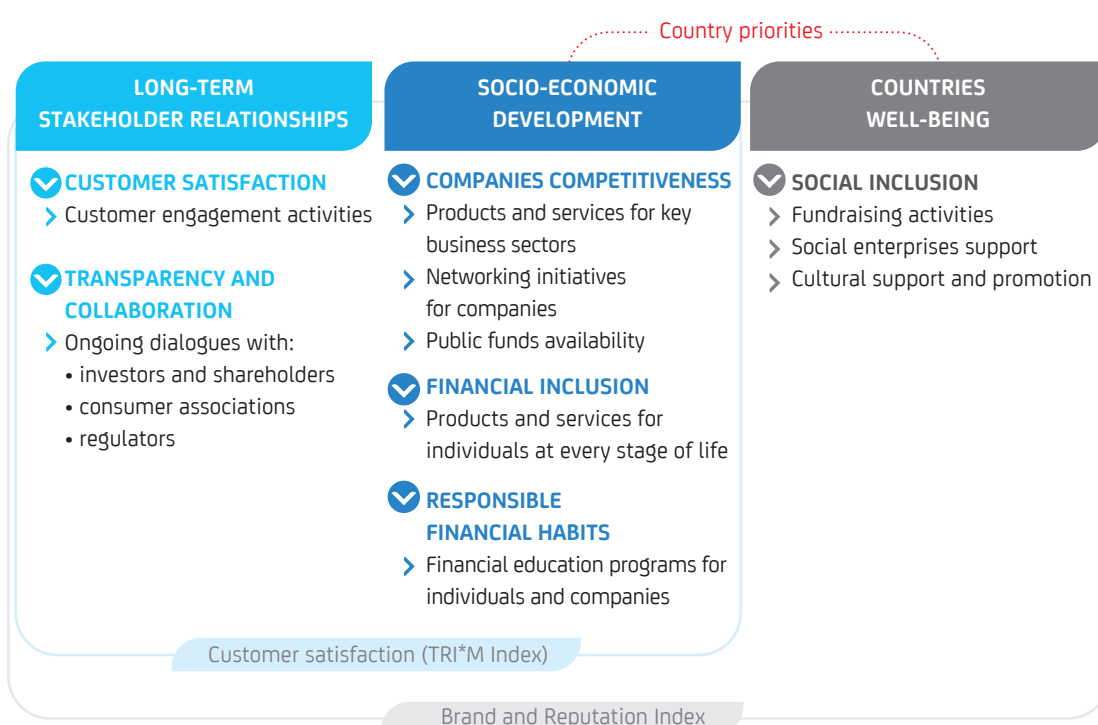
After our third year of gathering this data, we have determined that on average the level of advocacy we inspire is in line with our local competitors. We are achieving excellent results in certain segments, such as our corporate and small business in Germany, which continues to improve. A distinctive positioning above peers is registered, within the individuals segment, in some of CEE countries such as Bulgaria, Czech Republic and Slovakia, Hungary and Russia.

We will continue to create a structured approach that allows us to benefit in an intelligent way of all information and evidence collected to develop better products and services.

MATERIAL TOPICS



### Our investments to develop our Social and relationship Capital



## Invest in long-term relationships

UniCredit's approach is motivated by our conviction that dialogue and responsiveness are fundamental to managing and improving service quality, customer satisfaction and community impact. The growing relevance of faster and more accurate input for decision-making processes requires us to carefully screen an increased number of sources for additional insights.

### Engaging with our customers

We are continuing our dialogue and interactions with customers through a large variety of channels that provide opportunities to gather feedback, understand unattended needs and create customized solutions.

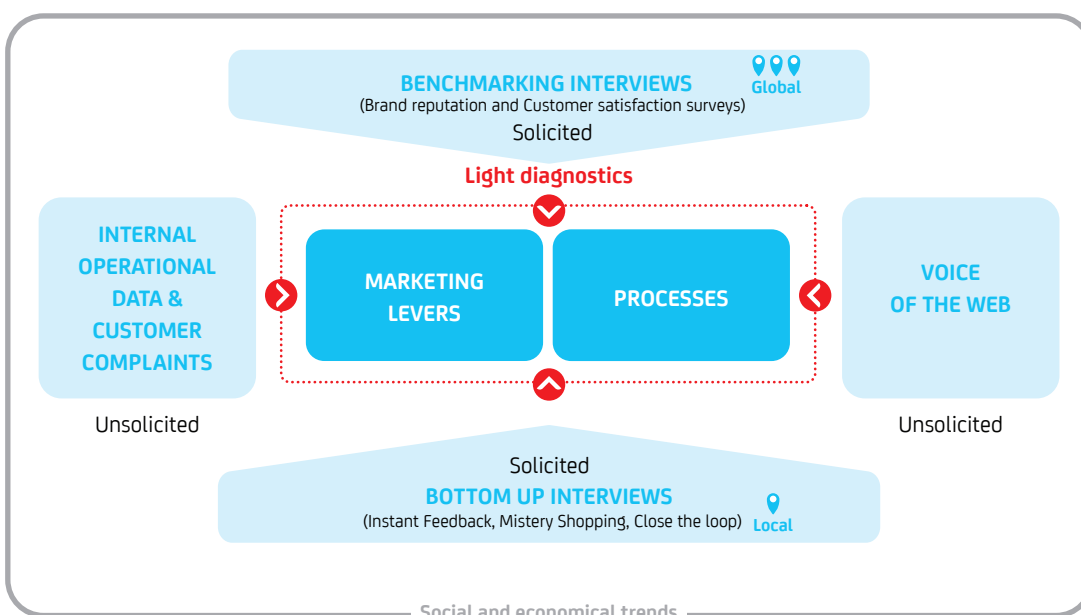
To this end, we have created a new, comprehensive diagnostic for merging both solicited and unsolicited feedback.

This process features:

- robust benchmarking to assess our competitive positioning and to identify new KPIs that can more effectively forecast our company's performance, enabling us to better assess and improve our sustainability
- extensive use of instant, event-driven feedback to gather customers' opinions about their interactions with us; this helps us to further develop the capability to deliver excellent customer experiences
- focused listening to opinions expressed on social media platforms
- big data and artificial intelligence to analyze information on customer behaviors and complaints.

Together, these elements are helping improve our decisions while reducing costs and response times. They are bringing us closer to our customers, making us more in tune with their needs. In this endeavor to better understand our customers, 2017 will be a crucial year; we will concentrate on refining this diagnostic framework with new variables, including share of wallet and attrition risk.

### Group stakeholder integrated listening





### Our answers to customers feedback

Leveraging customer feedback, we took action in a number of ways in 2016 to meet customer's needs and expectations.

We perceived the opportunity to **offer new products** such as in Germany, where there is rising demand for Exchange Traded Fund (ETF) products and an environment of low interest rates. A savings plan for ETFs was developed by directly consulting our customers; their opinions and feedback helped shape these highly appreciated products.

We also work to **add value to our already existing service** through a careful use of our instant feedback. In Russia, thanks to our customers' feedback, we now provide clients the convenient option of enrolling in online banking on our website with their debit card number. Thanks to this measure, UniCredit registered an increase of 7,210 new online customers from October 2016 until the end of the year, bringing the total of number that actively use our online banking services on either their mobile or desktop computer to 288,000. Many of these clients appreciate the safety and speed of fingerprint access that we offer to iOS-based mobile banking; indeed, the average number of per client logins on our mobile banking app increased from 7.5 to 8.2 in 2016. These improvements are part of a Groupwide movement to engage our customers with faster and more convenient online services. In Russia, clients can now open a financial package with a single click, another leap forward that has reduced the time for this process from 190 minutes to 8, for individual customers; meanwhile, we have optimized the opening of accounts for small business enterprises, reducing the average time to service from 62 hours to 15.

Elsewhere, our Group is successfully answering customer demands to **simplify our processes**. In Bulgaria, the results of a survey on customers satisfaction with over 3,500 responses from individuals show that our mortgage loans penetration is at 5 percent, in contrast with the 25 percent of individuals penetration on personal loans. To reduce this gap, new tools were created to help clients throughout the experience, from selecting a home, to creating better understanding of finance and insurance options, to providing useful tips about common pitfalls and mistakes.

Groupwide, our customers greatly appreciate that we are committed to **deliver fully customized solutions**. In Croatia, when research highlighted the need to better engage young clients, we introduced

a new structured program that offered affordable products (e.g., a zero-cost package), provided youth tools for improving their financial literacy and concretely supported projects for student councils and student associations.

Amid these efforts, the rate of customer satisfaction at the bank's main branch was an average of 4.21 out of 5 in 2016, an increase from 4.05 in 2015.

- ⋮ In Croatia **more than 24,000** young people between
- ⋮ 15 and 26, became our customers (+20 percent y/y).

For our existing services we want to **grant always an excellent performance**.

In Croatia, we have improved our service by modernizing over 120 ATMs that were the focus of the majority of business entities' complaints (53 percent) further enhancing customer experience. In 2016, our customers complaints helped also to optimize our Croatian (*e-zaba*) internet banking. We improved our system for supporting those who use m-token for payment. We provided them access to identification and activation keys in case of locking and deletion of application from a mobile device.

This with the aim to ensure uninterrupted usage of *e-zaba* and *m-zaba* services and improve client experience without additional visit to branch. With this improvement, we have decreased the number of complaints and also decreased the involvement of our front office staff and *e-zaba/m-zaba* help desk employees in complaints management.

### FOCUS Best Practice Sharing Program

In 2016, the CEE division launched *Best Practice Sharing*, a program aimed at fostering the evolution of business through a coordinated sharing of internal best practices. The head of CEE division used input and advice from selected staff, local CEOs and general managers to identify significant strategic areas (e.g., customer acquisition, sales productivity, lending and digitalization – indicators monitored by the insights coming from the customer satisfaction surveys) where best practices can create the biggest steps forward for our banks. Its success led us to expand *Best Practice Sharing* outside of CEE, in Italy, Germany and Austria. This platform, completely managed by our general manager, which allows best practices to be identified and shared throughout our Group, is fully in line with our drive to be *One Bank, One UniCredit*.



## Our Strategy

### → Social and relationship Capital

In 2016 we implemented an internal project in Russia called *Mobilization*. The project is designed to find out the main areas of development (eg. internal processes, customer service, business generation etc.) in accordance with the requirements of our clients in order to set short and medium-term strategic priorities for our bank. One of the most relevant initiatives was the introduction of the pilot program *Single Entry Point* or *Middle-Office* to support Russian key clients' daily bank operations. As of today, a new middle office function named UniService provides support to 6 corporate clients, consisting of over 30 legal entities. Over 300 requests and complaints were already collected and analyzed by UniService, and concrete actions of improvement were taken. The next step is to onboard more clients to UniService in the near future.

## Interacting with stakeholder groups

We continuously engage with our stakeholders to share our strategy and results, maintain our reputation, streamline our processes and refine our products and services.

To strengthen our credibility, identify expectations and recognize new trends, we ensure an ongoing dialogue with shareholders, investors, analysts, regulators and consumer associations. Clarity and transparency are the hallmarks of this daily engagement with our stakeholders.

### Ongoing meetings

Our Group's Investor Relations unit, together with our Shareholder Relations and Group Sustainability units, are the main points of contact for our communications with institutional, retail and also socially responsible investors. We interact and communicate on an ongoing basis with these investors through forums, roadshows and face-to-face meetings to discuss not only the Group's financial performance but also its environmental and social performance, since results in both areas are closely linked.

**In 2016, 655 meetings<sup>1</sup> and 37 roadshow days were held.**

In July, we held our first environmental, social and governance roadshow in London. This event was an opportunity to meet investors face-to-face, directly respond to questions beyond our financials and receive comprehensive feedback on our approach to sustainability.

## Sustainability assessments

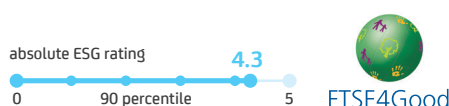
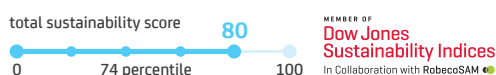
Throughout 2016, we interacted with many of the major sustainability analysts, information providers and rating agencies who report on our Group and help us in our ongoing work to enhance our sustainable performance.

The 2016 Dow Jones Sustainability Index (DJSI) assessment of UniCredit only reviewed publicly available sources of information about our Group. Despite our lack of active participation in this evaluation, we received an overall performance score of 80 points, an increase of 1 point from 2015.<sup>2</sup> Among the 54 companies from the banking industry who were analyzed exclusively with public data in the 2016 DJSI, UniCredit received the highest score.

UniCredit continues to be included in the FTSE4Good Index Series. Our 2016 score of 4.3/5 (up from 4.1 in 2015)<sup>2</sup> places us in the 90th percentile of the global banking sector.

Our 2016 Carbon Disclosure Program (CDP) performance achieved an A- leadership score, placing UniCredit among the top 26 percent of all companies in our sector. This excellent result indicates UniCredit has implemented a range of actions to manage climate change, both in our own operations and beyond.

### UniCredit sustainability ratings 2016



### Leadership A-



performance band, ranked on A-E scale



## Solid partnerships

In Italy, *Noi & UniCredit*,<sup>3</sup> our consolidated partnership with 12 consumer associations, is helping create social value by realizing substantial transparency tools and info-educational activities that in 2016 focused mostly on services that enable property purchases and electronic payments.

1. One-on-one and group meetings, conference and video conference calls and meetings with rating agencies (50), buy-side (583) and sell-side (22) investors, including Fineco meetings.

2. Refer to the 2015 Integrated Report for more information about previous year results.

3. Refer to the 2012, 2013 Sustainability Report and the 2014, 2015 Integrated Report for more information.

Among these, our decalogue *10 cose da sapere per comprare e vendere casa* (10 things to know to safely buy or sell your home) communicated through a Twitter campaign helped many Italians manage one of the most important transactions of their lives. This is also the purpose of the agreement signed with UniCredit Subito Casa, our real estate brokerage company that allows customers resolve service disputes regarding their homes purchase and sale in a short time, at a low cost and with no recourse to legal actions.

### FOCUS

#### Our proactive debate with regulators

In 2016, UniCredit participated, as in previous years, in debates about regulation on both the international and the European level, primarily recommending alternative measures to soften the negative consequences of some proposed regulatory modifications. In our most notable engagements with regulators, regarding the Basel IV package, which foresees a deep review of the framework for measuring risks and calculating capital requirements, UniCredit:

- conducted a dialogue with the national supervisor and the Basel Committee
- got proactively involved in several impact studies, often through various industry associations.

## Understand priorities and support social and economic development

As a provider of banking services in 14 countries, UniCredit is closely tied to the lifeblood of many national economies; as a bank, its primary focus is to bring prosperity to individuals, enterprises and entire communities.

To fulfill this, UniCredit has created a methodology, called *Evolution Economy*, that investigates the shared value generated by its core business activities, citizenship initiatives and philanthropic projects.<sup>4</sup>

This methodology draws heavily from international statistical indicators that are mainly provided by Eurostat and the World Economic Forum. It identifies a set of 97 indicators, grouped in 10 macro dimensions, and assesses the problematic areas of 7<sup>5</sup> of the countries in which UniCredit operates.<sup>6</sup> Indicators for each country are analyzed over a

10-year period. We then compare scores for each indicator to EU averages and top performers.

Through this approach we aim to provide a 360-degree picture of the relationship between the company and its operating environment, capturing the complexities and the tensions between economic growth, social development and the conservation of natural resources.

This picture is useful to offer solutions aimed at gaining widespread and balanced welfare, involving also our stakeholders in a shared process.

In this work, we have identified our countries' most urgent priorities so that we can address them, directly or indirectly. These priorities include overall financial and social well-being, work-life balance, security, education, health, environment, economy and productivity.

In this approach, indicators help monitor the effects of our initiatives beyond traditional economic statistics, enabling us to make stronger day-to-day business decisions.

We believe this approach can serve as a positive example of how a private business can fully embrace its duty to generate shared values that are linked with social and economic progress.

This model helps us understand how our Group is an essential part of national ecosystems and can contribute to individuals and companies sustainable development.

In fact we commit to stimulate financial inclusion and education, which both represent a prerequisite for active participation of citizens to the economic development of their own countries.

We help companies from the moment they are created, through to their consolidation and their expansion abroad because their prosperity is directly related to their country competitiveness.

### MATERIAL TOPICS



4. Refer to <https://www.unicreditgroup.eu/en/a-sustainable-bank/evolution-economy.html> for more information.

5. The methodology was applied in Italy, Germany, Austria, Bulgaria, Croatia, Hungary, Romania.

6. Data updated at 2015. No data still available for 2016 according to source (Eurostat, World Economic Forum, OCSE, etc.) updates.

## Country Priorities

High  Medium  Low 

Macro Dimension	Indicator	Italy	Germany	Austria	CEE <sup>A</sup>
Social Wellbeing	Employment rate of people 20-64 years				
	Social decay (or incivilities) rate				
	Work satisfaction				
	Citizens who benefit from infancy services				
Economic Wellbeing	People suffering poor housing conditions				
	Severely materially deprived people				
	Index of subjective evaluation of economic distress				
Education and Efficient use of talent	Country capacity to attract talent				
	Percentage of young people not in education, employment, or training (NEET)				
	Percentage of people participating in formal or non-formal education				
Health	Healthy life expectancy at birth				
	Waiting lists				
	Life expectancy without activity limitations at 65 years of age				
Environment & Landscape	Energy from renewable sources				
	Public expenditure for recreation, culture and religion				
	Emissions of CO <sub>2</sub> per inhabitant				
Infrastructure & Quality of services	Quality of overall infrastructure				
	Quality of roads				
	Internet bandwidth				
Financial Market	Availability of financial services				
	Ease of access to loans				
	Venture capital availability				
Business Sophistication	Local supplier quality				
	Extent of marketing				
	Nature of competitive advantage				
Innovation	Innovation rate of the national productive system				
	Research intensity				
	Patent propensity				

A. CEE includes: Bulgaria, Croatia, Hungary, Romania.

## Supporting competitiveness and generating value

We recognize that as a bank we have the responsibility to stimulate economic growth that is both socially inclusive and environmentally sustainable. In our view, participants in the real economy need particular sectorial assistance in order to stimulate their growth, increase their

ability to innovate and help them gain experience abroad. These capacities are vital to competing in increasingly competitive markets.

UniCredit has a long tradition of **co-designing solutions** for sectors that represent the **backbone of the countries** where we are present. We are increasing their competitiveness by providing concrete advice and products that help improve their productivity, efficiency and growth prospects.

MATERIAL  
TOPICS



## A snapshot of sector-specific support in our Group

### Sector (COUNTRY) Tailored solutions

#### Startups

IT, BG, HU, BA,  
RO, DE, HR

##### > Italy

- program running since 2009 to provide knowledge, support and financing to innovative start-ups and SMEs
- in 2016, selected 44 companies from a pool of 898 applications in 4 sectors: clean tech, digital, made in Italy and life science
- more than €3 million (and over €13 million since 2015) contributed to promising companies by involved stakeholders (Venture Capital Funds, Institutional Investors, Business Angels etc.)

##### > Germany

- initiative where experienced businesswomen on the Women's Council and our bank's start-up experts work with female entrepreneurs for 6 months to help them navigate the process of funding their own companies
- in its fourth edition, over 150 applications were vetted in 2016 to select the most innovative business ideas
- 6 winners were chosen by a jury winning a six-month mentorship from members of Women's Council

#### Travel and Tourism

BA, IT, HR

##### > Croatia

- specific long-term loans to the travel and tourism industry helps extend the tourist season and enables operators to offer better rental prices
- more than €69.6 million loans disbursed
- new marketing campaign for tourism launched at beginning of 2017

#### Real estate

DE, AT

##### > Austria

- initiative that demands highly specialized knowledge to accelerate the development of social housing and level housing inequality thanks to subsidized housing provided by non-profit housing association
- new loans for social housing totalled around €90 million in 2016

#### Agriculture

IT, DE, BG, CZ,  
BA, RO, HR

##### > Romania

- significant support for the business development through our credit lines facilitating cash flow for companies provided in collaboration with APIA, the relevant national agency, in order to improve companies cash flow filling up the gap between granting EU funds and effective payment
- 26 loans totalling roughly €23 million granted in 2016

#### Infrastructure

IT, AT

##### > Austria

- financing of the Austrian public sector (i.e., republic, states and municipalities)
- total volume of roughly €7 billion to public sector
- new loans extended in 2016 of roughly €300 million

#### Non-profits

IT

##### > Italy

- dedicated service model offers specialized financial products and services to non-profit organizations, including a special credit rating process
- roughly 36,000 clients (of which 4,000 new clients in 2016)
- new loans of roughly €150 million in 2016

### **Networking initiatives**

In our relationships with companies, we provide solutions that stimulate their growth, positively affecting employment and country competitiveness. We aim at facilitating networking among our clients, connecting managers and entrepreneurs so they can forge mutually beneficial business relationships.

Our new *Digital B2B* web service platform takes this support a step further by helping many Italian SMEs expand abroad. Through the platform, companies can participate in online business meetings with potential international buyers selected by UniCredit, saving on costs related to face-to-face meetings. In 2016, the initiative took place 3 times, with roughly 75 percent of participants declaring they appreciated the B2B platform and were likely to use it again.

To maintain our proximity to territories, we also welcomed 387 participants to 4 sessions of *Forum dei Territori* and 828 participants to 17 sessions of *Forum delle Economie*, facilitating debate on development opportunities in local and international markets.

In Bulgaria, our *SME Corners* continued providing SMEs, as well as corporate clients in 2016, free space in branches to display and advertise their products and services. Over the year, this initiative created opportunities for 192 companies to develop new contracts.

### **Public supported programs**

When we identify business opportunities, we directly support their financial viability or we actively cooperate with national, international and European institutions to make sure SMEs receive all the available public funds that they deserve. This long-established expertise in handling state and EU-supported programs is providing our customers a boost in a number of areas.

In our CEE division more than €2.2 billion have been approved in order to implement EU Funds-related projects during the last budgeting period.<sup>7</sup> The related advisory services we provide represent one of our strongest contributions to companies seeking to benefit from this particular opportunity. Our initiatives that facilitate access to EU Funds are present in:

- **Croatia** - roughly €45 million of new credit lines
- **Czech Republic and Slovakia** - around €38 million of new credit lines
- **Hungary** - around €21 million of new loans
- **Romania** - €35 million of new loans.<sup>8</sup>

In Bulgaria, through the major financial instruments JEREMIE FLPG, JEREMIE PRSL, RSI, EMPF, National Guarantee Fund – NGF2 and NGF3, we managed to support over 2,000 companies easing their access to approx. €300 million in new financing, becoming a best practice reference in implementing financial instruments in CEE.

Furthermore, in CEE, after successfully implementing the Risk Sharing Facility (RSF), our first umbrella facility dedicated to innovative companies, UniCredit has signed a new agreement with the European Investment Fund, offering additional financing worth €160 million to innovative companies in Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic and Slovakia, Hungary, Romania and Serbia.

In Italy, we participate in numerous government initiatives, including the Central Guarantee Fund (Fondo Centrale di Garanzia) providing more than 8,000 entities with €1.9 billion in guaranteed financing, of which around €1 billion to corporate businesses.

We have also provided more than 5,000 Bond Italia loans (a tranché offering covered by public guarantee) for a total amount of about €826,000, of which roughly €270,000 to corporate businesses. Furthermore, thanks to an agreement with MedioCredito Centrale (MCC), UniCredit has established a €70 million portfolio of minibonds.<sup>9</sup>

We also provide various credit lines using funds linked to agreements with European Investment Bank (EIB). Over the years, we have disbursed over €9 billion in EIB funds to European companies, and in 2016 we have issued roughly €800 million in credit. In southern Italy through JEREMIE, an ad-hoc funding program, 553 companies were able to access to €197 million in credit, of which about €28 million in 2016.

In Austria, we are cooperating with several public organizations to disburse grants and low interest loans. With the Federal Austrian Promotion Agency, we are providing grants for significant sustainable investments of SMEs that are funded by the European Regional Development Fund. Meanwhile, through the European Investment Fund, we have extended credit lines to SMEs and mid-caps to enable them to realize innovative and sustainable projects. And with the Export Credit Agency OeKB, we provide low-cost loans to clients for export-related investments in Austria. Through these Austrian partnerships, we provided €160 million in new credit lines in 2016.

<sup>7</sup> Refer to the 2015 Integrated Report for more information.

<sup>8</sup> The amount refers both to EU funds (€10.7 million) and to Norwegian Funds and Government decision 807/2014 (€24.9 million).

<sup>9</sup> Minibonds are bonds issued by SMEs backed by the Central Guarantee Fund according to rules regarding covered tranches.

### Shared value generation - Italy case study

The capacity to measure our impact is critical to our ability to focus on our responsibility to stimulate economic growth. Our ability to create shared value depends on the understanding of our effects.



In this way, in Italy we have analyzed our proposal for key sectors such as tourism, agriculture and infrastructure, vital sectors for the competitiveness of the country still under development.

MATERIAL  
TOPICS



### Bel paese – supporting tourism through UniCredit4Tourism



#### > Systemic Data<sup>A</sup>

Companies: around **170,000**  
Employment: **2.6 million people**  
GDP: **4.2%** of national amount  
Value added: **€67.2 billion**

#### > UniCredit Clients Data

Clients: around **87,000** - Credit lines stock: **€3.6 billion**  
• accommodation and bars: clients 71,385 - loans €2.5 billion  
• travel agencies: clients 6,141 - loans €247 million  
• other: clients 10,451 - loans €747 million

#### 2016 UniCredit Initiatives

#### Priorities impacted

##### > Financial support

New clients<sup>B</sup>: 10,442 - New loans<sup>B</sup>: €1.3 billion

• availability of financial services

##### > Know-How

- 7 training days on finance, marketing and digitalization
- about 1,000 companies participating

- percentage of people participating in formal or non formal education
- internet use

##### > Tools/Services

- 2 products (software) for our clients:
  - website and social media company positioning in the market
  - analysis of credit cards payments flows
- 1,700 products delivered

- extent of marketing
- internet use

##### > Internationalization support

- digital B2B meetings through web-based platform involving:
  - 75 sellers (accommodations, tourist associations, tourist promotion territorial representations)
  - 27 buyers (tour operators, travel agents, MICE operators)
- more than 130 videomeetings

- nature of competitive advantage
- internet use

##### > Contribution to employment

Every €1 million of loans to the industry contributes to sustain 8.5 jobs<sup>C</sup> vs an average of 8 in all the sectors

• employment rate of people 20-64 years old

A. Data as 2015, source: "Rapporto sul turismo 2016" – UniCredit with Touring Club Italiano.

B. From the initiative launching, April 2016.

C. In Italy, total contribution on occupation is 7 jobs for every €1 million of loans to all sectors (based on Leontief model and ISTAT input-output matrixes). Data as 2014.

## Made in Italy – favour agrifood recognition and export with *Coltivare il futuro*



### > Systemic Data<sup>A</sup>

Companies: around **790,000**  
Contribution to value added: **2%**  
Generated turnover: **€55 billion**

### > UniCredit Clients Data

Clients: more than **100,000**  
Credit lines stock: **€9.7 billion**

#### 2016 UniCredit Initiatives

#### Priorities impacted

##### > Financial support

New clients<sup>B</sup>: 4,011 - New loans<sup>B</sup>: €1.5 billion

- availability of financial services
- ease of access to loans

##### > Know-How

- 155 courses on export, internationalization and innovative trend
- 23,000 training hours
- about 3,900 participants

- percentage of people participating in formal or non formal education
- Internet use

##### > Tools/Services

Integrated platform (Value for food) where clients can find information about supply chain that allows them to bring out the distinctive factors of the products and increase their competitiveness (the platform is just being presented to customers)

- extent of marketing
- internet use

##### > Internationalization support

- digital B2B meetings through web-based platform involving:
  - 90 companies
  - 27 buyers
- 100 videomeeting
- 4 face-to-face meetings to finalize the business relationships established during video conferences

- nature of competitive advantage
- internet use

##### > Support to new enterprises

- mentorship, co-investment and networking solutions
- 8 innovative startups supported

- venture capital availability

##### Contribution to employment

Every €1 million of loans to the industry contributes to sustain 6.5 jobs<sup>C</sup> vs an average of 8 in all the sectors

- employment rate of people 20-64 years old

A. Data as 2015, source: processing Istat-Eurostat-Movimprese data.

B. From the initiative launching, March 2016.

C. In Italy, total contribution on occupation is 7 jobs for every €1 million of loans to all sectors (based on Leontief model and ISTAT input-output matrixes). Data as 2014.

## Backbone upgrade – enhancing infrastructure efficiency



MATERIAL  
TOPICS



Infrastructure represents the backbone of national competitiveness and social welfare. According to the World Economic Forum, over the past 10 years in Southern Europe, Italy has shown the highest growth in quality of infrastructure, thanks to heavy investments and increased market competition.<sup>A</sup> UniCredit proactively contributes to the quality of Italian infrastructure by building long-term relationships and collaborative partnerships with other banks and institutions. In particular, we are investing in 28 projects and initiatives in a wide variety of areas – from healthcare, to transportation, to water services – financing 21 percent of overall debt and covering 9 percent of the total cost.

Projects	Expected effects on territories <sup>B</sup>	Priorities impacted
<b>&gt; Health</b>		
<ul style="list-style-type: none"> <li>14 hospitals</li> </ul>	<ul style="list-style-type: none"> <li>15 provinces served</li> <li>around 13 million potential beneficiaries<sup>C</sup></li> <li>more than 9,000 beds provided</li> </ul>	<ul style="list-style-type: none"> <li>waiting lists</li> <li>quality of overall infrastructure</li> </ul>
<b>&gt; Motorways</b>		
<ul style="list-style-type: none"> <li>4 motorways</li> </ul>	<ul style="list-style-type: none"> <li>520 km of motorways constructed and redeveloped (around 9 percent of total motorways in Italy)<sup>D</sup></li> <li>average traffic flow of 380 million vehicles per km every month (5 percent of total Italian traffic flow per month)<sup>D</sup></li> </ul>	<ul style="list-style-type: none"> <li>quality of road infrastructure</li> <li>traffic accidents</li> </ul>
<ul style="list-style-type: none"> <li>1 project to redevelop 103 tunnels for the network of state highways in Lombardy (Strade Statali, SS)</li> </ul>	<ul style="list-style-type: none"> <li>138 km of SS tunnels, representing 96 percent all SS tunnels in Lombardy</li> </ul>	
<b>&gt; Logistics</b>		
<ul style="list-style-type: none"> <li>1 new parking lot in Rho Fiera (the largest Trade Fair Center in Italy per m<sup>2</sup>, the seventh-most revenues in the EU; it averages 5 million visitors per year)</li> </ul>	<ul style="list-style-type: none"> <li>10,000 new parking spaces in Rho Fiera</li> </ul>	<ul style="list-style-type: none"> <li>quality of overall infrastructure</li> <li>local supplier quality and quantity</li> </ul>
<ul style="list-style-type: none"> <li>2 new office buildings, for Bologna municipality and Emilia Romagna region</li> </ul>	<ul style="list-style-type: none"> <li>over 20 municipal offices centralized</li> <li>1,000 employees transferred to new Bologna Municipality building</li> <li>3 regional departments consolidated</li> <li>600 employees transferred to new building for Emilia Romagna region</li> </ul>	
<ul style="list-style-type: none"> <li>redevelopment of the Mercato Trionfale in Rome</li> </ul>	<ul style="list-style-type: none"> <li>over 265 commercial spaces</li> <li>390 refurbished parking spaces</li> </ul>	
<b>&gt; Water</b>		
<ul style="list-style-type: none"> <li>redevelopment of 3 water service networks</li> </ul>	<ul style="list-style-type: none"> <li>11 provinces served</li> <li>around 200 municipalities served</li> <li>roughly 2 million beneficiaries<sup>E</sup></li> </ul>	<ul style="list-style-type: none"> <li>quality of overall infrastructure</li> </ul>
<b>&gt; Metro</b>		
<ul style="list-style-type: none"> <li>2 metro lines (M5 &amp; M4) in Milan</li> </ul>	<ul style="list-style-type: none"> <li>over 6 km and 10 stations added to M5 line</li> <li>236 percent increase in M5 line passengers between April and October 2015</li> <li>2 percent CO<sub>2</sub> emission reduction (forecast)</li> <li>reduction of roughly 30 million cars on city roads (forecast)</li> </ul>	<ul style="list-style-type: none"> <li>emission of CO<sub>2</sub> per inhabitant</li> <li>quality of overall infrastructure</li> </ul>

A. World Economic Forum, The Global Competitiveness Report 2015-16, p. 19.

B. Data collected from a variety of public sources, including company websites, reports and statistical databases (ISTAT).

C. Data as of January 2016. The number of inhabitants that may benefit from financing of health projects is assessed according to whether they affect areas/ municipalities with fewer than 500,000 inhabitants. If that is the case, the analysis takes into account the number of inhabitants of the whole province. Otherwise, the analysis takes into account the number of inhabitants of the single municipality.

D. Data as of September 2016.

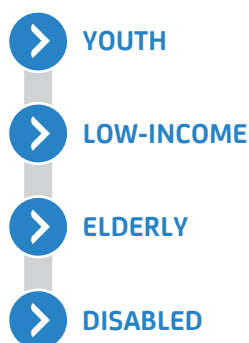
E. Data as of January 2016.



## Increasing financial access

Financial access is vital to reducing poverty, boosting shared value and fostering an inclusive and sustainable society.

We provide a broad range of financial services for individuals who are currently un-banked or under-banked. These services enable them to make payments, save money, purchase insurance and access credit. This facilitates their management of day-to-day issues and helps them and their families plan for everything from long-term goals to unexpected emergencies. UniCredit's offer for vulnerable groups includes:



For **young people** in Germany, we offer a convenient account free of charge until the holder's 26th birthday. Since the product was launched, 115,925 of these *StartKonto* accounts were opened, providing young people the opportunity to purchase their first banking product.

In Bosnia and Herzegovina, *JES!* offers regular and part-time students a free account with an additional services package, which includes a free Maestro debit card, standing orders and insurance. In 2016, 4,237 students benefited from this account while 1,087 registered for its additional services.

Meanwhile, in Croatia the *Package for Young* was launched in March, providing 37,424 people under the age of 29 the opportunity to access a complete range of banking services in one product.

The *My Genius* bank account, with its no-fee version in Italy, is particularly suitable for **low-income families**; 366,842 such accounts were opened in 2016, enabling holders to access essential banking services completely free of charge.

Since June 2016 in Germany, due to a regulatory requirement that decrees that every individual, including immigrants is entitled to open a basic account, we started offering *Basiskonto*, an account with basic features at a very convenient fee, for online-users and for branch users. Currently about 700 customers have in this way granted their access to basic banking services.

We also focus on the **elderly** segment. In Italy, for example, 16,733 customers between the ages of 65 and 85 accessed our *CQ Pensione* in 2016. This type of loan, which deducts repayments from pension checks, made more than €240 million available to elderly UniCredit customers.

Our elderly customers in Bosnia and Herzegovina can also benefit from the *JES! Senior package*. In 2016, 4,077 new customers took advantage of this offer, which includes an overdraft of about €700.

Finally UniCredit has a long tradition of inclusion for **people with disabilities**.

In Italy, for example, the latest version of our *Mobile Banking* app is designed to accommodate visually impaired customers; its compatibility with voice-over enabled devices allows for descriptions of what appears on screen, representing a significant step toward increasing the accessibility and usability of our 360-degree service model.

All UniCredit debit cards in Germany are embossed with braille so that visually impaired customers can easily identify them in their wallet.

Meanwhile in Austria we have worked to remove any barriers to our banking products and services. As in previous years, we continued addressing disability issues by:

- providing 223 shuttle rides to mobility impaired customers meeting their account managers in branches in 2016
- issuing 624 bank cards for visually impaired customers.

## Fostering responsible habits

Increasing financial literacy is one of the best ways to reduce the financial difficulties of individual citizens. A number of UniCredit programs are taking this route to make a positive impact on the financial stability, growth and prosperity of the communities we serve. While we help citizens learn about financial products and terminology and how to make responsible choices.

Since 2009, UniCredit has enacted several financial education programs targeting young people, the elderly, families, immigrants, opinion makers, non-profits and SMEs. In order to meet the changing needs of these disparate groups, our programs target each of their specific issues through face-to-face training sessions and digital channels.

**More than 52,000 participants<sup>10</sup> in roughly 1,500 face-to-face training sessions in our financial education programs in 2016; more than 1.6 million users reached via our digital platforms.**

### Face-to-face training

In Italy, we continued to carry out our *In-formati* financial education program in 2016. The program involved more than 36,000 participants this year in 1,068 training sessions.

For companies, in 2016 we strengthened *Go international!*, the learning program that supports the innovativeness and competitiveness of Italian enterprises in international markets. This program offers a range of courses, including the *Digital and Export Business School* master path, video seminars, workshops and customized training. Over the past year, 31 training sessions, mainly focused on digitization and e-commerce, were held for nearly 2,300 companies from several sectors, 78 percent of which were SMEs.

For those who are leaving school or in their first job, we ran 10 educational workshops in Germany that were attended by 133 people in 2016.

In 2016, our bank also supported startups and their founders through the *BayStartup* initiative, which we ran together with the Bavarian Ministry of Economics. Over the year 377 founder teams attended the business plan competition and altogether 7,000 participants had access to 76 workshops and information events, as well as several speeches and lectures from experts on startup entrepreneurship and startup finance.

In Austria, we continued to partner with the Austrian National Museum of Social and Economic Affairs, offering 315 workshops focused on the responsible handling of money to about 6,200 students.

Last June and July in Croatia, we held 15 special workshops for 200 young volunteers. These workshops provided guidance on how to best manage personal finances on a daily basis and how to start saving for the future. We also carried out, in cooperation with development agencies, local chambers of commerce,

craft chambers and universities, the *Partner and Advisor* project, which provided training courses and workshops aimed at increasing the financial knowledge of potential small business clients. Through this initiative, bank employees conducted 23 workshops that were attended by more than 600 participants throughout Croatia. These attendees received personalized advice and educational materials relevant to their respective enterprises.

### Education through digital channels

*Go International!* involved 1,485 Italian companies during the year with 3 video seminars focused on digitization.

In Germany, our messages on financial literacy reached about 1.1 million users via our multiple digital channels. In fact, while our educational portal, *EURO.DE*, registered nearly 25,000 visitors, we also provided in-depth information on topics such as responsible investments, financial services, markets, business concepts and recent trends in politics and society, to roughly 1 million unique visitors at *dossiers.hypovereinsbank.de* and almost 9,000 subscribers at *hypovereinsbank-publikationen.de*. Furthermore, about 129,000 people engaged in discussions on financial knowledge topics on our *HVB Blog*.

In Bulgaria, we are helping customers find a quick and easy way to navigate their way through the multitude of bank programs and services on offer and responsibly understand how this will impact their financial life, thanks to a new web platform *Your Financial Advisor*. During the year 587,306 people visited the site.

MATERIAL  
TOPICS



### FOCUS Accelerating progress through partnership

Since 2014 UniCredit, together with other main Italian banks, has supported *Young Factor*. This project, which is run by the Osservatorio Permanente Giovani-Editori, promotes financial and economic literacy to help young people make correct decisions for their future and become more responsible citizens. Participants receive 10 lessons focused on 10 economic topics from experts and academics that begin with analyzing daily news articles to demonstrate how economics is part of everyday life. In the 2015/2016 school year, more than 500,000 students participated in these classes, which were taught by roughly 7,500 teachers.

10. Participants include individuals and companies.

## Promote countries well-being

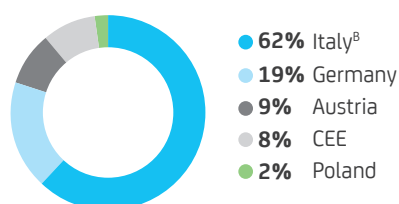
As a pan-European commercial bank, we are aware of our responsibility to address social issues, particularly during challenging times. We are meeting this responsibility to all of the communities we serve through our traditional banking activities and also through our corporate citizenship and philanthropic initiatives.

We work to always be prepared to respond to the needs of communities. Whether mitigating the risks of poverty and unemployment, supporting education and talent retention, advancing involvement in cultural activities, or swiftly enacting recovery plans in cases of natural disasters, we know our Group has a vital role.

### Percentage of community contributions

By geography, 2016<sup>A</sup>

€31.4 million=100%

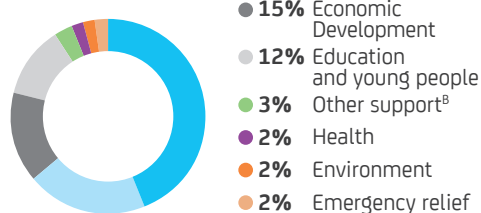


A. Data refers to cash contributions only.

B. Includes also UniCredit Foundation and UniCredit & Universities Foscolo Foundation.

By focus, 2016<sup>A</sup>

€39.7 million=100%

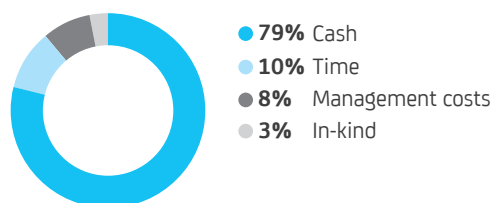


A. Includes Group cash contributions and – for Italy, Germany and Austria only – time, in-kind resources and management costs. Management costs are attributed proportionally based on contributions by focus.

B. "Other support" refers to activities that cannot be classified.

By type, 2016<sup>A</sup>

€39.7 million=100%



A. Includes Group cash contributions and – for Italy, Germany and Austria only – time, in-kind resources and management costs.

In 2016, we provided roughly €39.7 million<sup>11</sup> in support of communities as measured by the London Benchmarking Group (LBG) model.<sup>12</sup> In addition, thanks to our strong local presence, we attracted almost €3 million from third parties. Whilst we had a slight y/y decrease, we remain fully committed to contributing to communities and will continue to do so whilst applying the same cost discipline and efficiency we have set out for ourselves as part of the *Transform 2019* plan. Our aim is to make the best use of our competencies and relationships to best serve the communities we operate in through, amongst other things, support to non-profit activities, social entrepreneurship and financial education.

### Encouraging social inclusion

To concretely respond to urgent matters in the countries where we are present, in 2016 we continued to promote fundraising activities, support social enterprises and spread culture in all its forms.

#### Fundraising activities

##### EMPLOYEES

**Gift Matching Program:**<sup>13</sup> In the 14th edition of this UniCredit Foundation initiative, 10,720 donations made by colleagues involved; around €3 million donated; 442 non-profit organizations projects supported

##### CUSTOMERS

**Universo Non Profit:** 1,740 *Conto Donazioni* accounts raised about €19.5 million; 1,399 organizations present on the platform, *ilMioDono.it*; over €181,000 raised for 678 of them

**UniCredit Card E:** Roughly €1.8 million collected via around 237,000 cards in circulation

##### CUSTOMERS AND EMPLOYEES

**Earthquake in central Italy:** A fund of €250 million was established to provide housing and financial support through subsidized loans for people in affected areas; over €1.5 million was donated by customers and employees in the first month after the disaster

11. 2016 data are based on internal cost management data sources. Total contributions include cash contributions Groupwide, in addition to the value of employees' time, in-kind resources and management costs referring to Italy, Germany and Austria only. Aside from contributions tracked using the LBG model, total contributions to communities include an additional roughly €1.3 million for business initiatives that foster mainly economic development in our territories.

12. To date, the LBG model covers roughly 90 percent of our contributions Groupwide. Coverage calculated on cash contributions only.

13. Refer to the 2016 UniCredit Foundation Report for more accurate information.



## Social enterprises

Through steadfast support to social enterprises UniCredit Foundation<sup>14</sup> addresses priorities such as social care and employment, focusing on youth, elderly and, broadly, most disadvantaged groups. Capacity building – boosting non-profits' business and social impact – includes grants, training, mentorship and consultancy services.

### 2016 activities

- more than €2 million investments
- 11 running programs in 9 countries

### 2016 results

- 200 organizations empowered with capacity building
- 100 grants offered amounting to roughly €1.4 million
- more than 2,500 training and mentorship hours provided
- 400 estimated hours offered by 45 UniCredit colleagues as trainers and mentors
- 85 businesses started or accelerated, mainly in the agro-food and welfare sectors
- 311 jobs created

## Culture in all its forms

We concretely support the efforts of talented students to define their identities and reach their full potential. We believe that their perspectives and innovative ideas, when fully expressed, can nurture social progress.

Every year, the UniCredit & Universities Foscato Foundation<sup>15</sup> provides scholarships, fellowships and grants to talented students and researchers. In 2016, the *UniCredit International Internship Program* provided 25 undergraduates with a three-month internship at UniCredit offices located outside their home countries. UniCredit has contributed over €11.3 million to the foundation's programs since 2009, supporting a total of 528 beneficiaries.

UniCredit considers culture a main source of values, identity and sense of belonging; it contributes to well-being, cohesion and social inclusion. Our Group is committed to promoting cultural initiatives accessible to a vast and diverse public.

..... Almost **3 million participants** to cultural events in 2016.

As a main partner of the Filarmonica della Scala Orchestra, we supported 29 concerts for more than 51,000 people in 2016, in addition to the annual free *Concerto per Milano* in Piazza Duomo, directed by Riccardo Chailly, which was performed for roughly 45,000 spectators in June.

UniCredit is also the main sponsor of the exhibition *Storie dell'impressionismo: I grandi protagonisti da Monet a Renoir, da Van Gogh a Gauguin*, held by Linea d'Ombra in Treviso, which welcomed more than 100,000 visitors in 2016.

Meanwhile in 2016 the city of Milan and the Pomodoro Foundation<sup>16</sup> promoted several initiatives in 2016 to celebrate the 90 years of the famous artist Arnaldo Pomodoro. UniCredit supported as team partner the main exhibition in Palazzo Reale which hosted over 17,000 visitors in 2 months.

Since its 2015 inauguration in Milan, the UniCredit Pavilion has continued to provide one of the city's major open spaces for citizens, hosting a wide range of events, from public talks on economics, to art exhibitions to musical performances.

### The 2016 Pavilion numbers:

- **24 free cultural events** organized by UniCredit Pavilion welcomed **more than 33,000 visitors**
- **11 events** organized by non-profit organizations involved nearly **6,000 people**, raising roughly **€240,000** in charitable donations.<sup>17</sup>

Among the Pavilion's free musical performances, the *National Youth Orchestra Festival*, which was held over 6 evenings in July, provided a great opportunity for young talented musicians. 6 youth orchestras from across Europe performed with renowned artists for around 2,500 people.

In Germany, the *UniCredit Festival Night* is one of Munich's top cultural events every summer. In 2016, roughly 12,000 people attended the free concerts and lectures given by artists from the Bavarian State Opera.

The *Bank Austria Art Collection*, present at the Kunstforum, encompasses around 10,000 works and is one of the foremost collections of Austrian art. During each exhibition we organize a *Bank Austria day* giving the opportunity to customers to visit the exhibition for free. In 2016 around 1,000 visitors benefited from the initiative.

14. Refer to the UniCredit Foundation website ([www.unicreditfoundation.org/it.html](http://www.unicreditfoundation.org/it.html)) for more information.

15. Refer to the UniCredit & Universities Foundation website ([www.unicreditanduniversities.eu](http://www.unicreditanduniversities.eu)) for more information.

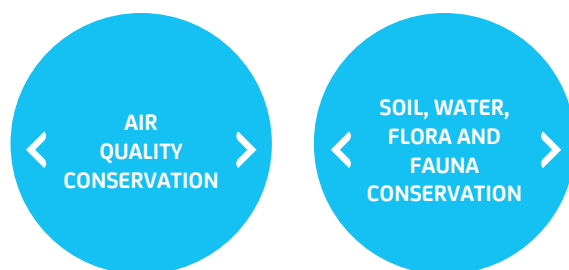
16. Refer to <https://www.fondazionearnaldopomodoro.it/?lang=en> for more information.

17. Fundraising for projects that promote gender balance, support people with disabilities and provide education to youths.

# Natural Capital

*Earth's natural resources and the ecosystem services that result from them make human life possible. The Bank's activities create an impact on natural capital that must be monitored and limited.*

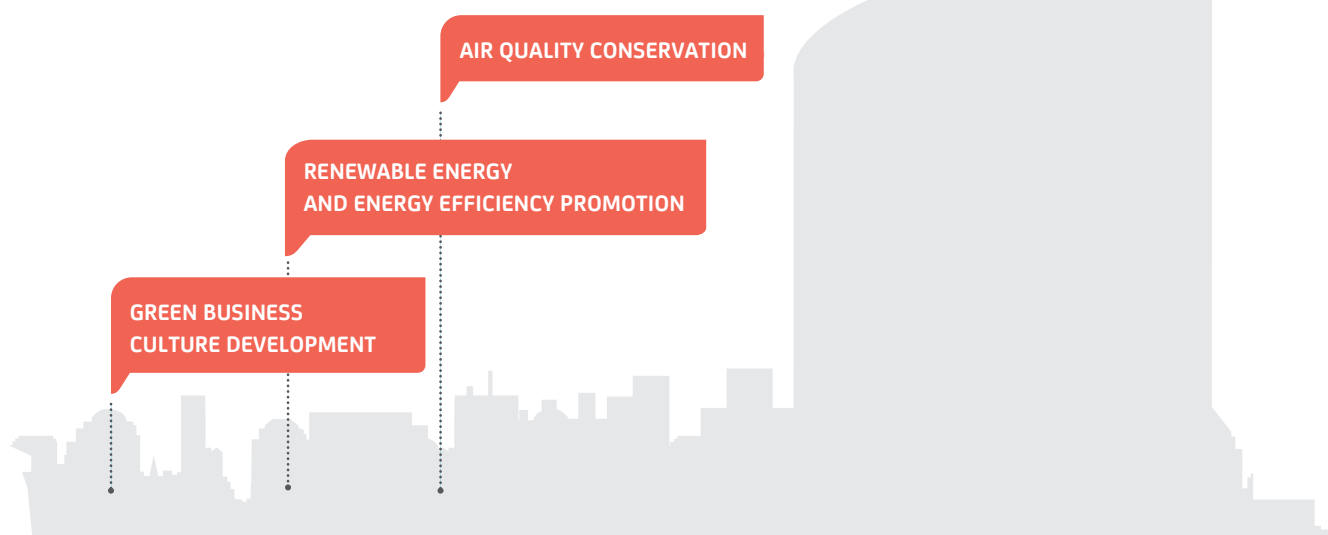
## OUR STOCKS OF CAPITAL



## RESULTS

- **€9.4 billion** exposure to the renewable energy sector
- **-38%** in total GHG emissions since the base year
- **€800 million** energy efficiency loans to individuals

## COMMUNITY IMPACTS



## PRIORITIES 2017

- Continued reduction of GHG emissions
- Promotion of green sensitive practices in the workplace
- Revision of procured product requirements completion

## Drive environmental strategy

UniCredit is aware that the interdependences between economic activity, ecosystems and natural resources present risks and opportunities for our business and our stakeholders. Economic development, human survival and well-being require conservation of the earth's ecosystems. Coherently with our commitment to contribute to the well-being of the communities in which we operate, we systematically work to prevent and mitigate any environmental impact of our operational activities and to promote best practices in our sphere of influence.

We believe that strong environmental governance is key to supporting the implementation, monitoring and constant improvement of our strategies and policies pertaining to environmental topics.

The Group Environmental and Social Council (GESC)<sup>1</sup> is the governance body that oversees implementation of our environmental strategy and commitments. Composed of executives from various UniCredit departments, since 2014 the GESC has driven all Group initiatives that involve environmental and social issues in order to minimize operational impacts, mitigate risks related to lending practices and seize new opportunities.

The council meets generally every quarter to propose environmental strategies, objectives and targets to UniCredit's Executive Management Committee. Throughout the year, members of the GESC stay informed on the progress of initiatives undertaken by the Group and the external factors that may affect them.

MATERIAL TOPICS



## Reduce our environmental impacts<sup>3</sup>

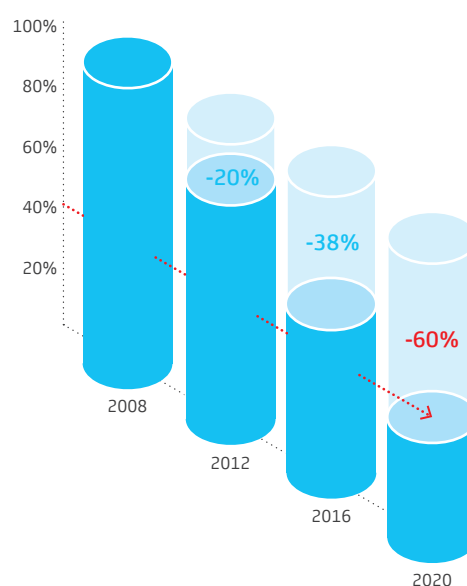
In our 2015 Integrated Report, we announced new Greenhouse Gas (GHG) abatement targets because we had successfully achieved our first target in 2015, well ahead of schedule. In our original commitment, we pledged in 2009 to reduce our carbon footprint, as expressed by our Scope 1 and 2 emissions in 2008, by 30 percent by 2020. Our medium-term target is now to reduce our GHG emissions by 60 percent by 2020, and our long-term target is a reduction of 80 percent by 2030. In 2016, we achieved an overall reduction of 38 percent versus our 2008 Scope 1 and 2 emissions. We accomplished this primarily by finding smarter ways to use our workspaces and by increasing the digitization of our banking operations to reduce the overall space that we allocate to network operations.

### FOCUS

#### Environmental Management System news

In 2015, the ISO 14001 standard was revised to adapt to the rapidly changing environment in which organizations now work. This revision of the protocol has changed 4 of its main features: understanding organizations and their contexts; understanding the needs and expectations of interested parties; actions to address risks and opportunities; the adoption of a life-cycle perspective. The European Commission is planning to integrate the revised ISO 14001 into Annex II of the EMAS<sup>2</sup> Regulation with an amendment that is expected to be enacted in Q2 2017, with a transition period so that registered organizations can adapt. Bank Austria, UniCredit Bank AG and UniCredit Bank Czech Republic and Slovakia as hold an ISO 14001 certification. The first two will comply with the new set of rules as soon as 2017, while the latter will by 2018. UniCredit SpA, registered under the EMAS Regulation, will comply upon renewal of its registration in 2018.

#### GHG emissions trend



1. Refer to the Governance chapter for more information.

2. EMAS means Eco-Management and Audit Scheme.

3. Refer to the Transform operating model and Maximize value of the commercial bank chapter for more information.



## Managing environmental aspects

Several UniCredit legal entities operate their own Environmental Management Systems (EMS). UniCredit SpA is currently running a pilot project with the European Commission to check the applicability of its sampling methodology. Its outcome will inform the Commission on the ways to conduct audits for multi-site organizations such as financial services providers and retailers.

In 2016, we also launched a program in Italy to raise environmental awareness among colleagues and clients. Since June, we have provided information about our EMS on customers' bank statements (with prior consents) as well as on our ATMs and electronic devices in our branches. Furthermore, we have provided all the branches with counter top display placards to inform the public about our network's compliance with the EMAS Regulation. To customers, we have publicized the importance of environmental challenges and how we are addressing them; besides the annual publication of our Environmental Statement, we have produced videos and infographics about our emission reduction activities that have received roughly 250,000 views online.

## Enhancing energy efficiency

We believe energy efficiency initiatives are critical to reducing our energy demand.

### Conduction of energy audits

This begins with energy audits, which we are conducting above and beyond legal compliance requirements. These audits and follow-up monitoring activities are currently covering 43 large UniCredit buildings and 30 branches. In 2016 and in the beginning of 2017, our *Smart Building Solutions Project* audited 25 large buildings and 17 branches. Among the various methods for monitoring our consumption, we have installed centralized remote control energy measurement systems in most of the sites that were audited in 2015. Furthermore, a lighting engineering study was conducted in 3 UniCredit buildings to identify potential new solutions, while energy audits have pinpointed more than 90 additional energy efficiency measures we can implement. At the local level, Bank Austria is using the Austrian Energy Efficiency Law to sell efficiency measures to energy providers, creating up to 1 GWh in savings, and our new headquarters building in Croatia is a Class A building.<sup>4</sup> In Milan, the UniCredit Pavilion has achieved a LEED<sup>5</sup> Gold Certification, joining the UniCredit Tower (LEED Gold) and the HVB

Tower (LEED Platinum). This certification is awarded to buildings and spaces that operate in a sustainable manner.

### FOCUS

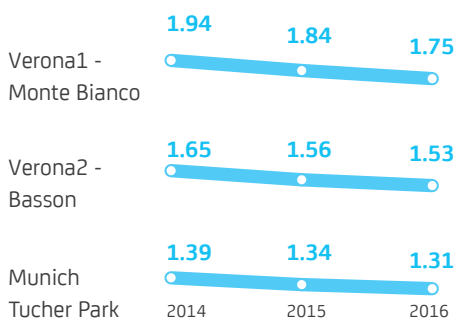
#### Real-time occupancy monitoring

Our new building Magazzini Generali in Verona is the first smart building in Italy to use intelligent digital systems and the Internet of Things to conserve energy. The building provides our employees with an optimal working environment while it adjusts the internal temperature, lighting and energy consumption of electric appliances according to actual requirements, depending on the presence and location of the building's occupants.

### Data centers sophistication

Energy consumption by data centers is a particular concern for financial institutions. Their drive to increase efficiency by digitizing processes leads to the greater use of energy-hungry data storage systems. At UniCredit we continue to invest in making our data centers energy efficient. Although they are subjected to annual increases in use for IT-related activities, their cooling systems, new Uninterruptible Power Supply (UPS) and overall engineering are designed to prevent any increase in energy consumption when meeting demand. At both of UniCredit's data centers in Verona, for example, we registered an increase in consumption in 2016 but energy demand increased less than projected, accounting only for operating the IT load. This is thanks to our energy efficiency measures in which the new UPS reduces energy leakage. The UPS is also designed to be more efficient when carrying a higher IT load. This achievement is reflected in Power Usage Effectiveness (PUE) ratios,<sup>6</sup> which in 2016 were further lowered as shown below.

### PUE ratios



4. Refer to <http://www.mgipu.hr/default.aspx?id=11984> for more information.

5. LEED means Leadership in Energy and Environmental Design.

6. The ratio of total power used by the data center to the power used for IT processing.



### **Demand for renewable energy sources**

The use of renewable energy is vital to tackling global climate change. We do our part by procuring the vast majority of our electricity from renewable sources for our premises in Italy, Germany and Austria: 98 percent in Italy, 98 percent in Austria and 100 percent in Germany. At the Group level, this accounted for 80 percent of the total electricity consumption.

### **Sustainable mobility management**

It is important for organizations with many employees to adopt sustainable mobility practices. Our *Transform 2019* plan calls for our Group to make significant IT investments in the years to come. This mandate complements our effort to improve opportunities for our colleagues and our customers to meet remotely. UniCredit continues to run its *No Travel Week* initiative regarding non-customer related travel, thereby further encouraging remote meetings.

In Germany, our employees must be authorized to travel for internal meetings. This measure has reduced air travel by 21 percent and train travel by 16 percent over the previous year.

Furthermore, the bank bus shuttle has been replaced in Munich with e-bicycles and electric cars are now used inside Sofia, Bulgaria. Our new travel policy in Russia strictly limits the number of colleagues travelling to meetings with the same purpose. It also requires employees to use public transport on business trips, including travel to and from airports, and demands that each business trip have several purposes in order to reduce the total number of trips.

### **Cutting consumption**

By reducing our consumption of materials, we can increase the sustainability of our Group. The prime area for reduction is in the use of paper, which can be limited through standardized behavior and a better and larger use of technology.

### **Data governance and data management centralization**

While the European Central Bank requires financial institutions to ensure the overall quality and integration of data, managing data – and then determining how best to use it in support of decision-making processes – is becoming even more important. In order to ensure the successful long-term management and the integrity of its data, in 2016 UniCredit appointed a Group Data Officer who is working to reduce redundancies, to create new information processes and to develop relevant metrics.

By centralizing data management, we can reduce consumption of material and energy. Paper use will be reduced by eliminating redundancies in reporting and analysis, while rationalized IT data will consume less energy. The centralization of data management governance within our major legal entities, and particularly in Italy, allowed for data used by various departments and functional to several processes to be concentrated and accessed within a unique data environment. This afforded a reduction of the complexity of our financial and risk-related data management processes by an estimated 63 percent. We expect this achievement will generate savings of 1.6 million sheets of paper per year.

### **Digitization of processes**

Our *Centralized Document Dematerialization* (CDD) project aims to make the use of branch documents more efficient and secure by developing a management process based on a new IT platform. The project will scan and digitally store contract documents and transaction confirmations to create a highly automated data system. A centralized archive of paper documents will be kept at a storage facility managed by one of our suppliers, while UniCredit will hold digital copies. This new process will significantly improve our Group's management of documents, reducing the amount of time spent storing paper by people in our network by as many as 250 FTEs by the beginning of 2019. It will optimize paper management, provide a digitized search engine, control automation and track paper documents.

This process began in January 2017 in a pilot phase using privacy consent forms, *FirmaMia*<sup>7</sup> enrollment forms, deposit forms and government bonds purchases. By the end of 2018, this program is expected to be extended to cover a number of other documents. Alongside *FirmaMia*, our customers can now digitally sign for their routine in-branch transactions.

#### **FirmaMia 2016**

**2.2 million contracts digitally signed**

**373 tons of paper saved**

**15.3 million in-branch digital transactions**

7. Refer to the 2015 Integrated Report for more information.



## Sourcing responsibly

Our Group's life-cycle perspective goes beyond traditional distinctions of direct and indirect environmental impacts. We have adopted a holistic, integrated approach to analyzing all of our organization's activities to ensure we understand and mitigate the effects of our procurement practices. While sourcing is not particularly relevant to the financial industry, our Group understands that it must take into account the inflows of material and energy to our operations and commercial practices.

Our Austrian Procurement Policy, which makes it mandatory to purchase energy from clean sources, is a prime example of UniCredit's commitment to responsible action and sustainable practices. We have established similar protocols for responsible procurement practices Groupwide to ensure we effectively manage the goods and services that are purchased and used within our organization. UniCredit's procurement model adheres to the precepts of sustainability. Suppliers must meet certain minimum requirements and are selected according to the standards of conventions of the International Labour Organization relating to fundamental human rights, child labor, freedom of association, working conditions, equal pay, health, safety and business ethics. Suppliers must also comply with the standards set forth in our Environmental Policy. In addition to sourcing environmentally certified products, we prefer to use providers with EMS certified under EMAS and ISO 14001 standards.

In 2015, we launched a thorough revision of our product requirements to keep up with the latest environmental standards. This began with a review of relevant macro categories that account for the most in total spending, enabling the largest portion of our global purchases to meet new protocols. Under the auspices of our EMS in Italy, we completed audits of 12 external service providers in 2015 and 5 more in 2016. Finally, in keeping with our commitment to responsible procurement practices, UniCredit SpA has adhered to the Codice Italiano Pagamenti Responsabili<sup>8</sup> since 2014.

## Seize green economy opportunities

In addition to managing its operational impacts, UniCredit is working to address issues related to the transformation of its global business. At UniCredit, we are constantly looking for business opportunities arising from environmental challenges.

We continue to invest in **renewable energy sources**. By the end of 2016, our exposure to the renewable energy sector exceeded €9.4 billion.<sup>9</sup> Overall, the largest portion of our financing for renewable projects goes to photovoltaic plants, with a share of 46 percent. Wind energy comprises 33 percent of the portfolio, with other renewable energy sources making up the remaining 21 percent. As of December 2016, we have financed 182 projects in Italy, Germany and Austria, with a total installed power of over 11 GW.

UniCredit, the first-ever lead manager of a **Green Bond** issuance, continues to invest in this instrument. In 2016 we acted as joint book runner or joint arranger of 10 issues for a total placement of over €7 billion. Among these, UniCredit acted as joint lead manager in the €500 million EIB 2037 Climate Awareness Bond, the longest maturity outstanding green bond to date. In March 2016, Nordex, a leading German wind energy company, successfully priced the first Green Schuldschein ever, a special form of private placement under German law. UniCredit served as a green structuring advisor and book runner on the placement, and subsequently worked on other Green Schuldschein placements (e.g., Acciona).

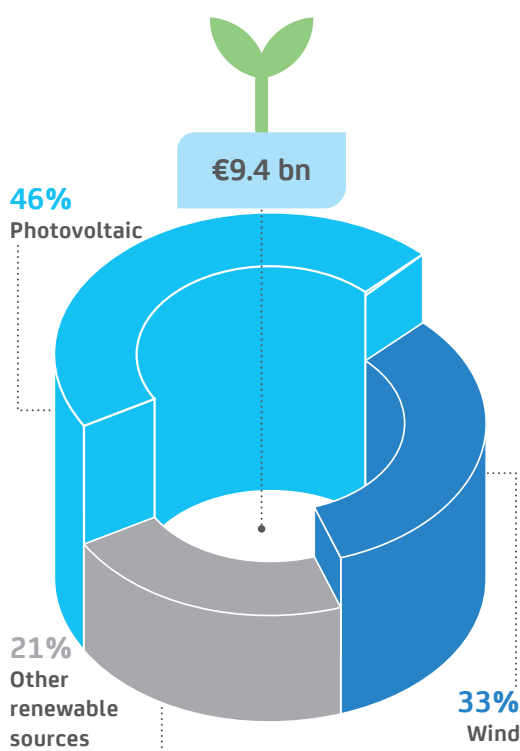
### FOCUS BARD Offshore 1

We have financed BARD Offshore 1, the first and most powerful offshore wind farm in Germany. BARD Offshore 1 has been fully connected to the grid since September 2013. With 80 five-megawatt wind generators, the wind farm has a nominal capacity of 400 megawatts. Under full load its output amounts to more than 1.6 billion kWh of electricity per year, resulting in the avoidance of some 880,000 tons of CO<sub>2</sub> emissions and providing green energy to approximately 400,000 private households.

8. Refer to the 2015 Integrated Report for more information.

9. Data is expressed as Exposure at Default (EAD); the 2016 perimeter includes roughly €1.3 billion attributable to Turkey.

## Renewable energy portfolio, 2016



In Italy in 2015, we signed an agreement with ECOndominio<sup>10</sup> by Centro del Risparmio Energetico Srl to subsidize loans to buildings for **energy efficiency** projects. We also continue to partner with multilateral development banks and government-subsidized lenders such as KfW, a German development bank, to promote energy efficiency. As of 2016, our loans to small and medium enterprises through these institutions' programs amounted to nearly €1.8 billion.

We had also provided over €800 million in energy efficiency loans to individuals as of 2016.

UniCredit has maintained a **carbon trading desk** since 2005. Located within Corporate Investment Banking alongside our other commodities trading desks, the carbon trading desk takes care of customers' needs vis-à-vis climate issues, carbon neutrality and Emission Trading Directive-related risks. In 2016 the desk has traded nearly 600 million tons of carbon valued over €3.4 billion.

### FOCUS Officinæ Verdi®

The Officinæ Verdi Group (OV Group) was originally created by UniCredit in partnership with Fondazione WWF Italia.

OV Group integrates green engineering and financial viability assessments to develop and structure green economy investments. OV Group has developed operations and investments in key sectors such as real estate, infrastructure, large-scale distribution and manufacturing. From 2013 to 2016, OV Group was responsible for the development of some 250 projects worth about €155 million in energy efficiency and renewable energy investments. The energy plants managed by OV Group represent roughly 280 megawatts of peak power. In total, OV Group has supplied 471 gigawatt-hours per year of energy, avoiding 261,000 tons per year of CO<sub>2</sub> emissions in the process. In 2016, Officinæ Verdi Group founded the Green Capital Alliance® (OV I GCA), a benefit corporation focused on innovation in the green and circular economy.

## Advance environmental risk management

As they pursue market opportunities, financial institutions must also prepare for potential risks arising from climate change and broader natural capital depletion. As in previous years we have worked to enhance our perception of risks caused by environmental stresses and we are continuing to prepare for adverse climate and natural capital-related changes potentially impacting customer risk profiles.

### Leveraging partnerships

As a signatory of the Natural Capital Declaration, UniCredit is now participating in a pilot project directed by the Natural Capital Finance Alliance (NCFA), the name for the group of financial institutions and partners who are fellow signees. The pilot, which is called the *Advancing Environmental Risk Management* project, aims to develop methodologies and tools to map natural capital risks across lending and investment portfolios and help integrate them into risk assessments.<sup>11</sup>

#### MATERIAL TOPICS



10. ECOndominio, through its affiliates, operates in the energy efficiency market and mainly serves condo buildings.

11. Refer to <http://www.naturalcapitalfinancealliance.org/the-advancing-environmental-management-project-aerm/> for more information.

**MATERIAL TOPICS**



In parallel, we support NCFA in developing a new Finance Sector Supplement for the Natural Capital Protocol, in partnership with the Natural Capital Coalition and VBDO (the Dutch Association of Investors for Sustainable Development).<sup>12</sup> This supplement will serve as an introduction to natural capital issues and provide a framework for measuring and integrating natural capital issues into financial institutions.

As the rise in global consumption strains our planetary boundaries, it is increasingly important to transform market dynamics. Financial institutions can, indirectly, help people reduce their use of resources in ways that deplete ecosystems. But no entity can effectively address this issue on their own. In recognition of this fact, UniCredit regularly participates in industry associations and public-private partnerships that seek to design and implement a new business model that can address the environmental challenge humanity now faces.

**FOCUS**  
**Working with WWF**

Among our partners, a special mention goes to WWF. We continued to support WWF initiatives by donating more than €430,000 to the WWF Italy Oasis System in 2016. These donations are part of a sponsorship that, since its inception, has raised close to €1.9 million by donating 0.3 percent of all UniCredit Flexia Card WWF transactions as well as the issuing fees of our Genius Card WWF to a special WWF fund managed by our Group. UniCredit provided further support to WWF in 2016 as the main sponsor of La Giornata delle Oasi, held in May 29 to raise money and awareness for the Italy Oasis System. This system comprises more than 30,000 hectares of forests, coastlines, rivers, lakes and mountains at more than 100 WWF sites across the country.

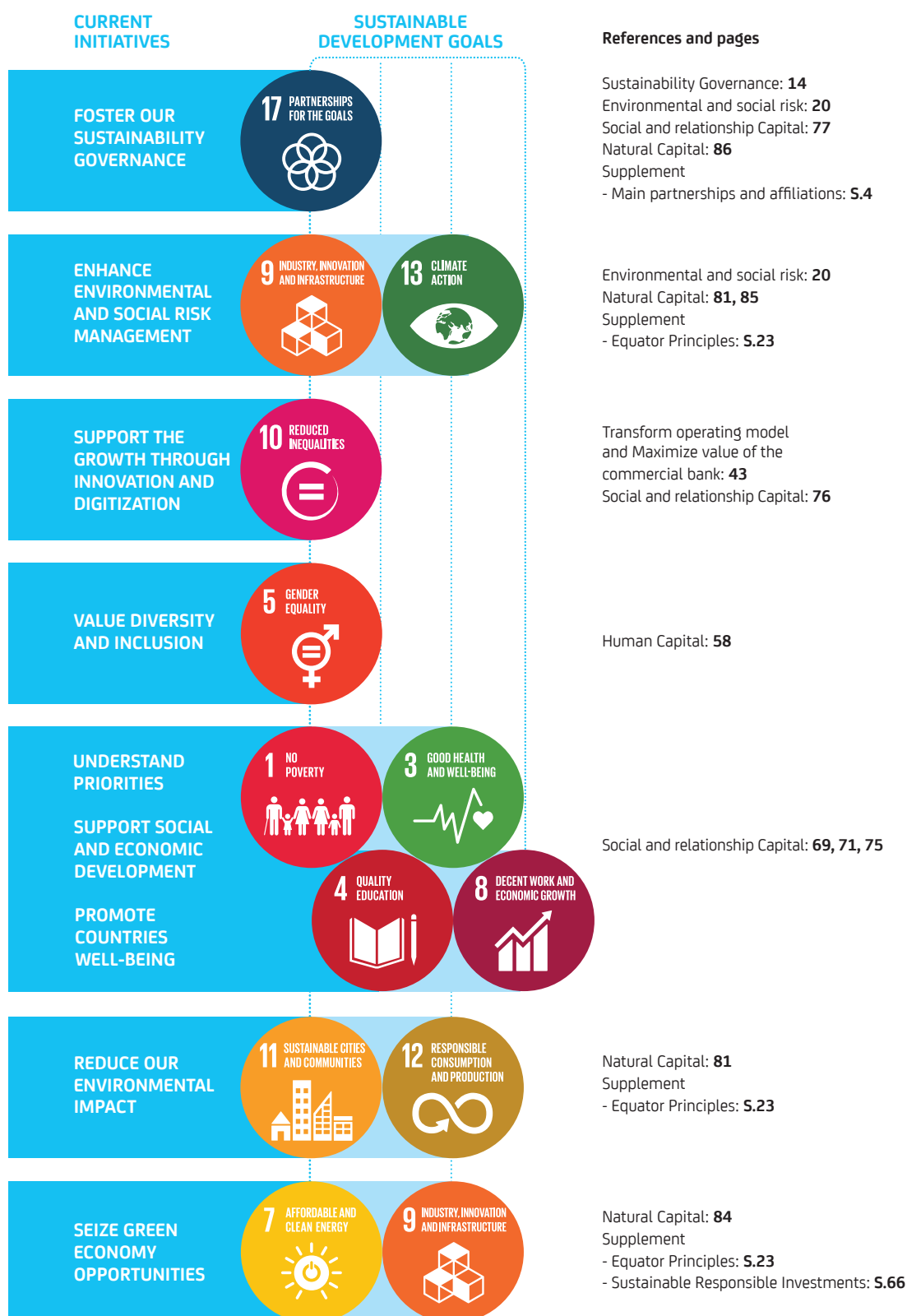
**Main environmental partnerships**

Association	UniCredit's role	Goal
<b>European Financial Roundtable</b>	Member of Climate Group	Enable a more favorable and prudent treatment of sustainable assets
<b>UN Environment Programme Finance Initiative</b>	Member of Climate Change Advisory Group	Understand the roles, potentials and needs of the finance sector in addressing climate change
<b>Institute of International Finance</b>	Member of Green Finance Working Group	Promote market solutions to support the development and growth of green finance
<b>Natural Capital Finance Alliance</b>	Member of Steering Committee	Understand and integrate dependencies between business and natural capital
<b>Italian National Dialogue on Sustainable Finance</b>	Member of a number of working groups	Design sustainable finance for the Italian market
<b>G20 Green Finance Study Group</b>	Best Practice contributor	Draft G20 Green Finance Report
<b>2° Investing Initiative</b>	Active member	Align financial institutions' portfolio to 2°C scenario

12. The Natural Capital Protocol is a framework designed to help generate trusted, credible, and actionable information for business managers to inform their decisions.

# UniCredit Contribution to the Sustainable Development Goals

*Our most significant initiatives contribute to development, promote well-being, help conserve the environment, and are in line with the United Nations Global Goals for Sustainable Development.<sup>1</sup>*



1. The selection of initiatives and Sustainable Development Goals are non exhaustive.

# GRI Content Index and UN Global Compact

The following table presents the GRI with reference to the “In Accordance-core” option, as foreseen by the GRI-G4 Guidelines. For the GRI Content Index, please see the dedicated area of UniCredit’s corporate website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)). Any omissions are reported as notes to the individual indicators, if required.

## General standard disclosures

Indicators		References	Notes and pages
<b>Strategy and analysis</b>			
G4-1	Statement from the CEO	2016 Integrated Report	4, 5
G4-2	Key impacts, risks, and opportunities	2016 Integrated Report	4, 5, 16-21, 26, 84, 85; S.22-S.27
<b>Organizational profile</b>			
G4-3	Name of the Organization	2016 Integrated Report	101
G4-4	Primary brands, products, and/or services	2016 Integrated Report	26, 27
		2016 Consolidated Reports and Accounts	
G4-5	Location of the Organization’s headquarters	2016 Integrated Report	101
G4-6	Countries where the Organization operates	2016 Integrated Report	6, 7
G4-7	Nature of ownership and legal form	2016 Integrated Report	12, 13
		2016 Consolidated Reports and Accounts	
		2016 Report on Corporate Governance and Ownership Structure	
G4-8	Markets served	2016 Integrated Report	6, 7, 30-47
G4-9	Scale of the Organization	2016 Integrated Report	6, 7, 26, 27, 53; S.44
G4-10	Workforce characteristics	2016 Integrated Report	S.44, S.45, S.48
G4-11	Employees covered by collective bargaining agreements	2016 Integrated Report	S.52
G4-12	Organization’s supply chain	2016 Integrated Report	26, 27, 84
G4-13	Changes in Organization’s size, structure ownership or its supply chain	2016 Integrated Report	2
		2016 Consolidated Reports and Accounts	
G4-14	Precautionary principle	2016 Integrated Report	14, 20, 21, 81; S.22-S.27
G4-15	Externally developed charters, principles or initiatives to which the Organization subscribes/ endorses	2016 Integrated Report	69, 81, 85, 86; S.10, S.22, S.26
G4-16	Membership in associations or Organizations	2016 Integrated Report	S.4-S.7
<b>Identified material aspects and boundaries</b>			
G4-17	Entities included in the Integrated Report	2016 Integrated Report	2, 6, 7
		2016 Consolidated Reports and Accounts	
G4-18	Reporting principles for defining Integrated Report content	2016 Integrated Report	2, 28, 29; S.40-S.43
G4-19	Material aspects identified in defining Integrated Report content	2016 Integrated Report	28, 29; S.40-S.43
G4-20	Material aspects within the Organization	2016 Integrated Report	28, 29; S.40-S.43
G4-21	Material aspects outside the Organization	2016 Integrated Report	28, 29; S.40-S.43
G4-22	Restatements of information provided in earlier Reports	2016 Integrated Report	2
G4-23	Significant changes from previous Reporting periods in scope and aspect boundaries	2016 Integrated Report	2
<b>Stakeholder engagement</b>			
G4-24	Stakeholder groups engaged by the Organization	2016 Integrated Report	28, 29; S.40-S.43
G4-25	Identification and selection of stakeholders to engage	2016 Integrated Report	28, 29; S.40-S.43

Indicators		References	Notes and pages
G4-26	Organization's approach to stakeholder engagement	2016 Integrated Report	28, 29, 66-68; S.40-S.43, S.63, S.64
G4-27	Key topics collected through stakeholder engagement	2016 Integrated Report	28, 29; S.63-S.65
<b>Report profile</b>			
G4-28	Reporting period	2016 Integrated Report	2
G4-29	Date of the last Report	2016 Integrated Report	2
G4-30	Reporting cycle	2016 Integrated Report	2
G4-31	Contact point for questions regarding the Report	2016 Integrated Report	Inside back cover
G4-32	GRI Content Index	2016 Integrated Report	2, 88-95
G4-33	External assurance	2016 Integrated Report	2, 96, 97
<b>Governance</b>			
G4-34	Governance structure	2016 Integrated Report 2016 Report on Corporate Governance and Ownership Structure	12, 13; S.11-S.13
G4-35	Delegating authority for economic, environmental and social topics	2016 Integrated Report	12, 14, 81
G4-36	Positions with responsibility for economic, environmental and social topics	2016 Integrated Report	12, 14, 81
G4-37	Consultation between stakeholders and the highest governance bodies on economic, environmental and social topics	2016 Integrated Report	14, 28, 29, 68-70, 81
G4-38	Composition of highest governance bodies and its committees	2016 Integrated Report 2016 Report on Corporate Governance and Ownership Structure	13
G4-39	Executive powers of the Chairman	2016 Integrated Report 2016 Report on Corporate Governance and Ownership Structure	13
G4-40	Qualification and expertise of highest governance bodies	2016 Integrated Report 2016 Report on Corporate Governance and Ownership Structure	13; S.11-S.13
G4-41	Processes to avoid conflicts of interest	2016 Integrated Report 2016 Report on Corporate Governance and Ownership Structure	S.38
G4-42	Highest governance bodies and senior executives' roles in the development, approval, and updating of the Organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	2016 Integrated Report	14, 20, 28, 29, 81
G4-43	Measures taken to develop and enhance the highest governance bodies' collective knowledge of economic, environmental and social topics	2016 Integrated Report	69, 70; S.13
G4-44	Evaluation of the Board of Directors' performance	2016 Integrated Report 2016 Report on Corporate Governance and Ownership Structure	S.13
G4-45	Highest governance bodies' role in the identification and management of economic, environmental and social impacts, risks, and opportunities	2016 Integrated Report 2016 Report on Corporate Governance and Ownership Structure	12, 14, 19-21, 28, 29; S.14, S.15, S.26, S.27

## GRI Content Index and UN Global Compact

### → General standard disclosures

Indicators		References	Notes and pages
G4-46	Highest governance bodies' role in reviewing the effectiveness of the Organization's risk management processes for economic, environmental and social topics	2016 Integrated Report	14, 16, 17, 19-21, 28, 29; S.14, S.15
		2016 Report on Corporate Governance and Ownership Structure	
G4-47	Frequency of the highest governance bodies' review of economic, environmental and social impacts, risks, and opportunities	2016 Integrated Report	16, 17; S.14, S.15
		2016 Report on Corporate Governance and Ownership Structure	
G4-48	Highest committee or position that formally reviews and approves the Organization's Integrated Report	2016 Integrated Report	12; The content of the Group Integrated Report receives the approval by the Board of Directors.
G4-49	Communicating critical concerns to the highest governance bodies	2016 Integrated Report	23, 69, 70; S.15, S.19, S.20, S.50, S.51
		2016 Report on Corporate Governance and Ownership Structure	
G4-50 <sup>A</sup>	Critical concerns that were communicated to the highest governance bodies and the mechanism(s) used to address and resolve them		
G4-51	Remuneration policies for highest governance bodies and senior executives	2016 Integrated Report	15; S.15-S.18; Group Compensation Policy
		2016 Report on Corporate Governance and Ownership Structure	
G4-52	Principles for determining remuneration	2016 Integrated Report	15; S.15-S.18; Group Compensation Policy
		2016 Report on Corporate Governance and Ownership Structure	
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	2016 Integrated Report	15; S.15-S.18; Group Compensation Policy
		2016 Report on Corporate Governance and Ownership Structure	
Ethics and integrity			
G4-56	Organization's values, principles, standards and norms of behavior	2016 Integrated Report	10, 11, 22, 23; S.10
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to Organizational integrity	2016 Integrated Report	23; S.19, S.20
G4-58	Internal and external mechanisms for Reporting concerns about unethical or unlawful behavior, and matters related to Organizational integrity	2016 Integrated Report	23; S.19, S.20, S.32, S.33

A. Given the strategic nature, data are considered as confidential.

## Specific standard disclosures

Indicators and DMA		References	Notes and pages
<b>Category: Economic</b>			
<b>Material aspect: economic performance</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	6, 7, 10, 20, 80, 84, 85; S.2, S.3, S.22, S.23, S.26, S.27
G4-EC1	Direct economic value generated and distributed	2016 Integrated Report	S.2, S.3
G4-EC2	Financial implications, risks and opportunities for the Organization's activities due to climate change	2016 Integrated Report	10, 20, 81, 84-86; S.22-S.27
G4-EC3	Coverage of the Organization's defined benefit plan obligations	2016 Integrated Report  2016 Consolidated Reports and Accounts	S.54-S.56
G4-EC4	Financial assistance received from Government	2016 Integrated Report	S.50
<b>Material aspect: indirect economic impacts</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	69-79; S.23-S.27
G4-EC7	Development and impact of infrastructure investments and services supported	2016 Integrated Report	69-79; S.23-S.27
G4-EC8	Significant indirect economic impacts	2016 Integrated Report	44, 69-79
<b>Category: Environmental</b>			
<b>Material aspect: materials</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	83, 84
G4-EN1	Materials used by weight or volume	2016 Integrated Report	S.71
<b>Material aspect: energy</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	81-83
G4-EN3	Energy consumption within the Organization	2016 Integrated Report	83; S.71; In 2016, direct energy consumption amounted to roughly 727,000 GJ. The main fuels used were natural gas (about 96 percent), followed by crude oil and petroleum products (about 4 percent). Indirect energy consumption amounted to roughly 2,460,000 GJ of which district heating accounted for about 17 percent and electricity for about 83 percent. Electricity consumption included self-produced energy from photovoltaic plants in Italy and Austria, whereas in Germany approximately 25,000 GJ of self-produced energy from renewable sources was sold.
G4-EN5	Energy intensity	2016 Integrated Report	82; S.71
G4-EN6	Reduction of energy consumption	2016 Integrated Report	82, 83; S.71
G4-EN7	Reductions in energy requirements of products and services	2016 Integrated Report	82, 83
<b>Aspect: water</b>			
G4-EN8	Water withdrawal	2016 Integrated Report	S.71; Water withdrawn from public water mains or other water services providers.
<b>Material aspect: emissions</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	81-83
G4-EN15	Direct Greenhouse Gas (GHG) emissions (Scope 1)	2016 Integrated Report	S.70
G4-EN16	Energy indirect Greenhouse Gas (GHG) emissions (Scope 2)	2016 Integrated Report	S.70
G4-EN17	Other indirect Greenhouse Gas (GHG) emissions (Scope 3)	2016 Integrated Report	S.70
G4-EN19	Reduction of Greenhouse Gas (GHG) emissions	2016 Integrated Report	80, 81; S.70
G4-EN20	Emissions of ozone-depleting substances (ODS)	2016 Integrated Report	In line with applicable regulations, where necessary UniCredit continues to replace refrigeration and cooling systems that contain ozone-depleting substances. In recent years in Germany some episodes of ozone-depleting substance leakage have occurred and the relevant GHG emissions have been calculated. The emissions arising from the leakage recorded in 2016 totaled 149.22 tons CO <sub>2</sub> e.



## GRI Content Index and UN Global Compact

### → Specific standard disclosures

Indicators and DMA		References	Notes and pages
<b>Aspect: effluents and waste</b>			
G4-EN23	Total weight of waste by type and disposal method	2016 Integrated Report	S.71
<b>Material aspect: products and services</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	81-86
G4-EN27	Mitigation of environmental impacts of products and services	2016 Integrated Report	81-86
<b>Material aspect: compliance</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	81, 82, 84
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	2016 Integrated Report	No relevant fines were imposed in 2016 for non-compliance with environmental laws or regulations.
<b>Material aspect: transport</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	83
G4-EN30	Environmental impacts of transport	2016 Integrated Report	83; S.70
<b>Aspect: supplier environmental assessment</b>			
G4-EN32	Suppliers screened using environmental criteria	2016 Integrated Report	84; In UniCredit 100 percent of new suppliers are screened using socio-environmental criteria.
<b>Category: Social</b>			
<b>Labor practices and decent work</b>			
<b>Material aspect: employment</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	S.4-59
G4-LA1	Number and rates of new employee hires and employee turnover	2016 Integrated Report	S.46, S.47
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	2016 Integrated Report	S.54
<b>Aspect: labor/management relations</b>			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	2016 Integrated Report	S.63
<b>Aspect: occupational health and safety</b>			
G4-LA5	Workforce represented in health and safety committees	2016 Integrated Report	S.58
G4-LA6	Injuries, occupational diseases, lost days, absenteeism and total number of work-related fatalities	2016 Integrated Report	S.59
G4-LA8	Health and safety topics covered in formal agreements with trade unions	2016 Integrated Report	S.59
<b>Material aspect: training and education</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	18, 22, 23, 56-58, 62; S.27, S.29
G4-LA9	Training per employee	2016 Integrated Report	S.50
G4-LA10	Programs for skills management and lifelong learning of employees	2016 Integrated Report	S.57
G4-LA11	Employees receiving regular performance and career development reviews	2016 Integrated Report	S.56
<b>Material aspect: diversity and equal opportunity</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	S.58, 59
G4-LA12	Composition of governance bodies and breakdown of employees per indicators of diversity	2016 Integrated Report	13; S.45, S.49
		2016 Report on Corporate Governance and Ownership Structure	
<b>Material aspect: equal remuneration for women and men</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	S.58, 59

Indicators and DMA		References	Notes and pages
G4-LA13	Ratio of basic salary and remuneration of women to men	2016 Integrated Report	S.47, S.48
<b>Aspect: labor practices grievance mechanisms</b>			
G4-LA16	Grievances about labor practices filed, addressed and resolved	2016 Integrated Report	S.60
<b>Human rights</b>			
<b>Material aspect: investment</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	20, 84; S.23-S.27; Human Rights Commitment
G4-HR1	Investment agreements and contracts that include human rights clauses or that underwent human rights screening	2016 Integrated Report	20, 84; S.23-S.27; Human Rights Commitment
G4-HR2	Employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations	2016 Integrated Report	20; S.27; Human Rights Commitment
<b>Material aspect: non-discrimination</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	S.19, S.20; Human Rights Commitment
G4-HR3	Incidents of discrimination and corrective actions taken	2016 Integrated Report	In 2016, 1 case of discrimination has been reported and is still pending.
<b>Aspect: supplier human rights assessment</b>			
G4-HR10	Suppliers screened using human rights criteria	2016 Integrated Report	84; In UniCredit 100 percent of new suppliers are screened using socio-environmental criteria, including compliance with International Labour Organization (ILO) conventions.
<b>Material aspect: human rights grievance mechanisms</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	S.19, S.20; Human Rights Commitment
G4-HR12	Grievances about human rights impacts filed, addressed, and resolved	2016 Integrated Report	S.19, S.20; S.60, S.61; Human Rights Commitment; The incidents related to Human Rights monitored are: Discrimination (see Whistleblowing data on discrimination), Labor (see Disputes concerning labor, welfare issues and administrative bodies), Child/Forced (not applicable to the sector).
<b>Society</b>			
<b>Material aspect: local communities</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	69-79; S.22-S.26
G4-S01	Operations with implemented local community engagement, impact assessments, and development programs	2016 Integrated Report	69-79; S.23-S.27
FS13	Access points in low-populated or economically disadvantaged areas by type	2016 Integrated Report	S.68
FS14	Initiatives to improve access to financial services for disadvantaged people	2016 Integrated Report	69-79
<b>Material aspect: anti-corruption</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	22, 23; S.28-S.30, S.32-S.34
G4-S03	Operations assessed for risks related to corruption	2016 Integrated Report	S.32-S.34
G4-S04	Communication and training on anti-corruption policies and procedures	2016 Integrated Report	S.32-S.34
G4-S05 <sup>B</sup>	Confirmed incidents of corruption and actions taken		
<b>Material aspect: anti-competitive behavior</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	22, 23; S.28-S.30, S.34-S.37
G4-S07	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	2016 Integrated Report	S.28-S.30, S.34-S.37
		2016 Consolidated Reports and Accounts	
<b>Material aspect: compliance</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	22, 23; S.28-S.30

B. UniCredit monitors incidents of corruption related to both employees and business partners. For privacy reasons, we do not report on this disclosure.

## GRI Content Index and UN Global Compact

### → Specific standard disclosures

Indicators and DMA		References	Notes and pages
G4-S08	Fines and sanctions for non-compliance with laws and regulations	2016 Integrated Report	S.29-S.39
		2016 Consolidated Reports and Accounts	
<b>Product responsibility</b>			
<b>Material aspect: product and service labeling</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	66; S.63-S.65
G4-PR4	Incidents of non-compliance with regulations concerning product and service information and labeling	2016 Integrated Report	S.65
G4-PR5	Results of surveys measuring customer satisfaction	2016 Integrated Report	66, 67; S.63, S.64
<b>Aspect: Marketing communications</b>			
G4-PR6	Sale of banned or disputed products		Compliance Policies and Procedures are adopted and implemented in order to scrutinize new products/new initiatives and ex-ante evaluations are timely proposed when needed. Compliance is an integral part of local Product Committees - where present - and it is regularly referred to in case of launch of new products.
<b>Material aspect: Product Portfolio</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	64-79
FS6	Portfolio for business lines	2016 Integrated Report	S.62
FS7	Monetary value of products and services designed to deliver a specific social benefit	2016 Integrated Report	64-79
FS8	Monetary value of products and services designed to deliver a specific environmental benefit	2016 Integrated Report	84, 85
<b>Material aspect: customer privacy</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	22, 23, 62; S.38
G4-PR8 <sup>c</sup>	Substantiated complaints regarding breaches of customer privacy and losses of customer data		
<b>Material aspect: compliance</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	22, 23; S.28-S.30, S.34-S.37
G4-PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	2016 Integrated Report	S.35-S.37
		2016 Consolidated Reports and Accounts	
<b>Material aspect: Active Ownership</b>			
G4-DMA	Generic Disclosures on Management Approach	2016 Integrated Report	S.66, S.67
FS10	Companies held in the institution's portfolio with which the Reporting Organization has interacted on environmental or social issues	2016 Integrated Report	S.66, S.67
FS11	Assets subject to positive and negative environmental or social screening	2016 Integrated Report	S.66, S.67

C. UniCredit monitors complaints regarding breaches of customer privacy and losses of customer data. For privacy reasons, we do not report on this disclosure.

## Making the connection by GRI Indicators and UN Global Compact Principles

UniCredit submits the Integrated Report as its annual Communication on Progress (COP), publicly disclosing to stakeholders also on progress made in implementing the Ten Principles promoted by the UN Global Compact and in supporting broader UN development goals, in its core business. The table included in this Report provides connections among GRI-G4 indicators and UN Global Compact Principles.

Categories	Principles	GRI-G4 Indicators
Human Rights	Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights	G4-HR2, G4-HR7, G4-HR8, G4-HR9, G4-HR12, G4-SO1, G4-SO2
	Principle 2 - Business should make sure they are not complicit in human rights abuses	G4-HR1, G4-HR10, G4HR-11
Labour	Principle 3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	G4-11, G4-HR4, G4-LA4
	Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour	G4-HR6
	Principle 5 - Businesses should uphold the effective abolition of child labour	G4-HR5
	Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation	G4-10, G4-EC5, G4-EC6, G4-LA1, G4-LA3, G4-LA9, G4-LA11, G4-LA12, G4-LA13, G4-HR3
Environment	Principle 7 - Businesses should support a precautionary approach to environmental challenges	G4-EC2, G4-EN1, G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17, G4-EN20, G4-EN21, G4-EN27, G4-EN31
	Principle 8 - Businesses should undertake initiatives to promote greater environmental responsibility	G4-EN1, G4-EN2, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, G4-EN8, G4-EN9, G4-EN10, G4-EN11, G4-EN12, G4-EN13, G4-EN14, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20, G4-EN21, G4-EN22, G4-EN23, G4-EN24, G4-EN25, G4-EN26, G4-EN27, G4-EN28, G4-EN29, G4-EN30, G4-EN31, G4-EN32, G4-EN33, G4-EN34
	Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies	G4-EN6, G4-EN7, G4-EN19, G4-EN27, G4-EN31
Anti-corruption	Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery	G4-S6, G4-S7, G4-S8, G4-SO3, G4-SO4, G4-SO5, G4-SO6

An online tool that cross-references the GRI-G4 indicators to the Global Compact principles is available on the GRI website:  
<https://www.globalreporting.org/resource/library/UNGC-G4-linkage-publication.pdf>

## **INDEPENDENT AUDITORS' REPORT ON THE SUSTAINABILITY INFORMATION INCLUDED IN THE INTEGRATED REPORT**

**To the Board of Directors of  
UniCredit S.p.A.**

We have performed a limited assurance engagement on the sustainability information included in the Integrated Report, including its Supplement, (hereafter "Integrated Report") of UniCredit (the "Group") as of December 31, 2016.

### *Directors' responsibility on the sustainability information included in the Integrated Report*

The Directors are responsible for the preparation of the sustainability information included in the Integrated Report in accordance with the "G4 Sustainability Reporting Guidelines" and "Financial Services Sector Disclosures" both issued in 2013 by GRI – Global Reporting Initiative, as stated in the paragraph "Report structure" of the Integrated Report, and for such internal control as they determine is necessary to enable the preparation of a sustainability information that is free from material misstatement, whether due to frauds or unintentional behaviours or events. The Directors are also responsible for defining UniCredit 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 information included in the Integrated Report is free from material misstatement.

These procedures included inquiries, primary with company personnel responsible for the preparation of sustainability information included in the Integrated Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

The procedures performed on the sustainability information consisted in verifying its compliance with the principles for defining content and quality of the sustainability information included in the Integrated Report set out in the "G4 Sustainability Reporting Guidelines", and are summarized as follows:

- comparing the economic and financial data reported in the sustainability information included in the Integrated Report with those reported in the Group Consolidated Financial Statements as of December 31, 2016, on which Deloitte & Touche S.p.A. issued the auditors' report (pursuant to articles 14 and 16 of Legislative Decree no. 39 of January 27, 2010), dated March 20, 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 Group;



- analysing the process relating to the definition of material aspects disclosed in the sustainability information included in the Integrated 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;
- analysing how the processes underlying the generation, collection and management of quantitative data of the sustainability information included in the Integrated Report operate. In particular, we have performed:
  - interviews and discussions with the management of UniCredit S.p.A. and the personnel of UniCredit Bank AG, UniCredit Bank Austria AG, UniCredit Bank Hungary Zrt. and AO UniCredit Bank to gather information about the accounting and reporting systems used in preparing the sustainability information, 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 information;
  - analysis, on a sample basis, of the documentation supporting the preparation of the sustainability information, 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 information;
- analysing the compliance and the internal consistency of the qualitative information disclosed in the sustainability information included in the Integrated Report in relation to the guidelines identified in the paragraph "Directors' responsibility on the sustainability information included in the Integrated 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 UniCredit S.p.A., on the compliance of the sustainability information included in the Integrated Report with the guidelines identified in the paragraph "Directors' responsibility on the sustainability information included in the Integrated 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 information included in the Integrated Report of UniCredit as of December 31, 2016 is not prepared, in all material respects, in accordance with the "*G4 Sustainability Reporting Guidelines*" and "*Financial Services Sector Disclosures*" both issued in 2013 by GRI – *Global Reporting Initiative*, as stated in the paragraph "Report structure" of the Integrated Report.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Franco Amelio**  
Partner

Milan, Italy  
March 22, 2017

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

# Supplement

Determination and distribution  
of Value Added

Main partnerships  
and affiliations

Selection of 2016 awards

Governance

Risk Management  
and Compliance

Stakeholder Engagement

Human Capital

Social and relationship Capital

Natural Capital



# Determination and distribution of Value Added

(€/000)

Item	2016	2015 <sup>A</sup>
10 Interest income and similar revenues	15,964,800	18,218,291
20 Interest expense and similar charges	-5,657,789	-7,554,287
40 Fee and commission income	6,778,422	6,648,335
50 Fee and commission expense (excluded external networks' expense)	-943,706	-896,591
70 Dividend income and similar revenue	405,223	403,470
80 Gains and losses on financial assets and liabilities held for trading	1,205,730	977,140
90 Fair value adjustments in hedge accounting	-7,786	-15,472
100 Gains and losses on disposal of:	641,573	321,463
a) loans	-60,244	28,500
b) available-for-sale financial assets	699,106	339,873
c) held-to-maturity investments	0	80
d) financial liabilities	2,711	-46,990
110 Gains and losses on financial assets/liabilities at fair value through profit or loss	-80,187	-1,336
130 Impairment losses on:	-12,790,521	-4,019,152
a) loans	-11,929,784	-3,964,084
b) available-for-sale financial assets	-707,377	-59,126
c) held-to-maturity investments	204	-6,271
d) other financial assets	-153,564	10,329
150 Premiums earned (net)	0	0
160 Other income (net) from insurance activities	0	0
220 Other net operating income	1,094,975	1,090,790
240 Profit (loss) of associates: gains or losses on disposal	-14,342	6,433
270 Gains and losses on disposal of investments	495,837	107,470
310 Total profit or loss after tax from discontinued operations	630,111	1,377,381
<b>A. TOTAL ECONOMIC VALUE GENERATED</b>	<b>7,722,340</b>	<b>16,663,935</b>

Item		2016	2015 <sup>A</sup>
180	b) other administrative expense (excluded indirect taxes and duties and donations)	-4,985,238	-4,618,936
	<b>ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS</b>	<b>-4,985,238</b>	<b>-4,618,936</b>
180	a) staff expense (included external networks' expense)	-9,564,942	-8,074,935
	<b>ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND SUPERVISED WORKERS<sup>B</sup></b>	<b>-9,564,942</b>	<b>-8,074,935</b>
330	Minority Interests	-463,781	-351,708
	Net profit attributable to shareholders <sup>C</sup>	0	0
	<b>ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS</b>	<b>0</b>	<b>0</b>
180	b) other administrative expense: indirect taxes and duties	-1,125,980	-904,293
290	Tax expense (income) related to profit or loss from continuing operations: current tax, adjustment to current tax of prior years, reduction of current tax for the year	-448,152	-518,184
	<b>ECONOMIC VALUE DISTRIBUTED TO PUBLIC BODIES &amp; INSTITUTIONS</b>	<b>-1,574,132</b>	<b>-1,422,477</b>
180	b) other administrative expense: donations	-5,564	-6,290
	Net profit allocated to the charitable funds	0	0
	<b>ECONOMIC VALUE DISTRIBUTED TO COMMUNITY</b>	<b>-5,564</b>	<b>-6,290</b>
	<b>B. TOTAL ECONOMIC VALUE DISTRIBUTED</b>	<b>-16,593,657</b>	<b>-14,474,346</b>
	<b>C. TOTAL ECONOMIC VALUE RETAINED</b>	<b>8,871,317</b>	<b>-2,189,589</b>

A. As at December 31, 2016, in accordance with IFRS5, the assets and liabilities of Bank Pekao SA, Pioneer Global Asset Management SpA and their subgroups' companies were recognized under items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" as a result of their classification as "discontinued operations".

The previous periods were restated accordingly to increase comparability, pursuant to the regulations in force; while the opening balances of the tables showing the annual changes were unchanged.

B. The economic value distributed to employees and supervised workers excluded expenses for financial advisors.

C. For the proposals to the Shareholders' Meeting on the distribution to shareholders please refer to the specific Board of Directors' reports in relation.

# Main partnerships and affiliations<sup>1</sup>

Legal Entities	Organization	Description
UniCredit SpA	Utenti Pubblicità Associati (UPA)	UPA is owned and operated by companies with a common interest in resolving concerns related to advertising. UPA is aligned with the Istituto dell'Autodisciplina Pubblicitaria (IAP) in its efforts to defend and promote responsible advertising as a vehicle for consumer information, market competition and social welfare
	Valore D	Valore D is an Italian association of more than 150 national and multinational companies. Its mission is to increase and support female representation in top positions at major Italian companies
	Executive Corporate Learning Forum (ECLF)	The ECLF is a community of top executives from major global corporations. The community has the strategic responsibility to foster large-scale learning and transformation processes
	Italian Association of Investor Relations (AIR)	AIR is a professional association of investor relations executives in Italy that promotes the professional stature of its members while spreading awareness of their role within a variety of financial institutions
	UN Global Compact Global Compact Network Italy Foundation	The Global Compact is a strategic policy initiative, promoted by the United Nations at national level via local networks, for businesses committed to aligning their operations and strategies with 10 universally accepted principles related to human rights, labor, anticorruption practices and the environment
	London Benchmarking Group (LBG)	LBG is the internationally recognized standard for measuring corporate community investment
	The United Nations Environment Programme Finance Initiative (UNEP FI)	UNEP FI is an initiative promoted by the United Nations that addresses pressing, current issues in sustainable finance
	Carbon Disclosure Project (CDP)	The CDP promotes understanding of the potential impacts of climate change on shareholder value
	Forum per la Finanza Sostenibile	Forum per la Finanza Sostenibile is a forum that promotes a culture of social responsibility in Italy's financial industry
	Fondazione Sodalitas	Fondazione Sodalitas seeks to: promote sound management in the nonprofit sector; promote corporate social responsibility; enhance relationships between academia and the corporate sector; and build partnerships among companies, nonprofits, universities and other institutions
	European Banking Federation (EBF)	EBF is the voice of the European banking sector, uniting 32 national banking associations in Europe that together represent some 4,500 banks - large and small, wholesale and retail, local and international. UniCredit is member of the working groups Pool of Experts on Access, e-ID & e-Signature, Cyber Security – IT Fraud, Digital Issue Group, Data Protection
	International Integrated Reporting Council (IIRC) - Business Network	IIRC is a global coalition of regulators, investors, companies, standard setters, non-governmental organizations, and accounting professionals
	European Council on Foreign Relations (ECFR)	ECFR is an award-winning international think tank that aims to conduct cutting-edge independent research; provide a safe meeting space for policy-makers, activists and intellectuals to share ideas; offer a media platform to get Europeans talking about their role in the world
	Ministero dell'Interno - Of2cen, Polizia Postale e delle Comunicazioni	On-line fraud cyber centre and expert network is a European project against advanced cyber crime
	European Foundation Center (EFC)	UniCredit Foundation is member of ECF, whose purpose is to strengthen and spread organized philanthropy in the interest of civil society, in Europe and the world over
	Associazione Bancaria Italiana (ABI) - Health & Safety working group	Working groups assist the activities of ABI through a technical analysis of the main issues related to the bank's operations; working groups are temporary and terminate their tasks when their objective is reached

1. Each UniCredit subsidiary with a banking license is generally member, where they exist, of the local economic chamber and the local banking association.

Legal Entities	Organization	Description
UniCredit SpA	CERT Finanziario Italiano (CERTFin)	Italian program lead by ABI/ABI Lab, a cooperative public-private initiative aimed at increasing the capacity of cyber-risk management from banking and financial operators and the cyber-resilience of the Italian financial system
	Financial Services Information Sharing and Analysis Center (FS-ISAC)	FS-ISAC is an international community and analysis center for the sharing of significant ICT Security events/incidents among financial institutions
	European Union Agency Network and Information Security (ENISA)	ENISA is a centre of expertise for cyber security in Europe. UniCredit is member of the working group Expert Group for Finance Resilience and Network and Information Security (EG-FI)
	European Financial Services Roundtable (EFR)	EFR is a round table organisation of Chairmen and Chief Executives of Europe's leading banks and insurance companies to contribute to the European public policy debate on issues relating to financial services and to the financial stability with the completion of the single market in financial services. UniCredit is member of the working group Digital Financial Services and Cyber Security
	European Banking Group (EBG)	EBG is a high-level discussion group formed with the aim to promote the European universal banking model and to provide a strong industry voice on European policy and regulatory issues. UniCredit is member of the working groups Payments - PSD2 and Cyber Security
	Association for Financial Market in Europe (AFME)	AFME is the voice of Europe's wholesale financial markets. It represents the leading global and European banks and other significant capital market players. UniCredit is member of the working group Data Protection Working Group
Pioneer Global Asset Management SpA	United Nations Principles for Responsible Investment (UNPRI)	The UNPRI initiative is an international network of investors working to put the six principles for responsible investment into practice
UniCredit Bank AG	B.A.U.M. e.V. and Sustainability Leadership Forum	This German campaign promotes environmental awareness and responsibility among business managers
	Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU)	VfU is an industry-specific body for environmental management at financial institutions
	German Network of companies with Corporate Citizenship activities (UPJ)	UPJ is the German national network of engaged businesses and local non-profit intermediary organizations. UPJ projects and programs are aimed at creating new connections between businesses, civil society organizations and public authorities thus contributing to solve societal challenges and to shape sustainable communities
	Joblinge	Joblinge is an initiative to support young people with difficult backgrounds (e.g. crime, drug addiction, not graduated at school) by giving them access to qualification programs
	Klimapakt Münchner Wirtschaft Effective climate protection needs pioneers	The Klimapakt Münchner Wirtschaft is part of the Integrated Climate Protection Action Program in Munich. Participating large companies undertake to voluntarily reduce their CO <sub>2</sub> emissions by at least 40,000 tons by the end of 2017. As a signatory to the Klimapakt Münchner Wirtschaft, UniCredit Bank AG participates in the "Energy Efficiency Networks" initiative to achieve the climate and energy policy objectives of the Federal Republic of Germany

## Supplement

### → Main partnerships and affiliations

Legal Entities	Organization	Description
<b>UniCredit Bank Austria AG</b>	klimaaktiv	klimaaktiv develops and provides quality standards, education and training for professionals, in addition to advice information and a large partner network
	The European Money and Finance Forum (SUERF)	SUERF is a member-based association aimed at bringing together financial practitioners, central bankers and academics to analyze, discuss and understand financial markets and institutions, the monetary economy, the conduct of regulation and monetary policy
	Museum for Social and Economic Affairs (Gesellschafts- und Wirtschaftsmuseum)	The Museum for Social and Economic Affairs aims to educate the public by presenting social and economic contexts and facts in a simple and clear way, exploiting both meaningful graphical representations of statistical figures and oral expositions by the staff
	Austrian Society for Environment and Technology (ÖGUT)	ÖGUT is a non-profit organization that works to stimulate discussion and innovation on environmental issues through the involvement of NGOs, businesses and government
	The Financial Markets Association (ACI)	ACI is a leading non-profit, non-political association of wholesale financial market professionals
	Osterreichischer Verband Financial Planners (OVFP)	The Austrian Association of Financial Planners aims to improve the quality of financial advice for clients
<b>Bank Pekao SA</b>	The International Project Finance Association (IPFA)	IPFA is an independent association which focuses on promoting and representing the interests of public and private organizations involved in project financing across the world
	Foundation for Financial Advisory Standards (EFPA Poland)	EFPA Poland is a partnership that aims to develop the private banking sector and to help guarantee excellent experiences for clients
	Polish Association of Capital Investors (PSIK)	PSIK is aimed at developing the private equity/venture capital sector in the country
	ACI Polska - the Financial Markets Association	The Polish Financial Markets Association is an organization of people with professional interest in the international and domestic money market and FX market transactions
<b>UniCredit Bulbank AD</b>	Bulgarian Human Resources Management and Development Association (BHRMDA)	BHRMDA is a non-governmental organization established to support and develop professionals in human resource management and development and to raise the status of the profession as a whole
	Bulgarian Donors' Forum	The forum unites, represents and assists major charitable givers in Bulgaria. Members of the forum provide nearly 60 percent of their contributions from private funds, which are then given annually to charities in Bulgaria
	The Council of Women in Business	The Council of Women in Business is aimed at disseminating good management practices and introducing programs fostering the professional development of women in small and mid-sized businesses and their growth in managerial positions
	Bulgarian Association for People Management	A non-governmental organization established to develop the best professional practices in the field of human capital management and development; in so doing, it aims to increase added value for organizations and to contribute to the enrichment of people's potential and professional performance
<b>Zagrebačka Banka DD</b>	Green Building Council of Croatia (GBC)	The GBC is a nonprofit organization and countrywide platform for the promotion of sustainable construction practices
	Croatian Business Council for Sustainable Development (HR BCSD)	HR BCSD was founded in 1997 by leading Croatian businesses to promote sustainable development in the private sector and represent business on the issue of sustainable development
	The Prof. dr. Marijan Hanžeković Foundation	This foundation promotes the study of finance and encourages scholars and researchers, particularly among younger generations, to engage in the discipline
<b>UniCredit Bank Czech Republic and Slovakia, as</b>	Business Alliance of Slovakia (BAS)	BAS is a professional association representing selected entrepreneurs and employers operating throughout Slovakia. The main objective of BAS is the improvement of formal and informal business environment rules in Slovakia within the broader context of society development

Legal Entities	Organization	Description
<b>UniCredit Bank Hungary Zrt</b>	Joint Venture Association	This association assimilates the views of its members and supports them in meeting challenges related to business conduct and organizational decision-making
<b>UniCredit Bank SA</b>	European Professional Women's Network	This nonprofit membership organization supports women in reaching their professional objectives through online and face-to-face programs (e.g., mentoring), events and professional and business enhancement tools
	The Council of Banking Employers in Romania (CPBR)	The CPBR seeks to: promote cooperation with public authorities; help increase the levels of industry standards and financial literacy in Romania; contribute to new legislative initiatives (or amendments of existing legal frameworks) on areas of interest; promote fair competition; and bring together undertakings that aspire to good corporate governance, business ethics and best practices
	National Association for Information Systems Security (ANSSI)	The association aligns the efforts and builds upon the experiences of information security professionals for the promotion of standards and best practices in their field
	HR Club	The HR Club is an association of human resources professionals in Romania. Its mission is to encourage HR development by supporting and promoting best practices in the field
	Romanian Banking Institute (RBI)	RBI's primary objective is to improve the professional training and specialization of staff from the financial/banking sector, in line with the strategy determined by the National Bank of Romania (NBR), in cooperation with the Romanian Banking Association (RBA) and with the programs approved by the Board of Directors
<b>UniCredit Bank Serbia Jsc</b>	Foreign Investors Council (FIC)	The FIC is a business association that assists Serbia in embracing and developing a modern market economy
	Responsible Business Forum (RBF)	RBF Serbia is Serbia's first network of socially responsible companies. It inspires, supports and encourages companies to continually improve their impact on society, carrying out a series of activities aimed at promoting the concept of CSR in the business sector and the wider general public
	National Alliance for Local Economic Development (NALED)	NALED is an association of businesses, local governments and civil society organizations working together to create better living and working conditions in Serbia
<b>UniCredit Banka Slovenija DD</b>	Network for Social Responsibility of Slovenia (Network for SR)	Network for SR was established in May 2010 as a meeting point for companies and other organizations whose common purpose is to promote social responsibility, both within themselves and in the wider social sphere
<b>AO UniCredit Bank</b>	Russian Union of Industrialists and Entrepreneurs (RSPP)	RSPP is an independent non-governmental organization that maintains regular contact with governmental authorities to keep them informed about the effectiveness of current laws and to protect the interests of industrialists and entrepreneurs

# Selection of 2016 awards

Company	Award
<b>UniCredit SpA</b>	Interactive Key Award; category "Finanza, Assicurazioni, Consulenza e Ricerca" - Gruppo Editoriale Media Key Pensioni & Welfare Italia Awards; "Miglior piano Welfare offerto ai dipendenti dell'anno" for U.ni.C.A.- European Pensions Premio Crescita Digitale; category "Making Markets" - Accenture and Gruppo 24 Ore Premio ABI per l'Innovazione nei Servizi Bancari 2016; categories "La banca per il futuro - Innovare per crescere" and "La banca che si presenta e ascolta - Innovare per comunicare" - ABI Top Employer 2016
<b>Pioneer Global Asset Management SpA</b>	Milano Finanza Global Awards 2016; categories "Fondi comuni italiani" and "Superfondi" - Class Editori
<b>FinecoBank SpA</b>	Most Innovative Financial Brand Italy, Best Financial Brand Italy, Most Innovative Financial Advisory Brand Italy - Global Brands Magazine 2016 Best Digital Bank, Best Online Deposit, Credit and Investment Product Offerings, Best in Social Media in Italia - Global Finance Award 2016 Miglior Sito Web, Sito più popolare; category "Attività bancarie e investimenti" - Sito Web dell'Anno 2016
<b>UniCredit Bank AG</b>	Beste Mittelstandsbank - Focus Money Bank of the Year 2016 – The Banker Best Trade Finance Provider – Euromoney
<b>UniCredit Bank Austria AG</b>	Top Employer 2016 Private Banking Survey 2016; category "Net-Worth-Specific Services", subcategory "Super affluent clients USD 1 million to USD 5 million" Euromoney Best Trade Finance Bank - Global Finance
<b>Bank Pekao SA</b>	Euromoney Trade Finance Global Finance Innovator Quality International Golden Emblem
<b>UniCredit Bank dd</b>	The Best Bank in Bosnia and Herzegovina, Best Trade Finance Provider in Bosnia and Herzegovina - Euromoney Financial Magazine Golden BAMS; categories "Total Capital", "Total Asset", "ROE" and "ROA" - Banke Financial Magazine
<b>UniCredit Bulbank AD</b>	Investment in Human Capital Award - Bulgarian Business Leaders Forum Best Bank of the Year - Association Bank Of The Year Best Bank for 2016 - Global Finance magazine Best Digital Bank in Bulgaria for 2016 - Global Finance magazine Most precise overall economic forecast for Bulgaria - Focus Economics ranking Most Innovative Bank in Bulgaria - Forbes magazine, Bulgarian edition Best Bank in Bulgaria - K10 annual ranking by Kapital newspaper Best Bank in Bulgaria - EMEA Finance magazine Best Trade Finance Bank in Bulgaria - Global Finance magazine Best Trade Finance Bank in Bulgaria - Euromoney magazine

Company	Award
<b>Zagrebačka Banka DD</b>	Certificate Employer Partner Private Banking Survey 2016; categories "Best Private Banking Services Overall", "Investment Banking Capabilities", "Commercial Banking Capabilities" - Euromoney Best Private Bank in Croatia - The Banker
<b>UniCredit Bank Czech Republic and Slovakia, as</b>	Fincentrum Bank of the Year 2016; category "The Best Current Account" Private Banking Survey 2016; categories "philanthropic activities", "innovative technologies (client experience)", "innovative technologies (back office systems)" - Euromoney Zlata Koruna; categories "best mortgage", "best consumer loan" Private Banking Survey 2016; category "International Clients" - Euromoney (Slovakia)
<b>UniCredit Bank Hungary Zrt</b>	Cash Management Survey 2016; "The Best Cash Manager in Hungary" – Euromoney Best Private Banking Award 2016; "Best Private Banking in CEE" - Global Finance The Most Flexible SME Lender of the Year - Bankmonitor 2016
<b>UniCredit Leasing Corporation IFN SA</b>	"Leasing Company of the Year" at the 16th edition of the Financial Leaders' Hall of Fame 2016 - Business Arena
<b>UniCredit Bank Serbia Jsc</b>	Bank of the Year in Serbia - The Banker National Champion for Environmental and Corporate Sustainability - EBA Program
<b>UniCredit Banka Slovenija DD</b>	Best Sub-custodian Bank in Slovenia - Global Finance
<b>AO UniCredit Bank</b>	Attractive Employer 2016 - Superjob.ru Quality Recognition Award, Elite Quality Recognition Award - JPMorgan Chase Bank



# Governance

## Governance

UniCredit S.p.A. is an Italian company with shares listed on the Milan, Frankfurt and Warsaw regulated markets adopting the traditional management and control system and as a bank, parent company of the UniCredit banking Group, it carries out, pursuant to the provisions of Section 61 of the Consolidated Banking Act, in addition to banking activities, governance and coordination as well as control functions vis-à-vis the subsidiary banking, financial and instrumental companies within the banking Group.

The overall corporate governance framework of UniCredit<sup>1</sup> has been defined according to current provisions, also of a regulatory nature, and the recommendations of the Italian Corporate Governance Code for listed companies.<sup>2</sup> Moreover, UniCredit is also subject to the provisions contained in the Supervisory Regulations issued by Bank of Italy and, in detail, with regards to the corporate governance issues, to the relevant Supervisory Regulations on banks corporate governance in being.

UniCredit, as issuer of shares also listed on the Frankfurt and Warsaw regulated markets, also fulfils the legal and regulatory obligations related to listings on said markets as well as the provisions on corporate governance contained in the Polish Corporate Governance Code issued by the Warsaw Stock Exchange. Notwithstanding that, the UniCredit corporate governance structure is not influenced by non-Italian legal provisions.

## Governance framework

UniCredit encourages all its staff, external collaborators and commercial partners to be inspired by the principles of transparency and sound management. This approach complies with current legislation and is in line with the fundamental principles governing the pursuit of individual goals.

UniCredit's corporate governance adheres to current rules and regulations as well as to the recommendations laid out in the Italian Corporate Governance Code for listed companies. UniCredit has developed a governance system that is regularly verified and updated to ensure that UniCredit complies with the evolving regulatory environment and operating practices. This system continuously monitors markets to assess the level and efficacy of our governance efforts.

Components of UniCredit's governance include:

- the Articles of Association, which set forth corporate governance provisions aimed at ensuring the proper operation of corporate management
- the Regulations for the Shareholders Meeting, governing the conduct of ordinary and extraordinary meetings and, mutatis mutandis, meetings of special categories of shareholders
- the Corporate Bodies Regulations, governing the function and competencies of the Board of Directors and of the Board of Statutory Auditors, in compliance with relevant legal and regulatory provisions, UniCredit Articles of Association, incorporating the principles and criteria set out in the Italian Corporate Governance Code for listed companies
- the Group Compensation Policy, establishing an approach consistent with sustainable remuneration and its standardized implementation across UniCredit, with specific reference to the senior management

1. Refer to the UniCredit S.p.A. Report on Corporate Governance and Ownership Structure available to the public on the Company website, Governance Section for more information on the UniCredit corporate governance system.

2. Since 2001 UniCredit has adopted the Italian Corporate Governance Code for listed companies, that according, inter alia, to the major international markets' experience, identifies the corporate governance standards and best practices for listed companies recommended by the Italian Corporate Governance Committee - based on transparency, accountability and a long-term perspective - to be applied according to the comply or explain principle that requires the explanation in the corporate governance report of the reasons of failure to comply with one or more recommendations contained in its principles or criteria.

- the Group Managerial Golden Rules (GMGR)<sup>3</sup>, which are guidelines for principles of governance within UniCredit, outlining our organizational model and establishing managerial and functional responsibilities for all key processes that ensures also the implementation of the Strategic Plan.

UniCredit culture permeates both its operations and the way to conduct business and ensures the proper addressing, coordination and control of our Group activities and the management of related risks. It sees its own foundation on an additional consistent system of rules. They are represented by:

- Integrity Charter, which states the ethical and deontological principles that the Group recognizes as its own and expects to be observed by all those who work to achieve the objectives of UniCredit and of the Group
- Code of Conduct, which defines general principles of conduct, aiming to promote our culture of compliance and our commitment to sustainability
- Code of Ethics adopted pursuant to Italian Legislative Decree 231/01 for the Holding Company and its Italian subsidiaries which contains the rules with which all employees have to comply in order to ensure that their conduct is always guided by criteria of fairness, collaboration, loyalty, transparency and mutual respect, as well as to avoid conducts that could constitute the offences and crimes set forth in Italian Legislative Decree 231/01
- Global Rules, which are Group rules issued by UniCredit - coherently with the GMGR principles - when exercising its guidance, coordination and control functions - in order to discipline activities deemed as significant in terms of compliance with the legal and regulatory provisions in force and/or in terms of risk management.

The Global Rules are classified in three different document types:

- Global Policies (GP): containing behavioral and methodological principles, guidelines and rules issued by the Holding Company when exercising its guidance, coordination and control functions, as well as the general framework of responsibilities between the Holding Company and the recipient Legal Entities
- Global Process Regulation (GPR): describing the key elements for the discipline of processes classified as Global by the Holding Company: relations among activities, responsibilities and supporting tools
- Global Operational Regulation (GOR): providing detailed technical, operational or methodological instructions issued by the Holding Company
- Service contracts between UniCredit and its related subsidiaries, which formally regulate the provision of intercompany services and ensure transparency regarding the services provided and the related compensation.

## Governance structures

UniCredit has adopted the so-called "traditional" management and control system based on the existence of two corporate bodies whose members are appointed by the Shareholders' Meeting: the Board of Directors, in charge of the strategic supervision and the management of the company, and the Board of Statutory Auditors, responsible for supervising management. Legal accounting supervision is entrusted by the Shareholders' Meeting to an external auditing firm, on proposal of the Board of Statutory Auditors, in compliance with relevant current laws.

This traditional management system, envisaging specific obligations for the Shareholders' Meeting, allows for the clear exchange of views between management and shareholders on fundamental elements of governance. These elements include appointing and removing directors, appointing members to the Board of Statutory Auditors, granting a mandate for the external auditing to an audit firm, approving all connected fees. They also encompass the approval of financial statements, the allocation of profit, the resolutions on the remuneration and incentive policies and practices provided for by the current provisions as well as the criteria to determine the compensation to be granted in the event of early termination of employment or early retirement from office.

3. The Group Managerial Golden Rules (GMGR) are a set of guidelines which, in defining clear Group governance principles, delineate the organization model, establishing managerial/functional responsibilities in Group key processes. In particular the GMGR define the government system based on the Competence Line (Planning, Finance & Administration, Risk Management, Compliance, Legal, Internal Audit, Human Resources, Organization and Identity & Communications), Business Line, Product Line, Key Business Function, Key Service Function and Service Line concept, as well as the most important working rules between the Holding Company and Legal Entities in key processes, which requires a centralized view and leverages on specific strengths and competences throughout the whole Group. The Heads of the Competence Lines and the Functions/Business lines/Products/Services of the Holding Company mentioned have a direct role and - without overriding the responsibilities of the corporate bodies of the Legal Entities - have specific guidance, coordination and controlling authority with reference to the corresponding functions of the Legal Entities (e.g., define budget objectives, monitor the implementation of policies and models, express prior non-binding opinions with reference to the definition of the internal organizational structure, etc).

The members of the Board of Directors and the Board of Statutory Auditors are appointed by the Shareholders' Meeting on the basis of a proportional representation mechanism (voto di lista). This voting system features lists of the candidates who are competing against one another to ensure the election of minority shareholders representatives. The structure of the above-mentioned corporate bodies ensures they are gender-balanced in compliance with current regulations and provisions.

The UniCredit Board of Directors in office is composed of 17 members, including the Chairman and the Chief Executive Officer, and their term of office will expire on the date of the Shareholders' Meeting called upon to approve the 2017 financial statements.<sup>4</sup>

In compliance with the current provisions of both law and regulations, the Board of Directors establishes its qualitative and quantitative composition deemed optimal for the effective completion of the duties and responsibilities entrusted to the supervisory body by law, by the Supervisory Provisions and by the UniCredit Articles of Association. The Board also establishes the requirements that the UniCredit directors shall meet, in addition to possessing those envisaged by current laws and regulatory provisions, and expressed its opinion on the maximum number of directorships that directors may hold in other companies.

The Board, before the appointment of the supervisory body, informs the shareholders about the composition deemed to be optimal in order for the choice of the candidates to take into consideration the expertise required. It goes without saying that the shareholders may carry out their own assessment on the best composition of the supervisory body and file candidacies consistent with same, giving the reasons for any difference vis-à-vis the analyses carried out by the Board.

As regards the qualitative and quantitative composition of the Board of Directors and the profile for candidates to the position of Director, the maximum number of directorships as well as the gender composition criteria for the supervisory body, reference is made to the document Qualitative and Quantitative Composition of the UniCredit SpA Board of Directors published on the Company's website, Governance Section.

The composition of the Board in office is quantitatively and qualitatively corresponding to the theoretical profile. The requirements concerning professional experience, integrity and independence, gender balance and the maximum number of directorships that directors may hold in other companies at the same time, as per the desired levels indicated by the Board in its profile recalling the provisions of the CRD IV Directive (Directive 2013/36/EU dated June 26, 2013), were accounted for. More specifically, all of the areas of competence were represented in the Board, all of the Directors had at least 2 of the required areas of competence and, on average, the Directors had 6 areas of competence.

The positions held by the Board Members in other companies listed on regulated markets (both in Italy and abroad), as well as in financial services companies, banks, insurance companies or other large companies, is reported in the Corporate Governance Report.

In order to support the Board of Directors, also pursuant to the provisions of the Italian Corporate Governance Code for listed companies, four committees<sup>5</sup> are established, vested with research, advisory and proposal-making powers diversified by sector of competence, i.e.:

- the Internal Controls & Risks Committee
- the Corporate Governance, Nomination and Sustainability Committee
- the Remuneration Committee
- the Related-Parties and Equity Investments Committee.

The Internal Controls & Risks Committee, the Corporate Governance, Nomination and Sustainability Committee and the Remuneration Committee have been set up in compliance with the provisions contained in the Bank of Italy Supervisory Regulations on banks corporate governance envisaging 3 specialist committees – one on appointments, one on risks and one on remuneration – while the Related-Parties and Equity Investments

4. Refer to the procedures specified in Clause 20 of the Articles of Association available on the UniCredit website at the following address <https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html> for more information on the appointment process.

5. Refer to the relevant area of the corporate website and the UniCredit S.p.A. Report on Corporate Governance and Ownership Structure available to the public on the Company website, Governance Section for more information on the functions performed by the UniCredit Board Committees.

Committee, established for overseeing issues concerning transactions with related-parties and with associated parties, as well as issues concerning investments in non-financial equities, has been set up in compliance with the relevant CONSOB regulatory provisions and the Bank of Italy Supervisory Regulations.

The above mentioned committees may operate according to the procedures considered appropriate and may, *inter alia*, divide into sub-committees.

## Board self-evaluation

In compliance with the provisions contained in the Bank of Italy Supervisory Regulations on banks corporate governance, and also pursuant to the provisions of the Italian Corporate Governance Code for listed companies, the Board of Directors undertakes on an at-least annual basis a regular self-evaluation process focused on the adequacy of the Board itself and Board Committees in terms of composition and functioning, tangibly measured in specific theme-based areas, with special reference to those relevant to healthy and prudent management.

In particular it is focused on:

- qualitative and quantitative composition, size, degree of diversity, professional training, experience (including managerial), seniority in the present post, a guaranteed balance of non-executive and independent members, adequacy of the appointment processes and selection criteria, and ongoing professional development
- meeting sessions, frequency, duration, the degree and form of attendance, sufficient time available to dedicate to the assignment, the relationship of trust, cooperation and interaction among members, awareness of the role covered, and the quality of debate on the Board.

The self-assessment process is undertaken with the assistance of an external consultant chosen taking into account his/their skill, the professional experience acquired by him/them in corporate governance, and the need to be neutral, objective and independent in judgment – the hallmarks of the self-assessment process.

Up to now the Board activities concerning the environmental and social issues have not been the object of any evaluation.

## Induction initiatives and recurring training

In 2016 the actions undertaken aimed at providing Directors with an adequate knowledge of the macroeconomic scenarios, of the markets' developments and of the sector's regulatory framework continued. Moreover, strategic, legal and regulatory as well as business topics have been the object of training sessions and were examined in detail, in order to ensure both knowledge and awareness of the Group risk profile.

In particular, 5 "off-site" meetings (apart from the Board meetings) with all the Directors and the Top Management, of which 3 open to the members of the Board of Statutory Auditors, have been arranged, focused on the Group strategy and the checking of its planning, as well as on topics concerning the drafting of the strategic plan.

Furthermore, the Chairman of the Board of Directors ensured that a permanent *induction program* was prepared for all the Board of Directors members, also for the benefit of the Board of Statutory Auditors members, based on three yearly courses linked to the Board term in office, in order to ensure an ad hoc training on a continuous basis, such as to keep into account their needs, both individual and collective. The induction program was prepared with the support of an external consultant, too.

# Organizational structures

## Organizational and governance structures (as of 31.12.2016)

UniCredit Group organization reflects an organizational and business model that maintains a divisional structure for the governance of the Corporate Investment Banking business/products and the business in the CEE Countries, as well as overall control over the COO/Global Banking Services functions, by ensuring the autonomy of the Countries/Banks for specific activities, in order to guarantee increased proximity to the client and faster decision-making processes.

On July 2016, the Board of Directors approved the new organizational model for UniCredit S.p.A., focused on the following responsibilities:

- the Chief Executive Officer (CEO) maintains a direct supervision on the definition of Group Strategy, Risks Compliance, Human Resources, on the optimization of structure costs and on the main operating activities
- the new General Manager role takes on the responsibilities for all the business activities (Retail, Corporate, Global CIB, Asset Management, Asset Gathering and relevant Countries), focusing on the ongoing development of clients services aiming to maximize the cross selling, leading the Group digital strategies, as well as defining the new service model of the Bank
- the newly set up Chief Operating Office, position covered by two co-Heads (co-Chief Operating Officers), leads the oversight of the operational machine with a specific focus on Costs and on IT & Operations; in particular the two co-Heads are respectively responsible for Finance & Cost Management and for IT & Operations, Security and Internal Controls
- the CIB Division, position covered by two co-Heads directly reporting to General Manager, has a coverage role for the multinational customers (Multinational), for selected large corporate clients with a strong potential demand for investment banking products, for the Financial and Institutional Groups (FIG) customers and for the Global Lines Global Transaction Banking (GTB), Global Financing & Advisory (F&A), Markets, and for internationalization activities
- as far as the Italian perimeter is concerned, the co-Heads Italy, directly reporting to General Manager, are responsible for the definition of the business strategies of the commercial banking and the assignment of such strategies to the territories and to the client segments (Family, First, Business First, Corporate, Private Banking and Ultra High Net Worth Individuals)
- the CEE Division, directly reporting to General Manager, coordinates the Group's activities in the countries of Central and Eastern Europe, aligning them to a single comprehensive business vision in the area
- Group Institutional & Regulatory Affairs, directly reporting to Chief Executive Officer, is responsible for developing the relations with institutional counterparts of interest for Group activities and managing the relationship with European Banking Supervisory Authorities (e.g. EBA, ECB) and Bank of Italy
- the functions called Competence Lines (Planning, Finance & Administration, Risk Management, Legal, Compliance, Internal Audit, Human Resources, Organization and Identity & Communications) oversee the guidance, coordination and control of UniCredit's activities and manage the related risks.

The CEO is also supported by a Senior Management Body called the Executive Management Committee (EMC). The EMC is set up, with consultative functions, with the aim of ensuring an effective steering, coordination and control of Group business as well as an effective alignment of the Holding Company with the different business and geographies.

In particular, the EMC discusses topics of a strategic nature relating to:

- Group Performance Management at consolidated (Group) level (budget, quarterly results)
- alignment on key topics related to capital, risks and liquidity
- commercial and business strategies related to topics with a strong international and cross content (e.g. payments, multichannel, CRM, etc.)
- external customer satisfaction
- regulatory developments and Internal Control System topics with a strong international/cross content
- HR and GBS topics as well as Group strategic projects with a strong international/cross content
- other key managerial topics which need to be discussed by the EMC

The EMC can discuss both Group/Cross Country topics and specific topics of regional character.

The EMC is composed of the following members: CEO (Chairman), General Manager, co-Chief Operating Officers, Group Chief Risk Officer (Group CRO), Head of Group Human Capital, Head of Group Legal, Group Compliance Officer, Head of Strategy, Business Development and M&A, Country Chairman Austria, Country Chairman Germany, co-Heads Italy, Country Chairman Poland, co-Heads of CIB Division, Head of CEE Division, Head of Asset Gathering, Head of Asset Management.

The Head of Group Identity & Communications and the co-Head of Group Institutional & Regulatory Affairs<sup>6</sup> may attend the meetings, upon invitation by the President of the Committee, on the basis of the topics to be discussed in the meeting.

## Internal Control System

The Internal Control System is an essential element of the overall governance system of banks. It plays a central role in their organization and can ensure an effective management of risks and of their interrelations, in order to ensure that the activities carried out will be in line with the corporate strategies and policies as well as founded on healthy and prudent management principles.

An effective and efficient internal controls system is, in fact, a prerequisite for the creation of value in the medium-long term, for safeguarding the quality of the activities, for a correct risk perception and for an appropriate allocation of capital.

UniCredit Group's internal controls system is based on:

- control bodies and functions, involving, each one within its respective competence, the Board of Directors, the Internal Controls & Risks Committee, the Chief Executive Officer as Officer in charge of the internal controls and risks management system, the Board of Statutory Auditors, as well as the corporate functions with specific tasks to that regard
- information flows and coordination procedures among the parties involved in the internal controls and risks management system
- Group governance mechanisms.

## Corporate Bodies members' compensation<sup>7</sup>

The compensation paid to non-executive directors is not linked to the economic results achieved by UniCredit. Non-executive directors are not beneficiaries of incentive plans based on stock options or, more generally, of any plan that makes use of financial instruments.

The remuneration for members of the administrative and auditing bodies of UniCredit is represented only by a fixed component, determined on the basis of the importance of the position and the time required for the performance of the tasks assigned. This policy applies to non-executive directors as well as statutory auditors and the Supervisory Body members.

In consideration of this policy and market practices, the Ordinary Shareholders' Meeting on May 13, 2015 resolved to assign to UniCredit's Board of Directors a total annual amount of €2,675,000, including €1,110,000 for Directors holding offices on the Board's Committees and on other bodies of the company attended to by Directors. Also confirmed was the attendance fee of €400 for each meeting of the Board of Directors, of the Board's Committees and of the other bodies of the company attended to by Directors, even if these meetings were held on the same day.

Pursuant to sect. 2389, paragraph 3 of the Italian Civil Code, the Board of Directors meeting held on July 9, 2015 also established, after consultation with the Board of Statutory Auditors, to give UniCredit's directors vested with

6. Participates the co-Head responsible for the oversight on Regulatory Affairs.

7. Refer to the Annual Compensation Report, published within the 2017 Group Compensation Policy, on our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) for more information.

particular offices an additional remuneration consisting of a fix annual amount for each year of their term of office, whose amounts are reported in the Annual Compensation Report included in 2017 Group Compensation Policy. The Ordinary Shareholders' Meeting held on April 14, 2016, while appointing the Board of Statutory Auditors, resolved an annual compensation of €140,000 for the Chairman of the Board of Statutory Auditors and of €100,000 for each standing Statutory Auditor, plus an attendance fee of €400 for every meeting of the Board of Statutory Auditors, Board of Directors and Board Committees they attend. Alternate Auditors do not receive any compensation.

Statutory Auditors are not beneficiaries of any incentive plan, including those based on stock options or, generally, on financial instruments.

The Remuneration Committee provides advice and opinions on proposals submitted to the Board, also availing itself with the support of an external consultant, regarding amongst other topics the remuneration policy for corporate officers (members of the Board of Directors, Board of Statutory Auditors, and of Supervisory Board of Group Companies).

The Remuneration Committee avails itself with the services of PriceWaterhouseCoopers (PwC), appointed as external independent advisor since end of 2015, providing advice on compensation practices and trends, as well as up-to-date remuneration benchmarking studies. It has been evaluated in advance that such an advisor is not in any position which might impair its independence.

The CEO is the only executive director who sits on the Board of Directors, and a portion of his remuneration is linked to UniCredit's financial results. This arrangement is in line with the policy applied to the UniCredit management team, of which the CEO is a member.

## Compensation for Top Management

UniCredit's approach to compensation is performance-based, market-aware and aligned with our business strategy and stakeholder interests. To ensure competitiveness and effectiveness of remuneration, as well as transparency and internal equity, the principles of sustainable conduct and performance define the key pillars of the Group Compensation Policy.

The Compensation Policy framework is designed to assure the consistency of the remuneration elements and systems, while also conforming to our Group's long-term strategies and principles of sound risk management. The Board of Directors, following the definition of the new organizational structure effective from September 1, 2016, identified the Chief Executive Officer, the General Manager, the Co- Chief Operating Officers, the Group Chief Risk Officer, the Group Compliance Officer, the Head of Group Human Capital, the Head of Internal Audit, the Head of Group Legal, the Head of Strategy, Business, Development and M&A as the Executives with strategic responsibilities, to the ends of the application of all statutory and regulatory instructions.

For 2016, according to our Group Compensation Policy and to the provisions of CRD IV, Bank of Italy Disposizioni di Vigilanza per le Banche and the national and international authorities, the fix and variable components of the compensation of the CEO (the sole executive director sitting on the Board of Directors and employee of the Company), consistently with the other executives with strategic responsibilities, are balanced through the ex-ante definition of the relative weight of different components of the remuneration, considering also the company's strategic goals, risk management policies and other elements influencing the firm's business. In particular, the maximum value of the variable compensation for the Chief Executive Officer, the General Manager, and other Executives with strategic responsibilities responsible for business functions, cannot exceed 200 percent of fixed compensation. For the other Executives with strategic responsibilities, a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the Heads of the Company Control Functions, for whom it is expected that the fixed remuneration is a predominant component of total remuneration and incentive mechanisms are consistent with the assigned tasks as well as independent of results from areas under their control.<sup>8</sup>

8. In particular, for the Heads of Italian Company Control Functions, the ratio between the variable and the fixed components of remuneration cannot exceed the limit of 1/3, as per Bankit provision (Circular n. 285 Dec 17, 2013- 7th update Nov 18, 2014).



The fixed component is defined based on appropriate market awareness and in such a way as to be sufficient to reward the activity rendered even if the variable part of the remuneration package were not paid due to the non-achievement of performance goals.

The CEO, as well as other executives with strategic responsibilities, in line with most recent laws, provisions and recommendations issued by regulators and international bodies (such as CRD IV, Bank of Italy, Financial Stability Board, European Banking Authority), have a balanced part of their remuneration linked to the economic results of UniCredit, taking also into consideration the overall profitability, weighted by risk and cost of capital, as well as sustainability goals (based on capital and liquidity ratios).

Such variable compensation is linked to the achievement of specific goals that, in compliance with the Board of Directors' Regulation, were previously approved by the Board upon the proposal of the Remuneration Committee and heard the opinion of the Board of Statutory Auditors. Ex-ante defined metrics that reflect categories of our Group Risk Appetite Framework align executives' remuneration to sustainable performance and value creation for shareholders in a medium to long-term perspective. Such alignment is annually verified by the Internal Control and Risk Committee. Specific individual goals are set out taking into consideration the market practices and the role assigned within the Group, through the systematic use of specific indicators aimed at strengthening the sustainability of our business, such as the satisfaction both of internal and external customers, risk and financial sustainability indicators.

It is also foreseen the deferral/holding of 80 percent of the incentive over 5 years, in cash and shares, with payout subject to the achievement of future performance conditions over the following financial years. The measure and duration of the deferral are aligned with the provisions set by regulators and are consistent with the characteristics of the business and with the company's risk profiles.

For the Heads of the Company Control Functions, pursuant to the provisions of Bank of Italy, the goals are established by the Board of Directors in line with the tasks assigned to them and avoiding, unless good reasons exist, goals connected to the Bank's performance. In the decision making process related to Company Control Functions, the Board of Statutory Auditors and the Internal Controls and Risks Committee are also involved as far as they are respectively concerned.

In consistency with 2015 plan, the 2016 Group Incentive System, as approved by UniCredit Board of Directors on January 13, 2016, is based on a bonus pool approach which takes into consideration most recent national and international regulatory requirements and directly links bonuses with company results at Group and country/division level, further ensuring link between profitability, risk and reward.

In particular, the system provides for:

- allocation of a variable incentive defined on the basis of the determined bonus pool
- a malus clause (Zero Factor) which applies in case specific thresholds (profitability, capital and liquidity) are not met at both group and country/division level
- risk adjusted measures in order to guarantee long term sustainability, regarding company financial position and to ensure compliance with regulations
- definition of a balanced structure of upfront (following the moment of performance evaluation) and deferred payments, in cash and/or shares, to be paid over a period of up to 6 years
- distributions of share payments which take into account the applicable regulatory requirements regarding the application of share retention periods.

Moreover, at individual level it will be also considered the respect of provisions of law, group's compliance rules, Company policies or integrity values, Code of Conduct and the application of malus and claw-back clauses, as legally enforceable.

With reference to 2016, the CEO, has announced during the Capital Markets Day held in London on December 13, 2016 to present to analysts and investors the 2016-2019 strategic plan *Transform 2019* his willingness to renounce to any variable compensation.

In line with Group governance, 2016 assessment and payment for the CEO, General Manager and other executives with strategic responsibilities perimeter have been reviewed by the Remuneration Committee and approved by the



Board of Directors, heard the Statutory Auditors and Internal Controls and Risks Committee as relevant. On March 13, 2017 the Board of Directors, considering 2016 group results, while expressing its sincere appreciation for the work done by the management also in relation with the in depth strategic review that brought to the presentation and the launch of the implementation of the strategic plan *Transform 2019*, resolved not to proceed with any 2016 bonus payment for the CEO, General Manager and the other Executives with strategic responsibilities perimeter<sup>9</sup>, independently from individual performance assessment.

On May, 13 2015, a Long-Term Incentive (LTI) plan was introduced for the previous Chief Executive Officer, the current General Manager (the latter for the position held before September, 1 2016) and the previous Deputy General Manager Group COO.

The Plan provided for the allocation of incentives based on Phantom Shares UniCredit, subject to the achievement of specific performance conditions linked to the 2018 UniCredit strategic plan approved on March, 11 2014. The plan provided for a four-year performance period, in line with the UniCredit strategic plan mentioned above and the allocation of two possible awards in 2017 and 2019, in line with the disclosure of the strategic plan.

With reference to this Long Term Incentive Plan and the award foreseen for 2017, the Board of Directors on March, 13 2017, given the Group's results in 2016 and the change of UniCredit strategy that led to the launch of the new LTI Plan 2017-2019 tied to the strategic plan *Transform 2019*, exercised its powers to execute the downward discretion and decided not to make any payments.

In addition, it was agreed to cancel the second award foreseen for 2019, considering the launch of the new LTI Plan linked to strategic plan *Transform 2019*. The long-term incentive plan launched in 2015 is therefore closed.

9. The Board of Directors resolved not to pay any incentive for 2016 also for the previous CEO and Deputy General Manager COO whose employment contracts ended in 2016.

# Whistleblowing

In 2011, we adopted a system, implemented at Group level, that provides employees with a way to report conduct that violates the law or the bank's internal rules (i.e., *Whistleblowing*). Any employee can make use of this mechanism if he or she has a reasonable suspicion that unlawful conduct or potentially harmful or detrimental behavior has occurred or may occur.

If an employee reasonably suspects unacceptable conduct has occurred or it is likely to occur, he/she should report it to the head of Legal and Compliance<sup>10</sup> of his/her Group Company (or, in case of his/her absence, to the head of Internal Audit).<sup>11</sup> In case a report refers to the previous mentioned persons, the employee should directly inform the senior management of his/her Group company or the General Counsel and Chief Compliance Officer of UniCredit. If the received report concerns a hierarchical supervisor, the person who receives the report should, where feasible, also escalate it directly to the supervisor of the reported person.

Should a report be classified as fraudulent and if the report is received directly by the Security function of the Group company, such function will handle the report in accordance with its internal rules, while promptly informing the Legal and Compliance function.

If employees have any doubts as to whether particular conduct is unacceptable, they should informally discuss the matter with their manager or with the local head of Legal and Compliance.

The management of this process is designed to ensure the greatest possible confidentiality of the identity of the whistleblower and of the accused individual and to prevent any possible retaliatory or discriminatory behavior in response to the report.

In Italy, UniCredit SpA has identified the Head of Compliance Italy as the person responsible for internal whistleblowing systems, who ensures that procedure is correctly followed. If the persons referred to above are hierarchically and functionally subordinate to the person to whom the whistleblowing report relates or they themselves are alleged to be responsible for the violation or have a potential interest in the report that would compromise their impartiality and independence of judgment, then the employee may contact Internal Audit directly as the "reserve function" by sending the report to the Head of the Group Audit Department and the Country Italy Audit Department.

The channels provided by UniCredit SpA for employees to provide whistleblowing reports, including anonymously, are as follows (some of which are available 24 hours a day):

- by phone – the UniCredit SpeakUp line – allowing the employee to leave a voice message report, including anonymously
- on the website – UniCredit SpeakUp web service – allowing the employee to leave a written message, including anonymously
- the UniCredit Italy Whistleblowing email address
- in paper form to the dedicated postal address.

Employees are further informed about whistleblowing by a specific section on the corporate intranet and by a brochure on the importance of the issue. Both detail how and when to make a whistleblowing report.

10. If the Legal function is separated from the Compliance function, reports must be addressed to the head of the Compliance function. In any case absent a Legal, Compliance or an Internal Audit function, the report must be addressed to another function/person with the independence and level of seniority to grant the correct execution of the process set out in this rule.

11. With regard to Italian legal entities, if a report refers to any breach of the Organizational Model implemented as per Legislative Decree no. 231/2001 or refers to a crime under such Legislative Decree, the report could be directly submitted to the Supervisory Committee.

## Number of cases by category, 2016<sup>A</sup>

Total cases	Closed cases at 31/12/2016			Categories										
	Total closed cases	Out of which real policy or requirement breaches	Pending cases at 31/12/2016	Anti-Bribery and Corruption	Financial Sanctions	Anti-Money Laundering	MiFID	Conflict of Interest	Market Abuse	Banking Transparency & Protection	Privacy & Banking Secrecy	Anti-Trust	Failure to comply with HR regulations	Failure to comply with internal regulations (and other inappropriate behavior)
61	49	14	12	7	0	0	5	3	0	0	7	0	21	18

A. This data is drawn from the following subset of Group entities:

- Italy: UniCredit SpA; UniCredit Factoring SpA; UniCredit Leasing SpA; Cordusio SIM SpA; Cordusio Società Fiduciaria Per Azioni; FinecoBank SpA; UniCredit Business Integrated Solutions SCpA
- Germany: UniCredit Bank AG; Bankhaus Neelmeyer AG
- Austria: UniCredit Bank Austria AG; Schoellerbank Aktiengesellschaft
- Poland: Bank Pekao SA
- Bosnia and Herzegovina: UniCredit Bank ad Banja Luka; UniCredit Bank dd
- Bulgaria: UniCredit Bulbank AD
- Croatia: Zagrebačka Banka DD
- Czech Republic: UniCredit Bank Czech Republic and Slovakia, as
- Hungary: UniCredit Bank Hungary Zrt
- Luxembourg: UniCredit International Bank (Luxembourg) SA
- Romania: UniCredit Bank SA
- Russia: AO UniCredit Bank
- Serbia: UniCredit Bank Serbia Jsc
- Slovakia: UniCredit Bank Czech Republic and Slovakia, as
- Slovenia: UniCredit Banka Slovenija DD



# Risk Management and Compliance

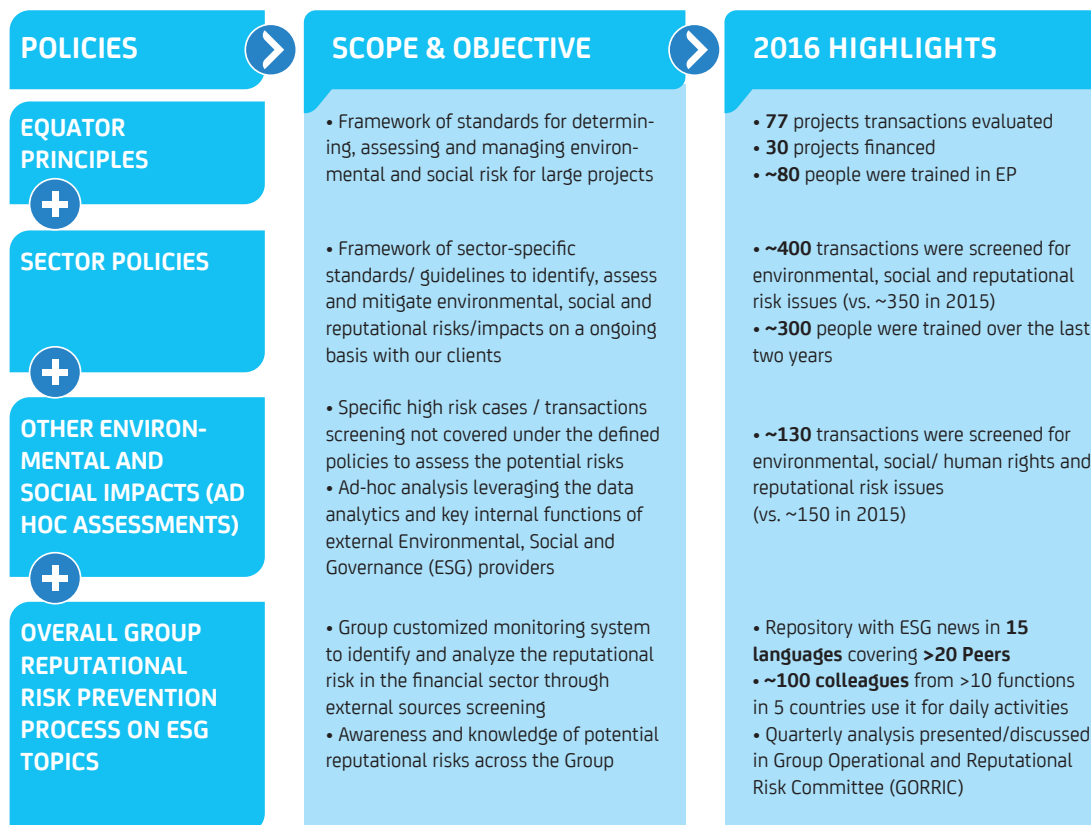
## Managing environmental and social risks

Sound risk management requires a deep understanding of many types of risk, including environmental and social risks and their impacts on financial results and the balance sheet.

Two of our statements of commitment, our *Environmental Commitment* and our *Human Rights Commitment*, describe the approach, roles and responsibilities, principles, rules, procedures and systems adopted by UniCredit to prevent and manage environmental, social and human rights impacts and risks in our operations and value chain.<sup>1</sup> Through the *Group General Principles for Credit Activities* and other special policies and practices, UniCredit assesses and manages not only traditional economic and financial impacts, but also non-financial impacts. These include environmental, social and other reputational risk impacts associated with the environmental and social performance of its customers.

To this end, UniCredit implements and integrates the Equator Principles (EP), when applicable, into the financing of projects and has adopted detailed special policies regarding sectors sensitive to environmental and social risks. Our Group monitors portfolio exposures and other environmental, social and related reputational issues also within other industries. Furthermore, in 2016, we reinforced our internal presidium and monitoring concerning potential regulatory developments linked to environmental and social matters in order to preempt potential impacts for the Group. In keeping with our commitments, we work to disseminate across our Group a strong risk culture that includes social and environmental issues among our priorities.

### How we mitigate environmental, social and reputational risks



1. Refer to our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) for more information.

## Implementation of the Equator Principles

UniCredit has adopted the Equator Principles (EP) as a risk management framework for determining, assessing and managing environmental and social risk in projects. The EP are primarily intended to provide a minimum standard for due diligence to support responsible risk-related decisions.

In 2003, UniCredit was among the world's first adopters of the ten principles that constitute the EP. Since then, our Group has actively contributed to the framework's development. These activities have provided UniCredit with valuable experience, facilitating the implementation of the framework Groupwide and contributing to our further engagement with stakeholders.

The EP<sup>2</sup> apply globally to Project Finance Advisory Services, Project Finance, Project-Related Corporate Loans and Bridge Loans across all industry sectors. We work in partnership with our clients to identify, assess and manage environmental and social risks and impacts in a structured way on an ongoing basis. The EP are based on the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability and the World Bank Group Environmental, Health and Safety (EHS) Guidelines.

An EP Advisory team oversees and supports the implementation of the EP across the Group. The framework of the EP is embedded in our various internal policies, providing a minimum standard for due diligence and impact mitigation and supporting sustainable decision-making Groupwide. These policies include our *Special Credit Policy Project Finance Transactions* and our *Global Policy on Structured Trade and Export Finance*. Aside from roles, responsibilities and principles, these policies define the EP process for non-financial risk evaluations of specific projects. Furthermore, an EP-based Non-Binding Opinion (NBO) is incorporated into our approvals process, as is an Internal *Equator Principles Screening Tool* that focuses on category A and B projects.<sup>3</sup>

Independent environmental and social experts are consulted to assist our transaction team, where applicable, in accordance with the EP. Loan document covenants are reviewed by the specialized transaction team, internal legal department and, where appropriate, technical, environmental and social specialists. We regularly conduct special workshops and training sessions to enhance our capacity to implement the EP within our organization. In 2016, roughly 80 employees from the risk competence line and business divisions, including Corporate and Investment Banking, attended 3 interactive EP workshops and training sessions tailored to the needs of different audiences. Participants received comprehensive instructions that introduced them to the EP framework and the underlying World Bank Standards, leveraged peer-to-peer knowledge-sharing, and provided practical examples for evaluating financial, environmental and social risks, among other topics.

The EP Advisory team, together with Group Sustainability, represents UniCredit in the EP Association. Also in 2016, we continue to be engaged in the work of the association and to participate in specific Working Group initiatives that align with our strategy, geographical scope and business footprint.

### Equator Principles – Projects evaluated, financed and advised, 2016

Projects evaluated	Projects financed <sup>A</sup>	Projects advised
77	30	3

A. Includes 23 Project Finance transactions, four Project-Related Corporate Loans and three Bridge Loans.

2. Refer to the EP framework at <http://www.equator-principles.com> for more information.

3. Projects with potential significant (Category A) or limited (Category B) adverse social or environmental risks and/or impacts. Refer to the EP framework for more information.

## Equator Principles - Number of projects financed by risk category

Risk category <sup>A</sup>	2016 <sup>B</sup>	2015 <sup>B</sup>	2014 <sup>B</sup>
Category A	7	7	4
Category B	10	10	10
Category C	13	10	3
<b>Total</b>	<b>30</b>	<b>27</b>	<b>17</b>

A. Category A: projects with potential significant adverse social or environmental risks and/or impacts that are diverse, irreversible or unprecedented  
 Category B: projects with potential limited adverse social or environmental risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures  
 Category C: projects with minimal or no social or environmental risks and/or impacts.  
 B. Projects financed by UniCredit Bank AG, UniCredit Bank Austria AG and UniCredit SpA.

## Equator Principles – Number of projects financed by risk category and sector, 2016

Sector	Category A	Category B	Category C
Resources <sup>A</sup>	4	0	0
Energy	3	7	10
Infrastructure	0	3	3
<b>Total</b>	<b>7</b>	<b>10</b>	<b>13</b>

A. Including oil & gas, mining and metals.

## Equator Principles – Number of projects financed by risk category and region, 2016

Region	Category A	Category B	Category C
Europe: EU	0	8	13
Europe: Extra EU	1	2	0
Americas	0	0	0
Africa	3	0	0
Asia and Australia	3	0	0
<b>Total</b>	<b>7</b>	<b>10</b>	<b>13</b>

## Equator Principles – Number of projects financed in Designated Countries<sup>A</sup> and projects subjected to Independent Review<sup>B</sup>, 2016

	Category A	Category B	Category C
Designated Country	0	8	13
Independent Review	7	10	13

A. Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. The list of Designated Countries may be found on the EP Association website.  
 B. An Independent Review is a review of the Assessment Documentation, including the ESMPs, ESMS and Stakeholder Engagement process documentation carried out by an Independent Environmental and Social Consultant.

The **D4/R7 Highway PPP Project** (henceforth the Project) in Slovakia was the largest in Central and Eastern Europe region to achieve financial close in 2016.

The Project concerns the construction and operation of two new sections of the D4 Motorway, forming part of the Trans-European network and three sections of the R7 Expressway located in the vicinity of Bratislava totaling 59 km in length. Construction works also include a large bridge over the Danube.

The Project was procured under a Public Private Partnership model, whereby the Slovak government offered the private sector the ability to design, finance, construct, operate and maintain the project road under a concession agreement for a period of 34 years.

Following a competitive bidding process, the Project was awarded to the ZERO BYPASS consortium consisting of Macquarie Capital, Cintra Infraestructuras and Porr AG.

UniCredit has a leading role in the transaction and acted as mandated Lead Arranger, Hedge Coordinator and Agent. Total projects costs amount to approximately €1.3 billion and are financed by (i) a direct loan granted by the European Investment Bank (€427 million) and (ii) a term loan facility provided by a group of commercial banks and

the European Bank for Reconstruction and Development.

The highway crosses and bypasses protected areas (Natura 2000), mostly the flora and fauna of the Danube river. Numerous measures to mitigate the Project's environmental impacts were agreed upon, many of which are associated with the construction phase. The Project went through an extended series of environmental and social assessments prior to receiving planning permission from the Slovak government. The Project was assigned Equator Principles Category B given that its impacts are few in number, generally site specific, largely reversible and readily addressed through mitigation measures.

UniCredit, along with four other commercial banks, the Nordic Investment Bank (NIB) and the European Investment Bank (EIB), arranged the financing of the partial modernization and new construction of **Kilpilahti Power Plant project** (the Project) in Finland.

The Sponsor consortium is comprised of the Project's primary stakeholders: Borealis and Neste Oil, which are also the off-takers of steam and electricity, and Veolia, which is the Project's operator. Kilpilahti Power Plant is a combined heat and power plant with a capacity of 450 MWth and 30 MWe. It is located in the Kilpilahti industrial area, the largest petrochemical complex in the Nordics located 40 km east of Helsinki, Finland. The financing is being used to modernize and replace an outdated technology.

The new combined heat and power plant will make use of industrial side streams such as asphaltene that would not otherwise be recovered for energy generation (more than 80 percent of the fuels that will be used in the new power plant are side streams from the off-takers' own processes). Current gaseous emissions will be reduced by enhanced combustion technology (a 20 percent reduction compared to current emissions) to comply with future emission standards. The new power plant is expected to become operational during 2018.

Finland qualifies as a "Designated Country" (formerly "OECD high-income country") under the Equator Principles. Among others, the Project must comply with relevant European Union laws, which are considered to meet or exceed the IFC Performance Standards and the World Bank Group EHS Guidelines. The Project has been subject to a formal Environmental Impact Assessment (EIA) process, which started in 2013. A detailed assessment was conducted by Pöyry in accordance with the Finnish Act on EIA procedure. It was completed and approved by the Finnish state supervisory authority in May 2014. Ramboll, a privately held international consulting group that ranks among the top 10 environmental consulting firms worldwide, reviewed the Project and proposed to assign the Project Category B. Together with the banks action items were defined which are to be monitored during the life of the financing. Compliance will be closely monitored by the environmental team of the project company as well as by the banks and the multilaterals involved in the Project (EIB and NIB).

The **Liwa Plastics Industries Complex** (LPIC) is a steam cracking project designed to create a fully integrated petrochemical complex located in the port of Suhar, in the Sultanate of Oman, and to produce polyethylene and polypropylene from natural gas and light end refined products with operations scheduled to start in 2019. In addition to the steam cracking, LPIC also includes a natural gas extraction plant in Fahud and a 300 km pipeline between Fahud and the Suhar Industrial Port area for gas transportation. LPIC comprises an approximated \$6.5 billion in total investments and was financed through a mix of debt and equity. LPIC's sponsor is the Government of the Sultanate of Oman. UniCredit acted as LPIC's mandated lead arranger. Debt has been provided on a project finance basis through a mix of commercial loans and loans covered by Export Credit Agencies. LPIC's Engineering Procurement Construction contracts involve several qualified turnkey contractors. The lenders' environmental and social due diligence requires LPIC to be assigned Category A according to the Equator Principles and IFC Performance Standards. As there are some issues which need to be addressed in order to bring the project in full compliance with applicable environmental and social standards, a comprehensive Environmental and Social Action Plan that establishes the necessary mitigation measures and actions to be implemented was agreed upon.

The **Baltic Ammonia Project** (the Project), sponsored by Eurochem (the 7th largest fertilizer producer in the world), comprises the construction and operation of an ammonia production plant with a capacity of one million tons per year in Kingisepp, in Russia, close to Baltic Sea. UniCredit acts as a Facility and Security Agent as well as SACE (Servizi Assicurativi del Commercio Estero) Agent for the €557 million loan guaranteed by SACE for its 13.5 year term. The Project involves the construction of new ammonia production facilities as well as the upgrading of its existing infrastructure. Construction of the plant, including its ammonia storage facilities, is being undertaken by the EPC contractor Maire Tecnimont, a large Italian player in the fertilizer industry. The ramp-up of the project is scheduled for 2018. The project falls within Category A under the EP and is reviewed by an independent Environment and Social Consultant, D'Appolonia.



## Implementation of our environmental, social and reputational risk sector policies

Certain sectors and activities require a specialized approach to ensure that transactional and related risks are addressed properly. We have developed detailed guidance policies for sectors relevant to UniCredit that are susceptible to environmental and social risks.

These policies take into account generally accepted international agreements, guidelines and standards (including the International Finance Corporation Performance Standards, the World Bank Group Environmental, Health and Safety Guidelines and the principles of the UN Global Compact), as well as other practices widely employed by specific industries and affected stakeholders. Our Group considers these international agreements, guidelines and standards a representation of best practices for assessing and avoiding potential environmental and social impacts. Through the implementation of appropriate management and mitigation measures on the part of our clients and counterparts, UniCredit aims to avoid or limit the risks associated with transactions and projects in these sectors. UniCredit's current environmental, social and reputational risk policies apply to a number of sectors, including water infrastructure (dams in particular), nuclear energy and coal-fired power generation. The criteria for these policies are regularly reviewed so that all emerging environmental and social standards and any additional relevant impacts are taken into account in financial decision processes. When necessary, external experts are involved in these processes.

### Environmental, social and reputational risk policies

Policy	Objective
<b>Defense/Armaments</b>	To regulate financial involvement with companies from the defense/armaments industry in order to minimize social, reputational and credit risk
<b>Nuclear Energy</b>	To regulate financial involvement with and address the challenges posed by the nuclear energy sector in order to minimize environmental, social, reputational and credit risk
<b>Mining</b>	To establish standards and guidelines that address the risks associated with financing mining operations
<b>Water Infrastructure</b>	To establish standards and guidelines that address the risks associated with financing large water infrastructure projects such as dams
<b>Coal-fired Power</b>	To establish standards and guidelines that address the risks associated with financing coal-fired power production

The policies apply directly to UniCredit SpA and are addressed to all Group legal entities that engage – whether through lending or other forms of financial assistance – with such sectors. Their adoption is subject to monitoring by the parent company's CRO functions.

UniCredit's policies define specific internal processes to consistently identify, assess and monitor potential environmental and social risks. Screening records and tools are implemented in our standard risk and compliance check to support the performance of comprehensive due diligence. These analyses utilize information derived from business intelligence providers on environmental, social and governance risks within the most sensitive sectors, including those regulated by special policies, and other relevant sectors.

Transactions are generally screened by the legal entity responsible at both the transactional and the client level. A record of the screening is integral to the compliance assessment and must be completed before approval is granted. Roughly 530 transactions were assessed in 2016 for potential environmental, social, human rights and other reputational issues. Roughly 400 of these transactions were related to our sector policies.

Decisions regarding transactions that have been assessed as "high risk," as defined by applicable policies and the competent committees of the local legal entities, are submitted to the parent company for approval. Assessments must be updated regularly as part of the annual credit lines renewal process.

Transactions that carry intrinsically higher risks require an independent expert or third-party review (e.g., ESIA or equivalent) in order to ensure a rigorous approach to identifying, quantifying and, where appropriate, mitigating and monitoring environmental and social risks.

Internal reporting on exposure and risk indicators is managed by risk functions at both the local legal entities and the parent company. On a quarterly basis, the Group Operational and Reputational Risk function submits to the Group Operational and Reputational Risk Committee a report on the non-binding opinions that have been issued over the period. This report provides an overview of the number of transactions declined, approved and approved with conditions during the risk assessment process.

## Reinforcing our approach to human rights

UniCredit is aware that every economic and business activity can generate potential impacts, both positive and negative, on human rights. Thus we have been working systematically to define a reliable and inclusive approach that enables our Group to manage human rights impacts and risks and to minimize potential human rights violations associated with our operations and value chain.

In 2011, UniCredit published the first *UniCredit Human Rights Commitment*, which describes the principles and systems adopted by UniCredit pertaining to human rights. It represented the first step in aligning our Group's approach with the *UN's Guiding Principles on Business and Human Rights*.

In 2016, we implemented a project<sup>4</sup> focused on human rights issues that responds to the continued evolution of our Group's approach and to the expectations of our stakeholders. As a result, we updated the *UniCredit Human Rights Commitment*, which is available on our website.

We made significant improvements in several areas. In governance, we have clarified how human rights impacts are managed by the governance rules and structures that assign guidance, support and control roles. In impact management, we have better explained how UniCredit is addressing both positive and negative human rights impacts within its operations and value chain. In monitoring, we have clarified the various monitoring mechanisms and processes in place within our organization.

Furthermore, during the year we launched several initiatives to communicate our *Human Rights Commitment* through various internal initiatives. We shared human rights content via the Group and local intranet (available to all colleagues) and with more than 900 more colleagues through ad hoc communications.

Meanwhile, we continued to engage externally through various working groups and initiatives in order to promote a constructive dialogue on the matter with our stakeholders, including customers, investors, rating agencies, peers and civil society organizations.

These actions will enable us to live up to our commitments and continue to improve our approach to respecting human rights.

## Enhancing communication and training on Environmental & Social (E&S) topics

Our positions regarding specific sectors, including the key criteria applied by UniCredit in our internal assessment processes, are disclosed on our website.

Effective risk assessment and monitoring requires appropriate technical risk knowledge at all levels of an organization. For this reason, our Group takes a common and consistent learning approach to risk issues, including those related to the environment, social concerns, human rights and related reputational impacts. This is accomplished by training and developing qualified staff in cooperation with the competent risk management functions. When necessary, external experts are involved in the training sessions.

Over the last 2 years we ran a specialized training program on the mining, coal-fired power generation and the Defense/Armaments sectors. The training was developed in partnership with external experts and included both classroom sessions in Milan, Munich, Vienna and Moscow and an online module. It aimed to facilitate the consistent, Groupwide implementation of these three specialized policies, particularly by clarifying the criteria contained within the policies and by ensuring that the criteria and standards are fully understood and correctly and consistently addressed in the course of all assessment processes.

As of January 2017, almost 300 colleagues, including relationship managers, risk managers and other functions involved in due diligence processes, participated in this training program.

4. Refer to 2015 Integrated Report for more information on the project implemented to update UniCredit Human Rights Commitment.

# Compliance

The mission of UniCredit Group Compliance function is to monitor the management of the compliance risk, as well as to assist the Group and its management, corporate bodies and employees to carry out their activities in compliance with mandatory rules, internal procedures and best practices. In order to reach these goals, Compliance defines, develops and monitors both the implementation of and adherence to Group Compliance rules, procedures, methodologies, trainings and, in particular, minimum compliance standards to be followed and implemented within the Group.

To anticipate risks, identify rapid and efficient monitoring mechanisms and speed up response times, Compliance is leveraging on its partnership with UniCredit business operations. To this end, it has launched a series of initiatives that support the bank's commercial network. These initiatives enable Compliance to more smoothly interact with every layer in our network, from regional managers to customer-facing Retail and Corporate personnel. A new communication strategy has also been developed to facilitate leaner, more sustainable corporate interactions with key internal functions served by Compliance.

UniCredit Compliance model is articulated at Group and local levels.

Group Compliance includes:

- the Group Compliance Officer, who performs general oversight activities on all Group companies through a connection with country Compliance Heads, where appointed, with the support of Group coordinators, and through the managerial coordination of local Compliance Heads
- the Group coordinators, i.e., the Heads of Group CIB Compliance & Monitoring, Group Anti Financial Crime Compliance, Group Compliance Controls, Group Compliance Business Management, Education & Culture, Group Regulatory Counsel, who provide services across the Group and deal with cross-border issues to ensure a consistent approach to compliance is applied Group-wide.

Group Compliance ensures:

- the adequacy of Compliance structures within Group companies, taking appropriate corrective actions when necessary
- the consistent application of compliance standards across the Group by supporting, coordinating, monitoring and controlling the fulfilment of the overall Compliance Plan
- the provision of customized advisory services on compliance risk assessments and second level controls.

Group Compliance constantly monitors activities to support management's work to define and update processes and products in compliance with both new and existing applicable regulations. During this ongoing process of assessing inherent and residual risks, Compliance maintains a sharp focus on those compliance issues deemed to pose the greatest risk. For all these issues, Compliance identifies some top priorities and monitors all related actions taken to mitigate them.

Local Compliance works with Group companies, their corporate bodies and their employees to manage the risk of non-compliance. The Compliance function of each controlling company is directly responsible for overseeing compliance with local requirements for its controlled entities and international branches. It must also ensure that these entities and branches have adequate compliance structures, while enforcing proper measures to promote the adoption of a country-wide compliance coverage model. Regular information flows about actual or potential compliance risks have been established between Group companies and Group coordinators.

Compliance's top objectives for 2016 were:

1. compliance education, culture, skills & development:
  - issuing of new rules
  - development of new Group training initiatives to effectively increase awareness and knowledge on key regulations
  - further development of the Compliance culture framework and roll-out of a structured action plan
  - continuous development of Compliance people skills and capabilities, also through further sponsoring and reinforcement of a Compliance culture fully built on a risk-based approach

2. enhanced Compliance Risk Assessment and controls:
  - improvement and further strengthening of the compliance risk assessment
  - redesign empowerment of the second level controls
  - fine tuning of the indirect model according to the new Regulation 285
3. key regulatory projects & regulatory changes oversight:
  - stay abreast of regulatory changes (part of the Competence Line goals)
  - prompt detection, analysis and monitoring of forthcoming regulations triggering relevant changes at different levels and impacting the Group, also given the new role of the European Central Bank.

Regarding the first objective, 6 new rules were issued on: Financial Sanctions, Payment & Customer Screening, Trading Restrictions, Compliance Culture, Trade Finance Sanctions Screening, Single Antitrust Rulebook - Antitrust and Unfair Commercial Practices.

In 2016, a compliance culture framework that fosters the relevance of the compliance culture has been developed at Group level. Extraordinary efforts have been made to effectively spread a culture of compliance across the Group, primarily through communication initiatives sponsored by the Group's senior management, many of whom have been personally involved in our Tone from the Top campaign. In this respect, Group-wide alerts and videos were disseminated to address such real-life concerns as bribery, market manipulation and fraud. A Group-wide internal communication campaign on whistleblowing has been rolled out to incentivize employees to report suspicious behavior.

Learning and development programs have been implemented. In 2016, Compliance designed and rolled-out three Group mandatory training initiatives for the employees, to increase their knowledge of core compliance topics. Two e-learning courses on AML (Anti Money Laundering) & Financial Sanctions and Market Abuse were addressed to all employees of UniCredit and one classroom training on Financial Sanctions, more detailed with respect to the online training, addressed to specific clusters of employees working in high risk areas such as Senior Management, Trade Finance, Finance & Advisory, KYC Operations, Payment Operations and Legal and Compliance. In addition, Compliance Academy has been updated and enhanced, in order to further promote the ongoing professional development of Compliance employees across the Group. During 2016, the Academy's core curriculum was revised and a specialized path on AFC (Anti-Financial Crime) was developed. Moreover, a dedicated leadership training - Business Ethics Lab - on proper conduct and business ethics has been developed to underline the ultimate purpose of compliant behavior and our Group positioning.

In the field of compliance risk assessment and controls, Compliance further calibrated and extended second level controls and compliance risk assessment activities by fully implementing Audimex in UniCredit SpA. This IT tool made possible the automatic tracking of Compliance mitigation actions, reinforcing the overall management and monitoring of non-compliance risk. During 2016, a constant monitoring of mitigation actions was ensured, in order to reduce the number of rescheduled and overdue actions. Regarding the new Regulation 285, the indirect model was amended and approved by UniCredit Board in July 2016.

In the field of regulatory changes oversight, Compliance has ensured the Group is aligned with the most crucial regulations. It has also continued its effort to provide faster, more efficient and more comprehensive support to UniCredit business operations. To this end, a Group-wide project on MAR (Market Abuse Regulation) was launched in May 2015 to ensure timely compliance with the new market abuse regime. MAR became effective on July 3<sup>rd</sup>, 2016 and it applies to Legal Entities incorporated in the European Union as well as non-EU LEs operating in EU trading venues. In UniCredit, MAR Group project aimed at the adoption of a Group approach for most relevant processes (i.e. market surveillance).

With the aim of further enhancing compliance with competition rules at EU and national levels, UniCredit has adopted in 2016 a Compliance Antitrust Program. The goal of this Program is to increase the quality of governance at Antitrust level and promote an effective compliance culture, in order to enhance Group's reputation on the markets as well as to more effectively manage and mitigate the risk of both Antitrust breaches and penalties. In order to ensure the continuous and the effective application of the Compliance Antitrust Program, it will be periodically monitored and kept up to date at Group and Holding Company level after the first implementation.

## Supplement

### → Risk Management and Compliance

The mechanisms implemented to monitor the effectiveness of the Compliance function include:

- periodic monitoring of compliance risk and reporting by Group Compliance functions to corporate bodies
- ongoing enhancement of monitoring and reporting activities by extending Compliance coverage of regulatory areas and Group legal entities and by updating and fine-tuning risk assessment and second level control compliance methodologies
- a process for defining compliance frameworks, driven by Group Compliance, to provide local Compliance functions with the latest updates on Group regulatory requirements and to support their management of local processes
- periodic Quality Assurance Review activities to verify the level of compliance achieved by local Compliance structures and the effectiveness and efficiency of core compliance processes
- monitoring and control of the approval and implementation of Group rules throughout the organization.

As per the Group strategic plan, in 2017 Group Compliance function will strengthen its focus on the 3 Group-level strategic pillars:

1. participation of Compliance in *Transform 2019 - Lean but steering center* pillar (define the new organizational setup of Compliance)
2. reduction in the number of internal audit findings
3. IT budget management according to predefined Group strategic priorities.

## Policies

### Anti-money laundering and financial sanctions

The Global Policy on Anti-Money Laundering and Countering of Terrorist Financing (hereinafter the AML Policy) builds on the Group Compliance Framework Global Policy and sets out more detailed policy statements on issues such as the risk assessment and classification of customers and the minimum due diligence standards for the *Know Your Customer* (KYC) process. The AML Policy sets out the framework by which the Group manages its money laundering and terrorist financing risk and establishes minimum standards for the Legal Entities' Anti-Money Laundering (AML) programs.

Official documents related to the Global AML/CTF Policy that further build on the framework for AML/CTF and provide more details include:

- Global Compliance Operational Instructions – AML and Sanctions Global Controls Monitoring Standards
- Global Operational Instructions – AML Compliance Risk Assessment & Customer Due Diligence
- Global Operational Regulation – Correspondent Banking AML Standards
- Global Operational Instructions – on Politically Exposed Persons
- Global Operational Instructions – on Private Banking AML Standards
- Global Operational Regulation – Leasing AML Standards
- Global Operational Regulation – CDD for Corporate Customers.

The Global Policy on Financial Sanctions, initially issued in August 2012, and updated in September 2014 and more recently in February 2016 defines the principles and rules for setting out the framework by which the Group manages its risks in respect of Financial Sanctions. The aim of the policy is to support compliance with relevant regulatory and legal requirements international and local, avoid any appearance of impropriety, protect the Group's reputation, and define principles and rules for restricting dealings with countries, entities and individuals that are subject to Financial Sanctions by, amongst others, the European Union (EU), United States (US) Office of Foreign Assets Control (OFAC), United Nations (UN) sanctions and any national provisions in countries in which Group Legal Entities are located.

Official documents related to the Group Policy - Financial Sanctions that further build on the framework for Financial Sanctions and provide more details include:

- Global Operational Regulation – Financial Sanctions
- Global Operational Regulation – Payment and Customer Screening
- Global Operational Regulation – Trade Finance Sanctions Screening.

After the organizational restructure of the former Global AML Function, culminating in the birth of the current Group Anti- Financial Crime Compliance, significant steps were taken in 2016 to further develop the function. In addition to the AML, Financial Sanction and Anti-Bribery and Corruption teams, Group Anti-Financial Crime was further enhanced with a Monitoring, Testing and Reporting team and a team leader was appointed. 2016 was an important year to develop the identity of the newly created function and to forge stronger relationships with the Anti-Financial Crime community in the Group. A Group Anti-Financial Crime event was organized at the Milan Headquarters in the autumn. The event was a great success, bringing together the AML, Financial Sanctions and Anti-Bribery and Corruption Heads within the Group. It was an important opportunity for the Anti-Financial Crime community to exchange ideas and to focus on its objectives for 2017.

In 2016, Group AML's focus was the following:

1. AML IT systems were rolled out to various Leasing entities in the Group as per scheduled plan
2. testing and fine-tuning of payment and customer filter configurations proceeded and is ongoing
3. the strategic transaction monitoring solution for correspondent banking was rolled out in UniCredit SpA, UniCredit Bank AG and UniCredit Bank Austria AG.

In 2016, the focus for the Group Financial Sanctions team was on the following:

1. roll out and implementation of the Risk Assessment Frame for Financial Sanctions covering inherent to residual risks which, in the future, will be conducted on an annual basis
2. continuation of the enhancement of existing Sanctions Frameworks against enhanced Group standards to identify and address those gaps, whereby this extended to the CEE countries. In addition the ongoing improvement to the Sanctions Frameworks and implementation of actions and completions of gaps identified in 2015
3. roll out, consolidation and update of existing policies and regulations where this included:
  - a. roll out of the updated Global Policy - Financial Sanctions in February 2016
  - b. issuance of the new Global Operational Regulation - Financial Sanctions in March 2016 and subsequently in November 2016
  - c. issuance of the new Global Operational Regulation - Payment and Customer Screening in July 2016
  - d. issuance of the new Global Operational Regulation - Trade Finance Sanctions Screening in November 2016
4. testing of the Payment and Customer Screening Filters covering 24 tests
5. design of the Management Information collected for Financial Sanctions which was rolled out for collection in Q2 2016.

Priorities for Group AML in 2017 include, but not limited to:

1. extension of correspondent banking transaction monitoring solution to CEE Countries
2. performance of Group AML Inherent Risk Assessment
3. active management and continuous enhanced data collection, development of specific actions addressed to enhance current management information
4. active participation in KYC Centralisation of Banks activities.

Priorities for Group Financial Sanctions in 2017 include, but not limited to:

1. assessment of existing payment and customer screening filters in Italy, Germany and Austria
2. continuation of the enhancement of existing Sanctions Frameworks across the Group
3. regular Payment and Customer screening tools configuration tests as per annual plan
4. review Financial Sanctions Policies and Regulations as per plan
5. annual Risk Assessment for Financial Sanctions to be refreshed.

## Anti-corruption

Our Group's approach to preventing corruption and bribery is set out in the Global Compliance Policy on Anti-Corruption and its associated Operational Instructions. The Global Policy sets minimum standards for anticorruption compliance throughout UniCredit. Whenever local rules in a country of operation are stricter than the Global Policy, those rules will apply.

The Global Compliance Policy on Anti-Corruption is addressed to all Group entities and applies to officers and members of strategic, control and executive bodies, employees, tied agents (e.g., financial advisors) and temporary Group employees (hereinafter referred to as "employees"). Further, this policy applies to all Group business activities and shall be applied in compliance with legal requirements and regulations locally in force.

The UniCredit Anti-Corruption Policy aims to:

- define principles and rules for identifying and preventing potential acts of corruption (as defined below) to protect the integrity and reputation of our Group
- provide general information to employees on measures taken by each Group legal entity to identify, mitigate and manage corruption risks.

For the purposes of the Anti-Corruption Policy, an act of corruption is defined as the giving, offering, promising, receiving, accepting, demanding or soliciting of money, gifts or other benefits in order to obtain or retain an undue advantage in the course of business activities, irrespective of:

- whether the recipient of the act of corruption is a domestic or a foreign individual, a public official or a private individual
- where the act is committed
- whether the result of such act entails an actual undue advantage or the improper performance of a function or activity.

The following mechanisms have been put in place to monitor the effectiveness of the Group's approach to anticorruption and anti-bribery: escalation procedures employed for significant and strategic issues; quarterly management information requested from hub entities (Italy, Germany, Austria, Poland); analysis and testing of the results of activities related to the management of second level controls; Compliance Risk Assessment processes performed for each regulatory area in all legal entities within the Compliance function's jurisdiction; and internal audit reviews. The last two mechanisms (the Compliance Risk Assessment and Internal Audit inspections) result in risk mitigation actions that need to be completed on time to ensure the management of the risks identified.

The major anti-bribery and corruption challenges the Group faces are:

1. proper and timely implementation of the policies and procedures articulating the anti-bribery position of the legal entities, and how they will mitigate the specific bribery risks faced
2. existence and operational level of formal responsibility by senior management to ensure anti-bribery and corruption systems and controls
3. proper identification and prioritization of the bribery risks faced
4. monitoring of the risk of bribery and control failures due to a lack of awareness and understanding of policies and procedures
5. proper keeping of books, records and accounts to determine potentially corrupt payments, if any
6. monitoring the risk of failing to report actual or suspected incidents of bribery, both internally and to the external authorities
7. senior management commitment to preventing bribery and the regular communication of that commitment to stakeholders
8. monitoring the risk that an intermediary engages in bribery on behalf of the Group
9. monitoring the risk that a supplier pays bribes on behalf of the Group
10. monitoring the risk that a supplier pays kickbacks to UniCredit Group employees
11. ensuring that due diligence has been carried out before a proprietary investment to avoid UniCredit Group becoming liable for corruption
12. appropriate and proportionate gifts and entertainment expenditures to avoid improper influence or the impression of intent to solicit improper influence
13. appropriate management of charitable donations to avoid the impression that they were made to ingenerate the expectation of obtaining/retaining a business advantage



14. appropriate management of employment offers to avoid the impression that they were made to ingenerate the expectation of obtaining a business advantage.

Risks of non-compliance are managed through a dedicated risk assessment process and quarterly second level controls. In the event of non-compliance, corrective actions to mitigate actual significant risks are undertaken. Our Group's Global Compliance Policy on Anti-Corruption is addressed to entities operating in UniCredit core markets.<sup>5</sup> In 2016, all of these legal entities completed an assessment of the risks noted directly above. UniCredit has zero tolerance towards acts of corruption, prohibits facilitation payments and does not permit any transfers of value to public officials without approval. UniCredit also forbids political donations. Each local legal entity is responsible for the development and implementation of an effective local anti-corruption program. UniCredit monitors incidents of corruption related to both employees and business partners and maintains a Whistleblowing Policy and processes for: engagement of intermediaries, engagement of third parties for proprietary mergers and acquisitions, gifts and entertainment, offers of employment, charitable contributions, etc. All these are mechanisms in place at UniCredit in order to prevent corruption incidents.

Incident monitoring and follow-up actions are conducted by legal entities. No significant incidents have been escalated to the Group level in the past year. For privacy reasons, we do not disclose the results of these activities. More detailed guidance regarding the following risk areas is also available: charitable donations and sponsorships, offers of employment and suppliers and contractors.

Since charitable contributions and sponsorships, particularly when requested by a third party, could be used to perpetrate a corrupt act, they must be made in compliance with the Group's internal rules and all applicable local laws. Additionally, their scope cannot exceed that of other contributions or scholarships previously approved by the Board of Directors. If authorized by a delegated corporate body or by a function of a Group legal entity, their scope cannot exceed regulations governing expenses. Each charitable contribution or sponsorship must be made openly and transparently. This means establishing transparent criteria for selection of recipients and reporting on the major donations made by listing them in a publicly accessible manner.

Offers of employment must never be made with the intent to unduly influence anyone. To avoid the impression that an offer of employment, either temporary or permanent, or an offer of any other temporary position or attachment could be an act of corruption, such offers may not be made to anybody - including customers, business partners or public officials (or persons known to be closely associated with them) - other than through the normal competitive hiring process. The normal hiring process of each Group entity should be documented.

UniCredit may be held liable for acts of corruption committed by suppliers or contractors acting on behalf of our Group, whether or not our company had knowledge of the acts in question. Therefore, it is important that suppliers and contractors be subject to appropriate review and assessment, both before being engaged and on an ongoing basis, in order to mitigate this risk.

With reference to communications and training, the Global Compliance Policy on Anti-Corruption is addressed to all Group companies and applies to all members of strategic, control and executive bodies, employees, tied agents (e.g., financial advisors) and temporary employees of the Group. UniCredit SpA's strategic and executive bodies are made aware of the existence of and updates to the Global Policy and are responsible for complying with it. These bodies also participate in our dedicated training programs and are subject to mandatory anti-corruption training.

In 2017, our anti-corruption priorities will be:

- issuing of renewed ABC policy, planned for the 3<sup>rd</sup> quarter
- quality review of local ABC programs for Entities in scope
- keep on applying unique methodology for conducting risk assessments in three dimensions:
  1. risks inherent to business/activities conducted by banks
  2. controls and procedures to mitigate the risk of corruption
  3. residual risks including internal audits and/or opinions rendered by regulators
- conducting comprehensive risk analyses across the Group to identify areas of increased risk and design and apply additional controls.

5. UniCredit SpA; UniCredit Bank AG; UniCredit Bank Austria AG; Schoellerbank Aktiengesellschaft; Bank Pekao SA; AO UniCredit Bank; UniCredit Bank Czech Republic and Slovakia, as; Zagrebačka Banka DD; UniCredit Bulbank AD; UniCredit Bank Hungary Zrt; UniCredit Bank SA; UniCredit Bank dd; UniCredit Bank ad Banja Luka; UniCredit Bank Serbia Jsc; UniCredit Banka Slovenija DD.

## Antitrust

UniCredit has always been highly committed to compliance with Antitrust rules.

Following the Antitrust policies pursued and enacted in the past, in 2016 UniCredit deployed a Compliance Antitrust Program at Group level (hereinafter Program or CAP), aimed at:

- increasing the governance of Antitrust matters at both company and Group level
- strengthening compliance culture and enhancing Group's reputation on the markets
- more effectively managing the risk of both Antitrust breaches and penalties.

In accordance with the best practices in place both at Italian and international level, the Program consists of the following main steps:

- mapping of the company Functions potentially impacted by Antitrust risks, due to their activities and tasks
- assessment of Antitrust risks inter alia by means of interviews with the key people of the mapped company Functions and subsequent detection of actual Antitrust risks
- assessment and update (where needed) of existing internal processes and procedures, as well as controls on Antitrust
- targeted Antitrust training on dedicated areas (such as concentrations; abuse of dominant position; forbidden agreements and meeting with competitors), delivered to employees identified on a risk based approach.

The CAP has been deployed in UniCredit SpA and the main banks of the Group operating in the European Union and has been shaped and calibrated on the basis of each bank's specific features, as business type and size as well as target markets, and is subject to monitoring and periodic review to ensure its effectiveness in continuous.

As part of the Program, in December 2016 UniCredit adopted the new Group Policy Single Antitrust Rulebook - Antitrust and Unfair Commercial Practices (hereinafter SAR), applicable to all Group Companies and employees. The SAR aims at merging, simplifying and rationalizing the Group Rules on Antitrust previously in force (i.e. the Guidelines and the Operational Instructions on Antitrust and Unfair Commercial Practices, as well as the Operational Instructions on Handling Meetings with Competitors) and facilitating their fulfilment by employees. More in detail, the SAR deals with:

- agreements (horizontal and vertical)
- abuse of dominant position
- concentrations (mergers and acquisitions)
- unfair commercial practices.

The Single Antitrust Rulebook also deals with practical rules of conduct and advice to correctly manage meetings with competitors and unannounced inspections carried out by Antitrust Authorities.

Following the success of the Program, UniCredit decided to extend the CAP to further Group Companies inside and outside the EU in 2017.

As part of our commitment on Antitrust and Unfair Commercial Practices regulations, our *Compliance Risk Assessment* and *Second Level Controls* aim to identify, monitor and manage compliance risks in this regulatory area.

## Main legal actions regarding anti-competitive behavior, antitrust, monopoly practices and corrupt practices

Country	Description of main legal actions, 2016
Italy	In April 2016, the AGCM notified the extension to UniCredit (and to 10 more Banks) of the proceedings I/794 ABI/SEDA opened in January vis-à-vis the Italian Banking Association (ABI). The proceedings are aimed at ascertaining the existence of alleged concerted practices with reference to the Sepa Compliant Electronic Database Alignment system (SEDA). The AGCM proceedings are still ongoing.
Bulgaria	49 cases of civil actions against the Bulbank AD initiated by consumers in 2016, concerning the alleged misleading commercial practices related to the price and the manner in which the price is calculated (mainly concerning the interest rate calculation).
Russia	During 2016, the FAS started proceeding against the Bank for the alleged breach of the Federal Law 'On advertising'. Further actions from the Authority are deemed to be unlikely: in the lack of initiatives from the Authority during 2017, the case shall be deemed closed.

Country	Update on legal actions listed as ongoing in the 2015 integrated report
Italy	<p>In December 2008 the Italian Antitrust Authority (AGCM) sanctioned UniCredit Banca (now UniCredit) for allegedly having made arrangements to harm competition in 1996 in the context of its management of the cash treasury of the Istituto Nazionale per l'Assicurazione degli Infortuni sul Lavoro (INAIL). UniCredit appealed the decision at the beginning of 2009 to the Regional Court (TAR).</p> <p>In June 2016 the TAR annulled the proceedings and the relevant penalties imposed by AGCM. The proceedings are at present definitively closed.</p> <p>In February 2016 the Administrative Court of Second Instance ("Council of State") annulled the decision of AGCM of November 2010 imposing penalties on UniCredit and other banks. The proceedings are therefore definitively closed.</p> <p>In September 2010 the AGCM sanctioned FinecoBank SpA alleging unfair trade practices regarding advertising campaigns referred to a credit facility (MiniFido). The Bank paid the sanction but appealed the sentence to the court (TAR). Because the TAR has never undertaken the examination of the application submitted by Fineco, in 2016 the Bank decided to renounce to avoid further legal fees. The legal action is thus completed.</p> <p>In December 2012, the Italian Antitrust Authority (AGCM) requested information from and commenced proceedings against UniCredit SpA (hereinafter, "UniCredit"), alleging unfair trade practices related to advertising campaigns for deposit accounts (Conto Risparmio Sicuro). In July 2013, the AGCM fined UniCredit €250,000. UniCredit appealed the fine before the Regional Court (Tribunali Amministrative Regionali, or TAR) and proceedings are ongoing.</p> <p>Following the AGCM's decision, dated 2011, to pursue allegations that UniCredit would have engaged in unfair trade practices regarding a loan advertising campaign, in February 2012 UniCredit appealed before the TAR against the AGCM decision of 2011 to pursue allegations that UniCredit would have engaged in unfair trade practices regarding a loan advertising campaign. The proceedings are still ongoing.</p>
Austria	<p>With reference to allegations that UniCredit Bank Austria AG misadvised customers in relation to derivatives transactions (e.g. OTC options), criminal charges against two UniCredit Bank Austria AG employees and the Bank itself were dismissed in 2011.</p> <p>As of December 2016, 6 passive civil proceedings are still ongoing.</p>

Country	Update on legal actions listed as ongoing in the 2015 integrated report
Poland	<p>In 2001, the Polish Office of Competition and Consumer Protection (UOKiK) launched proceedings involving operators of the Visa and Europay systems, as well as Polish banks issuing Visa and MasterCard credit cards for alleged anti-competitive practices affecting the Polish payment cards market. In December 2006 the UOKiK imposed on the Bank a fine of PLN 16.6 million (roughly €4 million) and Bank Pekao SA appealed against such decision. On 6 October 2015 the Court of Appeal in Warsaw confirmed the original fine and, additionally, due to the division by spin-off of Bank BPH SA, imposed on Bank Pekao SA to cover 74.6 percent of the fine imposed on Bank BPH SA amounting to PLN 10.9 million. The Bank paid these amounts in October 2015. The decision of the Court of Appeal in Warsaw is legally binding, but the Bank filed a cassation on 26 April 2016. So far no trial date has not been set.</p> <p>In October 2011, the UOKiK informed Bank Pekao SA of proceedings to determine whether the Bank violated collective consumer interests by transferring information on expiring customer obligations to the Credit Information Bureau, in breach of the regulations of the Ministry of Finance and of the Polish Act on competition and consumer protection. In April and November 2012, the UOKiK revised its resolution to initiate proceedings by adding new allegations. By decision of December 2012, the UOKiK fined the Bank PLN 1.8 million (roughly €450,000). The Bank appealed against such decision and in February 2015 the Court of Competition and Consumer Protection dismissed Bank's appeal. As previously reported, the fine in this case is PLN 1.8 million (roughly €450,000). The Bank appealed against this decision and the proceedings are currently pending.</p> <p>On 4 August 2015 President of the UOKiK issued decision on initiation of proceedings on suspicion of practices infringing collective consumer interests involving, in the contrary to the contracts of mortgage expressed / denominated / indexed in CHF concluded with consumers - not taking into account when calculating the amount of interest of these credits negative base rate LIBOR, when negative LIBOR exceeds stipulated margin, which can deplete the definition of unfair market practices and harm the collective interests of consumers. The Bank replied on 20 August 2015. Bank filed an application dated 19 February 2016 in which requested UOKiK to issue a commitment decision, pursuant to which the Bank would have to recalculate interest accrued on CHF loans by application of negative LIBOR, return to the borrowers by the Bank amount equal to difference between interest recalculated as above and the interest already charged and take into account negative interest rates for CHF loans for current periods, as well to inform the borrowers about the actions to be performed by the Bank in written or electronically as well on the Bank's main website. UOKiK issued a commitment decision dated 1 April 2016 in accordance with the request of the Bank.</p> <p>Bank has performed commitment, the case is closed.</p> <p>In December 2015 the UOKiK started proceedings for practices allegedly infringing collective consumer interests, charging the Bank with: informing consumers on changes in regulations through an electronic banking system, which shall not be treated as a durable information carrier; informing consumers on change in regulation and tariffs without describing factual and legal basis for that change; carrying out unilateral modification of terms and conditions of agreement on banking accounts without contractual ground. The Bank requested UOKiK to issue a commitment decision requiring the Bank to take actions to meet the expectations of UOKiK. The proceeding is currently pending.</p>
Bulgaria	<p>116 cases of civil actions, initiated by consumers, against the Bank for alleged misleading commercial practices related to the price and the manner in which the price is calculated or the existence of a specific price advantage in relation to the price (mainly concerning the interest rate calculation) are pending as of 31 December 2016.</p> <p>During 2016 36 litigation cases were closed.</p>

Country	Update on legal actions listed as ongoing in the 2015 integrated report
<b>Hungary</b>	<p>The Hungarian Competition Authority (GVH) began a cartel investigation of 7 Hungarian banks, including UniCredit Bank Hungary Zrt, in connection with foreign currency mortgage loan repayments (early repayments). In 2013, the GVH fined UniCredit Bank Hungary Zrt. HUF 306,300,000 (roughly €1 million). The Bank appealed against such decision and the appeal was rejected at first and second instance.</p> <p>In December 2016 in the frame of judicial review the Supreme Court (Curia) instructed the Competition Authority to conduct a new procedure over fines it had levied on Banks.</p> <p>Fine imposed by the Hungarian Banking Supervision (now Hungarian Central Bank) of HUF 5,000,000 (ca. €16,000) in connection to the execution of the "Early repayment" law. Following the appeal of the Bank, the Court stated that the fine was unnecessary and causeless. The Competition Authority will have to reimburse the fine.</p> <p>In 2012, the GVH began a cartel investigation on the Hungarian Banking Association, the International Training Centre for Bankers and 38 Hungarian Banks (including UniCredit Bank Hungary Zrt), all of which participating in the BankAdat system, the interbank database for Hungarian credit institutions. At the end of the investigation, UniCredit Bank Hungary Zrt was not fined but the Hungarian Banking Association was fined HUF 4 billion (roughly €13 million) and the International Training Centre for Bankers was fined HUF 15 million (roughly €48,000). In the event they cannot fulfill their payment obligations, participating Banks that were the objects of the investigation (including UniCredit Bank Hungary Zrt) will be responsible for the payment jointly and severally.</p> <p>HBA and most of the affected Banks appealed against the decision, the court action is ongoing.</p>
<b>Romania</b>	<p>In 2015, 9 legal actions alleging unfair commercial practices by UniCredit Bank SA were brought to Courts by individual customers on grounds related to alleged abusive clauses in loan contracts.</p> <p>In 2016:</p> <ul style="list-style-type: none"> <li>• Two legal actions were definitively won by the Bank.</li> <li>• Three legal actions were lost by the Bank, however, the decisions of Courts were not based on unfair commercial practices.</li> <li>• One was partially lost by the Bank. However, Court's conclusions were not based on unfair commercial practices.</li> <li>• One was suspended.</li> <li>• Two legal actions are still on going.</li> </ul> <p>A civil lawsuit was filed in 2014 against UniCredit Bank SA, for the alleged breach of legal provisions related to unfair commercial practices, among others. The Court dismissed the lawsuit, determining that it should have been filed against UniCredit Consumer Financing IFN SA, and not UniCredit Bank SA. Subsequently, the lawsuit was filed against UniCredit Consumer Financing IFN SA. The lawsuit is closed, the decision of the Court being definitive. The client's claim was partially admitted.</p>
<b>Russia</b>	<p>The case initiated by Rostovskiy FAS that alleged customers lacked the freedom of choice on the grounds that Bank and its partner insurance companies agreed to tie the granting of loans to the purchase of optional insurance (in absence of which no loan would have been granted). The case was closed due to absence of violation.</p>

## Conflicts of interest

UniCredit has published three rules to govern conflicts of interest:

- the Global Policy on Conflicts of Interest which sets forth principles and rules to assist employees in the identification and management of conflicts of interest. It provides general information on what measures the Group has taken to detect, manage and record such conflicts of interest. In particular, it describes conflicts arising from the outside business interests of employees, from the provision of investment services, investment activities and ancillary services and from the provision of specific financial services. This policy also applies to business conflicts (i.e., conflicts related to the provision of investment banking services), conflicts connected to banking services and activities, and conflicts arising due to organizational matters
- the Process Regulation, which delineates local operative processes, rules and responsibilities related to conflicts of interest.

In 2016, UniCredit approved the *Global Policy – Conflict of Interest* that merges all current conflict of interest rules at Group level into a single rule, which also includes Group matrix of Conflicts of Interest (COI Matrix), the adoption of a minimum set of second level controls by all legal entities, the related technical instructions for specific processes (eg. with regard to Group's IT tool).

The supervision of conflicts of interest for the Group has continued with the execution of the minimum level control set, adopted by all legal entities in 2015 and occurs at the central level for this implementation.

In 2016, we plan a further review of the rule and the processes related to COI at Group level, in order to align to the adoption of the MiFID II at European level.

## Privacy management

UniCredit ensures the compliance with data protection rules by adopting the principles prescribed by Italian legislation, implementing Directive 95/46/EC through UniCredit's Global Policy on Privacy, which was issued in March 2015 to replace the previous version of the Global Compliance Guidelines on Privacy. This new policy has been transmitted to all legal entities within our Group for implementation in compliance with local applicable laws and regulations.

After almost three years of negotiation, the *Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data* (the General Data Protection Regulation "GDPR") was finally approved by the EU Parliament on April 2016. The new data protection regime – replacing the current Directive - will enter into force on May, 25<sup>th</sup> 2018 and will be directly applicable in all Member States of the European Union without the need of implementing national legislation.

Taken in due consideration the impacts of the new Regulation on the vast majority of EU Group Companies a dedicated Group project is being launched during 2017. The proposed approach aims at homogeneously implementing the new European privacy regime within the Group so as to strengthen the overall coordination among Group Companies in processing both clients' and employees' personal data.

As part of our commitment to data protection, Compliance Risk Assessment and second level controls aim to identify, monitor and manage compliance risks in this regulatory area.

## Frauds Trend, 2015-2016

Each Legal Entity of the Group has a fraud governance process in place, in order to establish a proactive environment to effectively deal with the fraud risks with the aim to protect its assets.

Fraud governance process is mainly based on three main phases:

- Fraud Prevention: preventive controls and tools, preventive techniques, intelligence system, training and awareness
- Fraud Handling: action and processes in order to manage the whole “life-cycle” of the fraud, from the warning of the suspicious/perpetrated fraudulent acts, to the investigations and the corrective/mitigations actions
- Reporting: Local Security function shares information to the other local functions of the Bank, the competent bodies, and to Group Security in order to share, analyse and monitor phenomena and frauds.

Through the Fraud Risk Assessment, the fraud risk exposure is periodically assessed by the Legal Entity in order to identify specific potential schemes and events that need to be prevented, detected and mitigated.

### ***Card Frauds***

In 2016, at Group level, the gross economic losses increased by 37 percent.

Gross losses from Frauds are largely covered by chargebacks / liability shift (i.e., losses are charged back to merchants).

Specifically in Italy, for UniCredit SpA, 74 percent of gross losses have been already charged back and net losses decreased by 53 percent vs. 2015.

### ***On Line Fraud***

Online frauds decreased at a Group level: the amount of successful fraud in 2016 decreased by 79 percent vs. 2015.

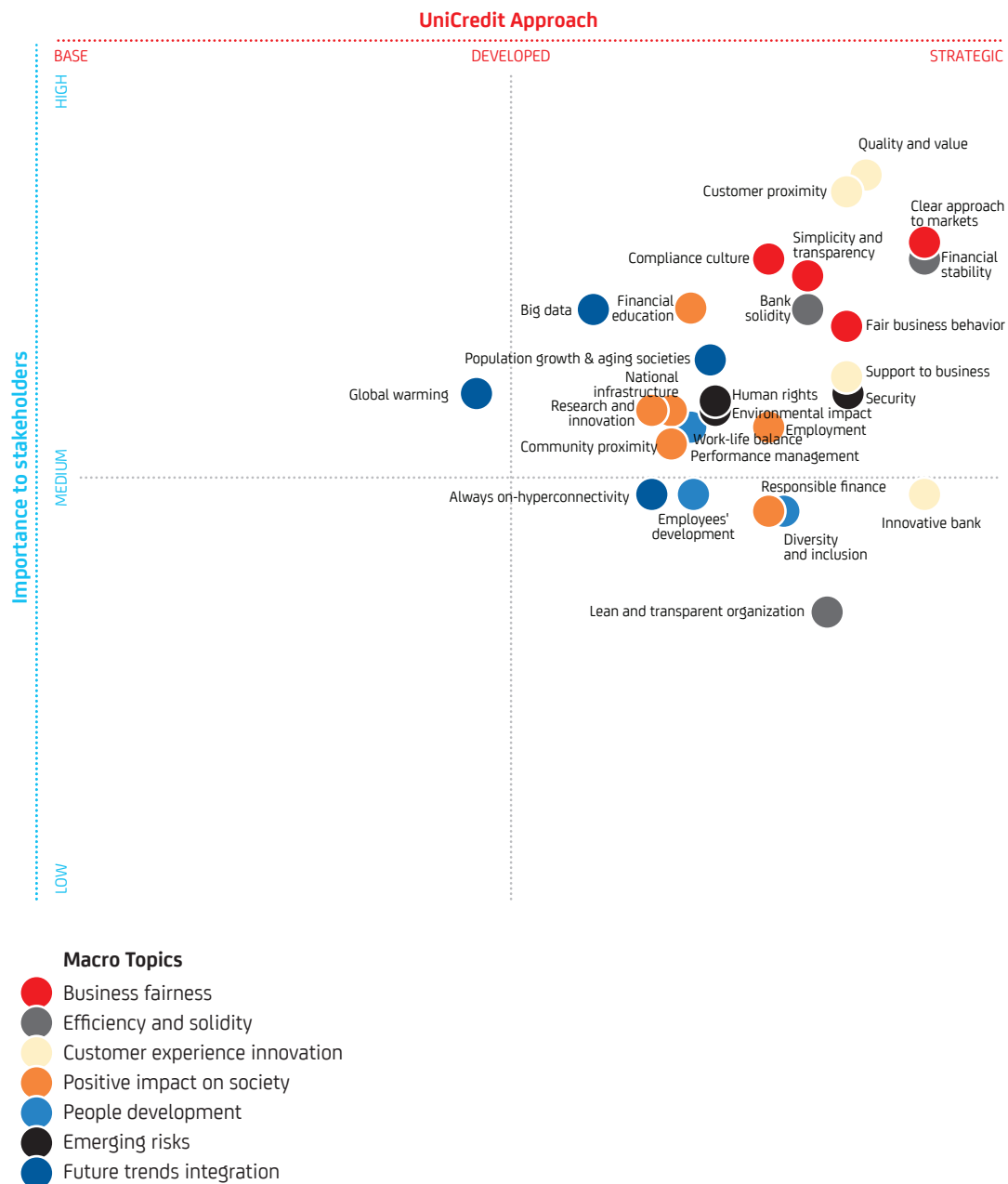
Frauds are typically performed via social engineering schemes whereby clients are manipulated in order to release confidential information, and not violating UniCredit Banking system.

Specifically for Italy, for UniCredit SpA, the adoption of appropriate mitigation countermeasure and updating of fraud rules to mitigate new fraudulent phenomena helped to increase the performance on a value of excellence, from 95 percent in 2015 to 99 percent in 2016 of contrasted fraud (on attempted).



# Stakeholder Engagement

## Materiality matrix



Macro topics	Main stakeholder involved <sup>A</sup>	Material topics	Definition	Boundaries for material topics <sup>B</sup>		Main reference chapter of the Integrated Report
				Internal	External	
<b>Business fairness</b>	All <sup>C</sup>	Compliance culture	Installing a culture of compliance	Group	Customers Regulators	Risk Management and Compliance
<b>Business fairness</b>	All	Fair business behavior	Maintaining high standards for fair business practices and expecting senior management and employees to treat all stakeholders with fairness, respect and reciprocity, according to the Integrity Charter	Group	Customers Investors	Risk Management and Compliance
<b>Business fairness</b>	Customers	Simplicity and transparency	Enhancing our trust and credibility by proposing simple and easy to understand products/ services, as well as proactive, effective and clear communications and transparent decision-making processes	Group	Customers	Integration of Strategic Pillars and Capitals Social and relationship Capital
<b>Business fairness</b>	Investors	Clear approach to markets	Maintaining transparent relationships with financial markets by disclosing information that is useful for investors to understand our competitive positioning and bank business trends	Group	Investors	Integration of Strategic Pillars and Capitals Financial Capital Social and relationship Capital
<b>Efficiency and solidity</b>	All	Bank solidity	Ensuring financial solidity and resilience in the uncertain economic scenario	Group	Customers Communities Investors	Integration of Strategic Pillars and Capitals Governance Financial Capital
<b>Efficiency and solidity</b>	Customers	Lean and transparent organization	Guaranteeing lean and efficient bank procedures and transparent decision making processes	Group	Customers	Integration of Strategic Pillars and Capitals Social and relationship Capital
<b>Efficiency and solidity</b>	Regulators	Financial stability	Building a long-term foundation for financial stability while supporting customers in an uncertain environment; providing tangible support for regulatory discussions to create a better financial system	Group	Regulators	Integration of Strategic Pillars and Capitals Risk Management and Compliance Social and relationship Capital
<b>Customer experience innovation</b>	Customers	Innovative bank	Being proactive, acting promptly and promoting innovation	Group	Customers	Integration of Strategic Pillars and Capitals Intellectual Capital

A. Main stakeholder group that raised and/or is impacted by the material topic.

B. Reporting of data and information for topics that are material outside the organization is limited to the Group activities. The geographical location where the topic is material refers mainly to the 14 Countries where the Group has significant operations (refer to the Report Structure of the Integrated Report for more information). Internal and External refers to the main subjects that impact the topic.

C. Includes Colleagues, Customers, Communities, Investors/Shareholders, Regulators.

Macro topics	Main stakeholder involved <sup>a</sup>	Material topics	Definition	Boundaries for material topics <sup>b</sup>		Main reference chapter of the Integrated Report
				Internal	External	
Customer experience innovation	Customers	Quality and value	Offering high quality products and services that are good value for money	Group	Customers	Integration of Strategic Pillars and Capitals Social and relationship Capital
Customer experience innovation	Customers	Customer proximity	Being close to customers, understanding their needs and promptly providing local families and companies with a wide range of specialized products/services on request	Group	Customers	Integration of Strategic Pillars and Capitals Social and relationship Capital
Customer experience innovation	Customers	Support to business	Being close to companies by developing products and services that support their economic growth (e.g., innovation, internationalization, research and development)	Group	Customers	Integration of Strategic Pillars and Capitals Social and relationship Capital
Positive impact on society	Customers	Responsible finance	Committing to environmental, social and governance issues through dedicated products in portfolio	Group	Customers Responsible Investors	Natural Capital Social and relationship Capital
Positive impact on society	Communities	Financial education	Helping citizens – customers and non-customers alike – to improve their financial knowledge and make more informed financial decisions	Group	Communities Customers	Social and relationship Capital
Positive impact on society	Communities	Employment	Contributing indirectly to raising employment levels by developing products and services that both support ongoing business activities and help identify new business opportunities	Group		Social and relationship Capital
Positive impact on society	Communities	Research and innovation	Developing products and services to support research and innovation intensive industries and to contribute to social and economic progress as well as the well-being of countries	Group	Customers	Intellectual Capital Social and relationship Capital
Positive impact on society	Communities	Community proximity	Understanding territorial issues and responding to local needs to better support social development and positively impact communities	Group	Communities	Social and relationship Capital
Positive impact on society	Customers Communities	National infrastructure	Support development of national infrastructures including roads, motorways, railroads, public offices etc.	Group	Customers	Social and relationship Capital
People development	Colleagues	Diversity and inclusion	Fostering and improving a culture of inclusion, fairness and respect by promoting equal opportunities in the workplace so all colleagues can maximize their potential	Group		Human Capital
People Development	Colleagues	Work-life balance	Demonstrating concern for employees' well-being and the balance between their professional and personal lives; creating a work environment in which everyone feels at ease and is motivated to build positive relationships with customers	Group		Human Capital

Macro topics	Main stakeholder involved <sup>a</sup>	Material topics	Definition	Boundaries for material topics <sup>b</sup>		Main reference chapter of the Integrated Report
				Internal	External	
People development	Colleagues	Performance management	Developing systems based on transparent and fair mechanisms to ensure all employees are capable of performing to the best of their abilities	Group		Human Capital
People development	Colleagues	Employees' development	A commitment to enhancing colleagues' professional skills and accelerating their professional development	Group		Human Capital
Emerging risks	All	Security	Investing in a comprehensive, prompt and effective ICT security	Group	Customers	Intellectual Capital
Emerging risks	All	Human rights	Respecting and supporting human rights within our sphere of influence, while ensuring our Group is not indirectly complicit in human rights abuse	Group	Customers Responsible Investors Regulators	Risk Management and Compliance
Emerging risks	All	Environmental impact	Taking responsibility for the potential direct and indirect environmental impacts of our business decisions	Group	Customers Regulators	Natural Capital Risk Management and Compliance
Future trends integration	Customers Colleagues	Big data	Using analytics is likely to become increasingly significant over the next decade, with positive and negative implications	Group	Customers	Integration of Strategic Pillars and Capitals Intellectual Capital
Future trends integration	Customers Colleagues	Population growth and aging societies	Taking care of global population increasing with lengthened life expectancy	Group	Customers	Social and relationship Capital Human Capital
Future trends integration	Customers	Always on - hyperconnectivity	Investing in communication technologies that are already causing far - reaching change to society and the economy	Group	Customers	Integration of Strategic Pillars and Capitals Intellectual Capital
Future trends integration	Customers Communities	Global warming	A commitment to reduction of the average worldwide temperature	Group	Customers Communities	Natural Capital

## Dialogue tools with stakeholders

Stakeholder group	Principal dialogue tools	Key company departments involved
Customers	<ul style="list-style-type: none"> <li>Customer satisfaction assessment</li> <li>Brand reputation assessment</li> <li>Instant feedback</li> <li>Mystery shopping</li> <li>Focus groups, workshops, seminars</li> </ul>	<ul style="list-style-type: none"> <li>Group Stakeholder Insight</li> <li>Local Stakeholder Insight</li> <li>Local marketing teams</li> </ul>
Colleagues	<ul style="list-style-type: none"> <li>People Survey of professional engagement</li> <li>Internal clients' perceptions of headquarters services</li> <li>Group Intranet Portal</li> <li>Departmental online communities</li> </ul>	<ul style="list-style-type: none"> <li>Group Stakeholder Insight</li> <li>Global HR Management</li> <li>Local HR</li> <li>Group Internal Communications</li> </ul>
Investors/shareholders	<ul style="list-style-type: none"> <li>Quarterly webcasts and conference calls to present results</li> <li>One-on-one and group meetings, calls</li> <li>Shareholders' meeting</li> </ul>	<ul style="list-style-type: none"> <li>Group Investor Relations</li> <li>Group Sustainability for SRI investors</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>One-on-one and group meetings, calls</li> </ul>	<ul style="list-style-type: none"> <li>Group Institutional and Regulatory Affairs</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Surveys</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Group Stakeholder Insight</li> <li>Group Identity and Communications</li> <li>Local Identity and Communications</li> </ul>

# Human Capital

## Portrait in numbers<sup>1</sup>

The data in this part of Supplement applies to UniCredit's employees (in Head Count) as of December 31, 2016-2015-2014. Our employee data does not include external staff (e.g., interns or consultants). The number reflects all employees of fully and proportionately consolidated entities. The data represents 100 percent of the population unless otherwise noticed.

In 2016, the alignment to the Global Job Model and Global Banding has been further extended within the Group. The decrease registered between 2015 and 2016 in number of Top managers reflects the roll-over of their new definitions through the different legal entities.

### Percentage and number of employees by country and gender, 2014-2016

Country	Female 2016	Male 2016	Head Count 2016	Head Count 2015	Head Count 2014
Italy	44.01%	55.99%	49,408	50,259	50,924
Germany	53.52%	46.48%	19,183	20,496	22,452
Austria	54.33%	45.67%	9,985	10,545	10,949
Poland	76.74%	23.26%	18,997	19,442	19,921
Bosnia and Herzegovina	71.60%	28.40%	1,704	1,681	1,688
Bulgaria	77.19%	22.81%	4,534	4,574	4,550
Croatia	75.04%	24.96%	4,254	4,401	4,475
Czech Republic	61.26%	38.74%	3,010	2,944	2,915
Hungary	69.03%	30.97%	2,283	2,332	2,357
Romania	71.54%	28.46%	5,674	5,285	5,095
Russia	68.25%	31.75%	4,790	4,597	4,560
Serbia	62.96%	37.04%	1,231	1,177	1,135
Slovakia	71.81%	28.19%	1,419	1,445	1,408
Slovenia	65.12%	34.88%	562	596	618
Other <sup>A</sup>	36.15%	63.85%	1,787	7,200	7,870
<b>Total</b>	<b>57.04%</b>	<b>42.96%</b>	<b>128,821</b>	<b>136,974</b>	<b>140,917</b>

A. Australia, Brazil, India, Ireland, Latvia, Luxembourg, Singapore, Switzerland, Taiwan, Ukraine, United Kingdom and United States of America. In 2016 UniCredit sold Pjsc Ukrsofsbank. Starting from this Report data referred to Ukraine has been included in Other, also for 2015 (Head Count amounted to 5,500) and 2014 (Head Count amounted to 6,149).

### Percentage of employees by employment tier, 2014-2016

Employment tier	2016	2015	2014
Top Management	0.01%	0.06%	0.07%
Executive	0.56%	0.58%	0.61%
Middle Management	9.25%	9.14%	8.93%
Staff	90.17%	90.22%	90.39%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

1. Numbers might not add up due to rounding reasons.

## Percentage of employees by employment tier and gender, 2014-2016

Employment tier and gender	2016	2015	2014
<b>Top Management</b>			
Female	10.53%	14.12%	15.46%
Male	89.47%	85.88%	84.54%
<b>Executive</b>			
Female	19.17%	18.71%	18.94%
Male	80.83%	81.29%	81.06%
<b>Middle Management</b>			
Female	31.83%	31.74%	30.97%
Male	68.17%	68.26%	69.03%
<b>Staff</b>			
Female	59.87%	60.75%	61.30%
Male	40.13%	39.25%	38.70%

## Percentage of employees by gender and contract type, 2014-2016

Gender	2016		2015		2014	
	Fixed-term	Permanent	Fixed-term	Permanent	Fixed-term	Permanent
Female	3.14%	53.91%	3.01%	54.81%	3.30%	55.00%
Male	1.81%	41.15%	1.54%	40.64%	1.61%	40.09%
<b>Total</b>	<b>4.95%</b>	<b>95.05%</b>	<b>4.55%</b>	<b>95.45%</b>	<b>4.91%</b>	<b>95.09%</b>

## Percentage of employees by employment tier and education level, 2016<sup>A</sup>

Employment tier	Degrees over the High School Diploma	High School Diploma	Other	Total
Top Management	78.26%	13.04%	8.70%	100.00%
Executive	68.19%	15.82%	15.99%	100.00%
Middle Management	58.04%	22.90%	19.06%	100.00%
Staff	43.76%	40.49%	15.75%	100.00%

A. Data represents 97.34 percent of the population.

## Percentage of employees by employment tier and length of employment, 2016

Employment tier	0-10	11-20	21-30	>31	Total
Top Management	26.32%	26.32%	10.53%	36.84%	100.00%
Executive	34.76%	32.14%	22.07%	11.03%	100.00%
Middle Management	25.87%	33.94%	27.14%	13.05%	100.00%
Staff	36.17%	24.04%	24.69%	15.10%	100.00%

## Percentage of employees by employment tier and age, 2016

Employment tier	Up to 30 years	31-40 years	41-50 years	Above 51 years	Total
Top Management	0.00%	0.00%	31.58%	68.42%	100.00%
Executive	0.69%	9.38%	44.69%	45.24%	100.00%
Middle Management	0.76%	21.37%	43.41%	34.45%	100.00%
Staff	11.53%	26.46%	30.45%	31.55%	100.00%

## Percentage of employees leaving employment by reason, 2014-2016

Reason for leaving the Group	2016	2015	2014
Retirement - employees who left to retire <sup>A</sup>	5.14%	4.95%	6.12%
Restructuring - employees who left due to a common agreement or industrial plan negotiated with trade unions	27.04%	14.28%	5.75%
Individual agreements - employees who left due to individual or one-to-one agreements	10.07%	21.26%	24.19%
Employee resignation - employees who resigned	37.95%	41.16%	39.84%
Employer dismissal - employees who left the bank involuntarily	6.62%	5.82%	12.11%
Other - all remaining reasons, including ending of temporary contracts	13.17%	12.52%	11.98%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A. Retirements triggered by restructuring have been reported under restructuring rather than retirement.

## Turnover by country, 2016<sup>A</sup>

Country	Incoming employees		Outgoing employees	
	Number	Percentage	Number	Percentage
Italy	676	1.37%	1,896	3.84%
Germany	548	2.86%	1,669	8.70%
Austria	365	3.66%	1,155	11.57%
Poland	674	3.55%	1,226	6.45%
Bosnia and Herzegovina	123	7.22%	95	5.58%
Bulgaria	584	12.88%	622	13.72%
Croatia	265	6.23%	408	9.59%
Czech Republic	454	15.08%	441	14.65%
Hungary	335	14.67%	379	16.60%
Romania	1,313	23.14%	926	16.32%
Russia	951	19.85%	758	15.82%
Serbia	153	12.43%	98	7.96%
Slovakia	220	15.50%	215	15.15%
Slovenia	18	3.20%	52	9.25%
Other <sup>B</sup>	135	7.55%	203	11.36%
<b>Total</b>	<b>6,814</b>	<b>5.29%</b>	<b>10,143</b>	<b>7.87%</b>

A. Turnover rates are calculated as follows: for incoming employees (Employees hired in 2016)/(Total employees at the end of 2016)\*100; for outgoing employees (Employees who left the Group in 2016)/(Total employees at the end of 2016)\*100.

B. Australia, Brazil, India, Ireland, Latvia, Luxembourg, Singapore, Switzerland, Taiwan, Ukraine, United Kingdom and United States of America.



## Turnover by gender<sup>A</sup> and age<sup>B</sup>, 2016

Gender	Incoming employees		Outgoing employees	
	Number	Percentage	Number	Percentage
Female	4,083	5.56%	5,816	7.91%
Male	2,731	4.93%	4,327	7.82%

Age	Incoming employees		Outgoing employees	
	Number	Percentage	Number	Percentage
Up to 30 years	4,109	30.45%	2,660	19.71%
31 – 40 years	1,857	5.57%	2,465	7.39%
41 – 50 years	535	1.31%	1,422	3.48%
Above 50 years	313	0.76%	3,596	8.75%

A. Turnover rates are calculated as follows: for incoming employees (Employees hired in 2016)/(Total employees by gender at the end of 2016)\*100; for outgoing employees (Employees who left the Group in 2016)/(Total employees by gender at the end of 2016)\*100.

B. Turnover rates are calculated as follows: for incoming employees (Employees hired in 2016)/(Total employees by age at the end of 2016)\*100; for outgoing employees (Employees who left the Group in 2016)/(Total employees by age at the end of 2016)\*100.

## Differential<sup>A</sup> between female and male employee gross salaries<sup>B</sup> by country and employment tier, 2016<sup>C</sup>

The percentage represents the weighted averages of women's average gross salary compared to men's.

Country	Executive	Middle Management	Staff
Italy	90.6%	86.4%	89.1%
Germany	74.0%	83.7%	86.4%
Austria	92.8%	88.6%	83.3%
Poland	89.6%	80.0%	73.0%
Bosnia and Herzegovina	96.9%	74.0%	88.5%
Bulgaria	Not available	90.5%	73.4%
Croatia	71.8%	85.6%	88.6%
Czech Republic	Not applicable	78.1%	77.5%
Hungary	49.7%	96.5%	84.2%
Romania	56.1%	100.6%	83.6%
Russia	Not applicable	90.2%	74.5%
Serbia	88.6%	100.1%	94.5%
Slovakia	Not applicable	78.8%	75.8%
Slovenia	86.4%	112.8%	97.6%

A. The ratios were calculated as follows: (Total gross salary of female employees/Total female)/(Total gross salary of male employees/Total male).

B. Gross salary: the full year fixed amount paid to an employee for performing his/her duties. It includes allowances provided related to specific positions.

C. Data represents 81.65 percent of the population.

## Differential<sup>A</sup> between female and male employee total remuneration<sup>B</sup> by country and employment tier, 2016<sup>C</sup>

The percentage represents the weighted averages of women's average remuneration compared to men's.

Country	Executive	Middle Management	Staff
Italy	83.8%	86.9%	89.3%
Germany	64.1%	77.2%	84.3%
Austria	97.1%	86.9%	82.4%
Poland	89.1%	80.9%	74.1%
Bosnia and Herzegovina	88.6%	72.8%	87.4%
Bulgaria	Not available	92.9%	73.0%
Croatia	78.5%	83.5%	88.3%
Czech Republic	Not applicable	73.4%	75.5%
Hungary	42.9%	96.3%	83.4%
Romania	45.9%	96.8%	83.2%
Russia	Not applicable	90.3%	74.0%
Serbia	84.6%	98.1%	93.4%
Slovakia	Not applicable	75.1%	75.5%
Slovenia	87.2%	116.4%	97.2%

A. The ratios were calculated as follows: (Total remuneration of female employees/Total female)/(Total remuneration of male employees/Total male).

B. Total remuneration: gross salary plus additional amounts such as bonuses including cash and/or available equity shares to reward individual performance and Company's results and any other no one-off payments.

C. Data represents 81.65 percent of the population.

## Diversity management

### Percentage of permanent employees by gender and employment status, 2014-2016

Gender	2016		2015		2014	
	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time
Female	87.36%	52.07%	87.29%	53.15%	87.90%	53.67%
Male	12.64%	47.93%	12.71%	46.85%	12.10%	46.33%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

### Percentage of female with part-time contracts out of all women by employment tier, 2014-2016

Employment tier	2016	2015	2014
Executive	3.60%	4.73%	7.93%
Middle Management	12.91%	11.63%	10.37%
Staff	21.07%	19.71%	18.36%

### Percentage of employees by gender and education level, 2016<sup>A</sup>

Gender	Degrees over the High School Diploma	High School Diploma	Other
Female	60.00%	57.12%	52.31%
Male	40.00%	42.88%	47.69%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A. Data represents 97.34 percent of the population.

## Number and percentage of employees promoted to higher contractual job grade by country and gender, 2016

Country	Number		Percentage	
	Female	Male	Female	Male
Italy	500	561	47.13%	52.87%
Germany	738	823	47.28%	52.72%
Austria	83	84	49.70%	50.30%
Poland	163	99	62.21%	37.79%
Bosnia and Herzegovina	53	28	65.43%	34.57%
Bulgaria	6	4	60.00%	40.00%
Croatia	245	112	68.63%	31.37%
Czech Republic	168	120	58.33%	41.67%
Hungary	128	74	63.37%	36.63%
Romania	253	112	69.32%	30.68%
Russia	33	36	47.83%	52.17%
Serbia	6	6	50.00%	50.00%
Slovakia	90	32	73.77%	26.23%
Slovenia	12	6	66.67%	33.33%
Other <sup>A</sup>	4	4	50.00%	50.00%
<b>Total</b>	<b>2,482</b>	<b>2,101</b>	<b>54.16%</b>	<b>45.84%</b>

A. Australia, Brazil, India, Ireland, Latvia, Luxembourg, Singapore, Switzerland, Taiwan, Ukraine, United Kingdom and United States of America.

## Number of employees in protected categories by country, 2016<sup>A</sup>

Country	2016
Italy	3,205
Germany	663
Austria	362
Poland	284
Bosnia and Herzegovina	10
Bulgaria	115
Croatia	36
Czech Republic	16
Hungary	10
Romania	11
Russia	130
Serbia	0
Slovakia	32
Slovenia	4
Other <sup>B</sup>	2

A. Employees in protected categories are reported according to the requirements of applicable local laws. If accepted by local laws alternative solutions are implemented. Due to privacy reasons the employment tier breakdown is not reported.

B. Australia, Brazil, India, Ireland, Latvia, Luxembourg, Singapore, Switzerland, Taiwan, Ukraine, United Kingdom and United States of America.

## Training

Our Group received roughly €5 million in 2016 by leveraging our capacity to cover training costs with public funds.

### Training hours per capita by employment tier, gender and training type, 2016

Training type	Top Management		Executive		Middle Management		Staff	
	Female	Male	Female	Male	Female	Male	Female	Male
Managerial training	0.00	2.56	5.53	4.42	5.68	3.93	1.46	1.67
Technical training	6.02	3.09	9.67	5.04	12.65	11.68	20.76	23.69
Foreign language training	0.00	0.25	1.62	5.71	1.07	1.21	1.45	1.40

This data was drawn from a population that represented 91.11 percent of employees. Training hours included e-learning, classroom instruction and on-the-job training.

In 2016, we conducted 10,310 hours of trainings in our Markets in Financial Instruments Directive (MiFID) courses.

## Industrial Relations<sup>2</sup>

At UniCredit, we strongly believe in the importance of social dialogue, particularly on the topic of the Group's labor practices. We believe that social dialogue enhances our ability to cooperate, our listening skills and our understanding of domestic and global labor needs. Our consistent Groupwide approach has enabled us to maintain a high standard of social dialogue in recent years, helping us to manage the challenging goals established in our business plans.

We remain committed to improving UniCredit's social dialogue in every country in which we operate, with a focus on building on our strong European identity. At the national level, workers' interests may be represented in our Group by trade unions, works councils or other representatives in line with applicable labor laws and local industrial relations systems. At the international level, workers are represented by the European Works Council (EWC), which, since it was founded in 2007, has worked to ensure the right to information and consultation on transnational Group activities that could significantly affect workers' interests. It currently has 39 members, representing 18 countries (Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Germany, Hungary, Ireland, Italy, Luxembourg, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine and United Kingdom).

The council's third term began in 2015. In May 2016, following the appointment of the EWC workers' representatives, training was provided to the council members by an independent, accredited research and education institution, the European Trade Union Institute. The aim was to provide instruction on the European Directive on European Works Councils and on UniCredit EWC Founding Agreement, as well as on the role of the members. The instruction involved working groups and in-depth case studies.

The following meetings took place in 2016, to ensure that employees were duly informed and consulted:

- two ordinary meetings, attended by members of the EWC and Top management, covering various topics ranging from the Group's results to development strategies in CEE countries and our new *Transform 2019* Strategic Plan
- five meetings of the Select Committee, which is the point of contact with central management and has the power to organize meetings about specific topics, in order to ensure the continuous and timely flow of information to all members of the EWC in the intervals between the two general meetings.

2. This data is drawn from the following subset of Group entities unless stated otherwise:

- Italy: FinecoBank SpA; Pioneer Global Asset Management SpA; Pioneer Investment Management SGRpA; UniCredit Business Integrated Solutions SCpA; UniCredit Leasing SpA; UniCredit SpA
- Germany: UniCredit Bank AG; UniCredit Business Integrated Solutions SCpA
- Austria: UniCredit Bank Austria AG; UniCredit Business Integrated Solutions Austria GmbH
- Poland: Bank Pekao SA; UniCredit Business Integrated Solutions Austria GmbH; UniCredit Business Integrated Solutions SCpA
- Bosnia and Herzegovina: UniCredit Bank ad Banja Luka; UniCredit Bank dd; UniCredit Leasing doo
- Bulgaria: UniCredit Bulbank AD; UniCredit Consumer Financing EAD; UniCredit Factoring EAD; UniCredit Leasing EAD
- Croatia: Zagrebačka Banka DD
- Czech Republic: UniCredit Bank Czech Republic and Slovakia, as; UniCredit Business Integrated Solutions SCpA
- Hungary: UniCredit Bank Hungary Zrt; UniCredit Business Integrated Solutions SCpA; UniCredit Leasing Hungary Zrt
- Romania: UniCredit Bank SA; UniCredit Business Integrated Solutions Austria GmbH; UniCredit Business Integrated Solutions SCpA
- Russia: AO UniCredit Bank
- Serbia: UniCredit Bank Serbia Jsc
- Slovakia: UniCredit Bank Czech Republic and Slovakia, as; UniCredit Business Integrated Solutions SCpA
- Slovenia: UniCredit Banka Slovenija DD; UniCredit Leasing, Leasing, doo.

A few days after *Transform 2019* was presented to the public, an ordinary meeting of the EWC took place, ensuring that employees were duly informed and consulted; at the meeting, the Group's Top management outlined the strategic guidelines and objectives of the new plan and answered questions from the council members. Subsequently discussions were initiated with the local trade unions and works councils in every country, with the object of achieving stated goals while maintaining compliance with local laws and conditions.

At the national level, an important agreement with the trade unions was signed on March 8, 2016, to reduce the number of managers. The object of the agreement was to address the process established in the second phase of the 2014-2018 Strategic Plan, on the basis of four main pillars: staff reductions meeting predefined targets; an innovative approach; social responsibility; and customized and sustainable solutions.

Different solutions were implemented for different groups of managers: early retirement, redundancy (with various incentives) and demotions (termination of the employment and subsequent reemployment at a lower level, in middle management), with lower gross salary. Those affected by the project received fair treatment and a higher level of protection than that provided by contract or law.

In Austria, UniCredit Bank Austria and the Central Works Council conducted high-level negotiations and signed an agreement that provides for the termination of the bank pension system for approximately 3,000 employees on the basis of a company agreement, with the terms defined at the end of February 2016. Exemption from the state pension system was no longer an option, so the pension benefits accrued by employees were transferred to the state pension system. Employees close to retirement were allowed to retire on the basis of the old system until the end of December 2016, in accordance with an agreement signed on February 29, 2016. For the future, no retirement benefits are available to current employees. The pension benefits accrued remain valid for the pensioners. In addition to the state pension system, a defined-contribution corporate pension scheme has been created already in 2000, which is managed through a multi-company pension fund. The bank and the union representatives have reached an agreement (*Sozialplan*) that defines the process and conditions for leaving the company, with the objective of managing the staff reductions required under the bank's reorganization plan, which is called *BA reloaded*. The reductions were implemented on a voluntary basis on the part of employees.

The *Focus project* in Germany covered the UBIS perimeter. This initiative was another example of good trade union relations in 2016. An agreement led to the reduction of about 200 employees in our German commercial bank. Two main incentives were used: early retirement plans and voluntary redundancy, both based on a payment in lieu of notice. Reemployments were also used, thereby combining efficiency measures with people development activities. Specifically, a significant number of bank employees were reemployed in IT functions, which represent an area of strategic investment for the Group. This option offered many individuals an interesting opportunity for professional growth.

## Percentage of employees covered by collective bargaining agreements, 2016<sup>A</sup>

Country	2016
Italy	100.0%
Germany	
UniCredit Bank AG	45.6%
UniCredit Business Integrated Solutions SCpA	51.1%
Austria	100.0%
Poland	
Bank Pekao SA	76.5%
UniCredit Business Integrated Solutions Austria GmbH	100.0%
UniCredit Business Integrated Solutions SCpA	
Bosnia and Herzegovina	100.0%
Bulgaria <sup>B</sup>	60.0%
Croatia	100.0%
Czech Republic	100.0%
Hungary	Not applicable
Romania	
UniCredit Bank SA	Not applicable
UniCredit Business Integrated Solutions Austria GmbH	100.0%
UniCredit Business Integrated Solutions SCpA	
Russia	100.0%
Serbia	Not applicable
Slovakia	100.0%
Slovenia	100.0%

A. The collective bargaining agreement refers to national, sector and company level.

B. Data refers to UniCredit Bulbank AD.

**Notice period typically provided to employees and their elected representatives prior to implementing significant operational changes that could affect them substantially, 2016**

Country	Notice period	Legal number of days notice	Notice period specified in collective bargaining agreements
Italy	Yes	25	Yes
Germany	No	-	-
Austria			
UniCredit Bank Austria AG	Yes	5 <sup>A</sup>	No
UniCredit Business Integrated Solutions Austria GmbH	No	-	-
Poland			
Bank Pekao SA	Yes	3	Yes
UniCredit Business Integrated Solutions Austria GmbH	Yes	30	No
UniCredit Business Integrated Solutions SCpA			
Bosnia and Herzegovina			
UniCredit Bank ad Banja Luka	Yes	8	Yes <sup>B</sup>
UniCredit Bank dd	Yes	15	No
UniCredit Leasing doo			
Bulgaria	Yes	45	Yes
Croatia	Yes	14	Yes
Czech Republic	Yes	60	Yes
Hungary	Yes	30	No
Romania			
UniCredit Bank SA	Yes	10 <sup>C</sup>	No
UniCredit Business Integrated Solutions Austria GmbH	Yes	30	Yes
UniCredit Business Integrated Solutions SCpA			
Russia	Yes	60	No
Serbia	Yes	30	No
Slovakia			
UniCredit Bank Czech Republic and Slovakia, as	Yes	30	No
UniCredit Business Integrated Solutions SCpA	Yes	30	Yes
Slovenia	Yes	8	Yes

A. 5 days to give notice to individual employees. No specific period for organizational changes.

B. Collective bargaining agreement present until May 2016, when it was abrogated.

C. Notice period might change according to the situation.



## Welfare, health and safety, work-life balance<sup>3</sup>

We support the well-being of our employees and their families by providing welfare and work-life balance services that respond to their needs during their life cycle, including the supplementation of public services (e.g., enhancing public health assistance with specific coverage provided by our Group). These benefits are defined at the country level due to differences in local laws and practices.

In nearly all countries, part-time and fixed-term employees are offered the same benefits that are offered to full-time and permanent employees. In several countries, colleagues are provided with certain benefits following an initial work period. Employees in most countries have the option to use the flexibility hourly and facultative periods leaves, like parental leaves and sabbatical for personal reasons or training purposes.

### Retirement plans offered to employees, 2016

Country	Principal retirement plans
Italy	Defined contribution plan
Germany	Defined contribution plan
Austria	
Pioneer Investments Austria GmbH	
Schoellerbank Aktiengesellschaft	
UniCredit Bank Austria AG	
UniCredit Leasing (Austria) GmbH	Defined contribution plan
UniCredit Business Integrated Solutions Austria GmbH	No plans
Poland	No plans
Bosnia and Herzegovina	No plans
Bulgaria	No plans
Croatia	No plans
Czech Republic	
UniCredit Bank Czech Republic and Slovakia, as	Defined contribution plan
UniCredit Business Integrated Solutions SCpA	No plans
Hungary	No plans
Romania	No plans
Russia	Defined contribution plan
Serbia	No plans
Slovakia	
UniCredit Bank Czech Republic and Slovakia, as	Defined contribution plan
UniCredit Business Integrated Solutions SCpA	No plans
Slovenia	No plans

3. This data is drawn from the following subset of Group entities unless stated otherwise:

- Italy: FinecoBank SpA; Pioneer Global Asset Management SpA; Pioneer Investment Management SGRpA; UniCredit Business Integrated Solutions SCpA; UniCredit Leasing SpA; UniCredit SpA
- Germany: UniCredit Bank AG; UniCredit Business Integrated Solutions SCpA
- Austria: Pioneer Investments Austria GmbH; Schoellerbank Aktiengesellschaft; UniCredit Bank Austria AG; UniCredit Business Integrated Solutions Austria GmbH; UniCredit Leasing (Austria) GmbH
- Poland: Bank Pekao SA; UniCredit Business Integrated Solutions Austria GmbH; UniCredit Business Integrated Solutions SCpA
- Bosnia and Herzegovina: UniCredit Bank ad Banja Luka; UniCredit Bank dd; UniCredit Leasing doo
- Bulgaria: UniCredit Bulbank AD; UniCredit Consumer Financing EAD; UniCredit Factoring EAD; UniCredit Leasing EAD
- Croatia: Zagrebačka Banka DD
- Czech Republic: UniCredit Bank Czech Republic and Slovakia, as; UniCredit Business Integrated Solutions SCpA
- Hungary: UniCredit Bank Hungary Zrt; UniCredit Business Integrated Solutions SCpA; UniCredit Leasing Hungary Zrt
- Romania: UniCredit Bank SA; UniCredit Business Integrated Solutions Austria GmbH; UniCredit Business Integrated Solutions SCpA; UniCredit Consumer Financing IFN SA; UniCredit Leasing Corporation IFN SA
- Russia: AO UniCredit Bank
- Serbia: UniCredit Bank Serbia Jsc
- Slovakia: UniCredit Bank Czech Republic and Slovakia, as; UniCredit Business Integrated Solutions SCpA
- Slovenia: UniCredit Banka Slovenija DD; UniCredit Leasing, Leasing, doo.

## Welfare system, 2016<sup>A</sup>

Country	National mandatory welfare system	Voluntary company welfare system
Italy	Yes	Yes
Germany	Yes	Yes
Austria	Yes	Yes
Poland	Yes	No
Bosnia and Herzegovina	Yes	No
Bulgaria	Yes	Yes
Croatia	Yes	No
Czech Republic		
UniCredit Bank Czech Republic and Slovakia, as	Yes	Yes
UniCredit Business Integrated Solutions SCpA	Yes	No
Hungary	Yes	Yes
Romania		
UniCredit Bank SA		
UniCredit Consumer Financing IFN SA		
UniCredit Leasing Corporation IFN SA	Yes	No
UniCredit Business Integrated Solutions Austria GmbH		
UniCredit Business Integrated Solutions SCpA	Yes	Yes
Russia	Yes	Yes
Serbia	Yes	Yes
Slovakia		
UniCredit Bank Czech Republic and Slovakia, as	Yes	Yes
UniCredit Business Integrated Solutions SCpA	Yes	No
Slovenia	Yes	No

A. The welfare system includes pension plan and/or health insurance plans, in accordance with different local laws. Any employee can access voluntary company welfare systems where available.

## Contribution by employees and/or employers to the voluntary company pension system, 2016

Country	Contribution from employer	Contribution from employee
Italy <sup>A</sup>	2% or 3% <sup>B</sup>	Minimum 2% up to 4%
Germany	2.5% of gross income up to gross yearly income of €60,012	2.5% of gross income up to gross yearly income of €60,012
Austria		Arrangements between the pension fund and employee are made on an individual basis
UniCredit Bank Austria AG	2.9% or more	
UniCredit Business Integrated Solutions Austria GmbH	2.5% of the yearly gross salary	Arrangements between the pension fund and employee are made on an individual basis
Poland	Not applicable	Not applicable
Bosnia and Herzegovina	Not applicable	Not applicable
Bulgaria	Not applicable	Not applicable
Croatia	Not applicable	Not applicable
Czech Republic		
UniCredit Bank Czech Republic and Slovakia, as	Approximately €900	Not specifically required
UniCredit Business Integrated Solutions SCpA	Not applicable	Not applicable
Hungary		
UniCredit Bank Hungary Zrt	No	Max 6% of gross base salary (max €132)
UniCredit Leasing Hungary Zrt	No	Maximum 50% of the minimum wage
UniCredit Business Integrated Solutions SCpA	No	
Romania		
UniCredit Bank SA		
UniCredit Consumer Financing IFN SA	Not applicable	Not applicable
UniCredit Leasing Corporation IFN SA	Not applicable	Not applicable
UniCredit Business Integrated Solutions Austria GmbH	100 RON (approximately €22) of the monthly salary	Not applicable
UniCredit Business Integrated Solutions SCpA		
Russia	7% of the monthly base salary	7% of the monthly base salary
Serbia	Not applicable	Not applicable
Slovakia		
UniCredit Bank Czech Republic and Slovakia, as	€180 yearly	Minimum €120 yearly
UniCredit Business Integrated Solutions SCpA	Not applicable	Not applicable
Slovenia	Not applicable	Not applicable

A. The reported contribution percentages refer to the second section of the Fondo Pensione per il Personale delle Aziende del Gruppo UniCredit, the pension fund currently open to new participants.

B. A further contribution of 2 percent for newly recruited staff (art. 46, paragraph 3 - National Collective Bargaining Agreement of ABI, March 3, 2015) is added to this assumption for 4 consecutive years; consequently, the contribution from the employer amounts to 4 percent for this category.

## Transition assistance programs to support employees, 2016<sup>A</sup>

Country	The program includes:				
	Pre-retirement planning for intended retirees	Retraining for those intending to continue working	Severance pay	Job placement services	Assistance transitioning to non-working life (training, counseling)
Italy	Yes	Yes	Yes	Yes	Yes
Germany					
UniCredit Bank AG	Yes	Yes	Yes	Yes	No
UniCredit Business Integrated Solutions SCpA	Yes	No	Yes	Yes	No
Austria					
UniCredit Bank Austria AG	Yes	Yes	Yes	Yes	Yes
UniCredit Business Integrated Solutions Austria GmbH	Yes	No	Yes	Yes	Yes
Poland					
Bank Pekao SA	No	No	Yes	No	No
UniCredit Business Integrated Solutions Austria GmbH					
UniCredit Business Integrated Solutions SCpA	No	No	Yes	Yes	No
Bosnia and Herzegovina					
UniCredit Bank ad Banja Luka	No	No	Yes	No	No
UniCredit Leasing doo	Yes	No	Yes	No	No
Bulgaria	No	No	Yes	No	No
Croatia	No	Yes	Yes	No	No
Czech Republic					
UniCredit Bank Czech Republic and Slovakia, as	Yes	Yes	Yes	Yes	No
UniCredit Business Integrated Solutions SCpA	No	Yes	Yes	Yes	No
Hungary					
UniCredit Bank Hungary Zrt	No	No	Yes	Yes	Yes
UniCredit Leasing Hungary Zrt	No	No	Yes	No	No
UniCredit Business Integrated Solutions SCpA	No	No	Yes	No	No
Romania	No	No	Yes	No	No
Russia	No	No	Yes	No	No
Serbia	No	No	Yes	No	No
Slovakia					
UniCredit Bank Czech Republic and Slovakia, as	No	Yes	Yes	Yes	No
UniCredit Business Integrated Solutions SCpA	No	Yes	Yes	No	No
Slovenia	Yes	No	Yes	No	No

A. In some cases, the programs are provided only in case of company restructuring/reorganization.

## Health and safety management<sup>4</sup>

Health and safety at work is a key issue that goes far beyond meeting the obligations set out by law. Instead, it must be seen as a core value whose ultimate goal is to guarantee well-being at work through a combination of actions and systems.

UniCredit has launched many initiatives to help reach this objective, while of course also ensuring compliance with the law.

These include:

- adequate evaluation of risks (e.g., analysis and verification of staff work activities, including the nature of the job, the job's instruments, work spaces, individual and collective protection measures, technical infrastructure and contractual matters - both for internal and contracted positions)
- realizing a higher level of wellness at work through dedicated initiatives, workshops and training.

### Formal joint management-worker health and safety committees, 2016<sup>A</sup>

Country	Existence of a formal joint management worker health and safety committee	Level at which the committee operates
Italy	No	Not applicable
Germany	Yes	Legal Entity
Austria	Yes	Legal Entity
Poland		
Bank Pekao SA	Yes	Legal Entity
UniCredit Business Integrated Solutions Austria GmbH		
UniCredit Business Integrated Solutions SCpA	No	Not applicable
Bosnia and Herzegovina <sup>B</sup>	Yes	Legal Entity
Bulgaria	Yes	Legal Entity
Croatia	Yes	Legal Entity
Czech Republic	No	Not applicable
Hungary	No	Not applicable
Romania	Yes	Legal Entity
Russia	No	Not applicable
Serbia	No	Not applicable
Slovakia	No	Not applicable
Slovenia	No	Not applicable

A. If present, all the employees are represented by a formal joint management-worker health and safety committee.

B. Refers to UniCredit Bank ad Banja Luka.

4. This data is drawn from the following subset of Group entities unless stated otherwise:

- Italy: Pioneer Global Asset Management SpA; Pioneer Investment Management SGRpA; UniCredit Business Integrated Solutions SCpA; UniCredit Leasing SpA; UniCredit SpA
- Germany: UniCredit Bank AG; UniCredit Business Integrated Solutions SCpA
- Austria: Pioneer Investments Austria GmbH; Schoellerbank Aktiengesellschaft; UniCredit Bank Austria AG; UniCredit Business Integrated Solutions Austria GmbH
- Poland: Bank Pekao SA; UniCredit Business Integrated Solutions Austria GmbH; UniCredit Business Integrated Solutions SCpA
- Bosnia and Herzegovina: UniCredit Bank ad Banja Luka; UniCredit Bank dd; UniCredit Leasing doo
- Bulgaria: UniCredit Bulbank AD; UniCredit Consumer Financing EAD; UniCredit Factoring EAD; UniCredit Leasing EAD
- Croatia: Zagrebačka Banka DD
- Czech Republic: UniCredit Bank Czech Republic and Slovakia, as; UniCredit Business Integrated Solutions SCpA
- Hungary: UniCredit Bank Hungary Zrt; UniCredit Business Integrated Solutions SCpA; UniCredit Leasing Hungary Zrt
- Romania: UniCredit Bank SA; UniCredit Business Integrated Solutions Austria GmbH; UniCredit Business Integrated Solutions SCpA
- Russia: AO UniCredit Bank
- Serbia: UniCredit Bank Serbia Jsc
- Slovakia: UniCredit Bank Czech Republic and Slovakia, as; UniCredit Business Integrated Solutions SCpA
- Slovenia: UniCredit Banka Slovenija DD; UniCredit Leasing, Leasing doo.

## Formal agreements with employees' representatives on health and safety issues, 2016<sup>A</sup>

Country	Existence of formal agreements with employees' representatives
Italy	No
Germany	
UniCredit Bank AG	No
UniCredit Business Integrated Solutions SCpA	Yes
Austria	No
Poland	
Bank Pekao SA	Yes
UniCredit Business Integrated Solutions Austria GmbH	
UniCredit Business Integrated Solutions SCpA	No
Bosnia and Herzegovina <sup>B</sup>	Yes
Bulgaria	Yes
Croatia	Yes
Czech Republic	Yes
Hungary	No
Romania	Yes
Russia	Yes
Serbia	No
Slovakia	Yes
Slovenia	No

A. The employees' representatives may refer to Trade Unions, Work Council, etc.

B. Refers to UniCredit Bank ad Banja Luka.

## Rates of injury, lost days and absenteeism, 2016<sup>A</sup>

Country	Injury rate <sup>B</sup>		Lost day rate <sup>C</sup>		Absentee rate <sup>D</sup>	
	Female	Male	Female	Male	Female	Male
Italy	2.31	1.46	1.07	0.89	8.42	7.24
Germany	4.10	1.65	0.02	0.01	7.18	4.77
Austria	1.62	0.61	0.00	0.00	9.86	8.65
Poland	2.06	1.38	0.11	0.09	6.85	3.81
Bosnia and Herzegovina	1.76	0.00	0.22	0.09	3.86	1.68
Bulgaria	0.14	0.00	0.06	0.00	4.53	2.41
Croatia	1.10	0.49	0.31	0.13	5.61	4.21
Czech Republic	0.30	0.00	0.00	0.00	5.41	2.73
Hungary	0.65	1.46	0.01	0.00	6.75	2.33
Romania	0.00	0.00	0.01	0.00	5.80	3.62
Russia	0.19	0.00	0.01	0.00	3.30	2.86
Serbia	0.00	0.00	0.00	0.00	2.13	1.77
Slovakia	2.40	0.00	0.08	0.00	4.17	1.91
Slovenia	4.07	0.00	0.57	0.37	8.84	4.89

A. This table refers to the perimeter defined at page 50 - Industrial Relations. Injuries are recorded as per applicable local law. Country to country comparison can be misleading due to different tracking systems and differences in local laws.

B. This was calculated as follows: (total no. of workplace injuries/total working hours)\*1,000,000.

C. This was calculated as follows: (total no. of days of absence due to injuries/total working hours)\*1,000.

D. This was calculated as follows: (total no. of days of absence/total working hours)\*1,000. Days of absence refers to: injuries, illness, strikes and other reasons (e.g. medical controls, election days).

## Disputes concerning labor, welfare issues and administrative bodies<sup>5</sup>

### Number of disputes concerning labor issues, 2016

Country	Opened prior to 2016	Opened in 2016	Closed in 2016	Open as Dec. 31, 2016
Italy	709	210	249	670
Germany				
UniCredit Bank AG	21	26	28	19
UniCredit Business Integrated Solutions SCpA	5	2	5	2
Austria				
UniCredit Bank Austria AG	10	10	7	13
UniCredit Business Integrated Solutions Austria GmbH	15	2	11	6
Poland				
Bank Pekao SA	68	14	17	65
UniCredit Business Integrated Solutions Austria GmbH				
UniCredit Business Integrated Solutions SCpA	1	1	1	1
Bosnia and Herzegovina	45	5	5	45
Bulgaria	12	3	8	7
Croatia	28	4	4	28
Czech Republic				
UniCredit Business Integrated Solutions SCpA	0	2	1	1
Hungary				
UniCredit Bank Hungary Zrt				
UniCredit Leasing Hungary Zrt	5	6	2	9
Romania				
UniCredit Bank SA	3	2	2	3
Russia	3	2	4	1
Serbia	12	0	2	10
Slovakia				
UniCredit Bank Czech Republic and Slovakia, as	0	2	0	2
UniCredit Business Integrated Solutions SCpA	0	1	1	0
Slovenia	0	1	1	0

5. The tables under this paragraph refer to the perimeter defined at page 50 - Industrial Relations. Due to improved data collection processes, some figures may differ from data presented in the 2015 Integrated Report.

### Number of disputes concerning welfare issues, 2016

Country	Opened prior to 2016	Opened in 2016	Closed in 2016	Open as Dec. 31, 2016
Italy	85	3	21	67

### Number of disputes concerning administrative bodies, 2016

Country	Opened prior to 2016	Opened in 2016	Closed in 2016	Open as Dec. 31, 2016
Italy	2	0	0	2
Poland Bank Pekao SA	15	5	6	14
Czech Republic UniCredit Bank Czech Republic and Slovakia, as	0	3	3	0



# Social and relationship Capital

## Customer distribution

Number of customers by division and country as of December 31, 2016<sup>A</sup>

Commercial Banking Division	Number
<b>Italy</b>	
Retail	7,419,700
Corporate	46,002
Private Banking	148,162
<b>Germany</b>	
Retail	1,248,220
Corporate	313,715
Private Banking	46,025
<b>Austria<sup>B</sup></b>	
Retail	1,662,068
Corporate	20,649
Private Banking	27,499
<b>Poland</b>	5,232,739
<b>Non-Core</b>	<b>129,220</b>
<b>Asset Gathering Division</b>	<b>1,074,882</b>
<b>CEE Retail Division</b>	
Bosnia and Herzegovina	657,059
Bulgaria	980,445
Croatia	956,155
Czech Republic (incl. Slovakia)	476,198
Hungary	321,686
Romania	602,032
Russia	606,812
Serbia	223,918
Slovenia	68,508
<b>CEE Corporate Division</b>	
Bosnia and Herzegovina	3,517
Bulgaria	12,429
Croatia	4,753
Czech Republic (incl. Slovakia)	23,899
Hungary	8,664
Romania	7,315
Russia	5,172
Serbia	3,717
Slovenia	2,469
<b>CEE Private Banking Division</b>	
Bulgaria	1,888
Croatia	2,451
Czech Republic (incl. Slovakia)	5,051
Hungary	1,073
Romania	881
Russia	1,722
Slovenia	311

A. In 2016, variances in CEE countries compared to 2015 are due to their alignment with the Group methodology.

B. In 2016, the total number of Austria Retail and Corporate customers was restated due to shift of clients across segments according to business model evolution.

## Customer satisfaction

To measure, analyze and express customer satisfaction levels across the Group, UniCredit has chosen to use the TRI\*M Index, an approach developed by an industry world leader, TNS Infratest. The use of a trademarked external methodology guarantees that methodology and results are in line with the highest and strongest quality standards. It also allows us to make consistent comparisons not only with competitors but also with businesses from other industries. Additionally, the use of a third-party approach is even more important because the TRI\*M Index is a component of UniCredit's compensation system. Customer satisfaction levels are measured at least once a year across all Group countries, while additional periodical surveys could be carried out in line with local needs.

### Retail TRI\*M Index results<sup>A</sup>

Country	2016	2015	2014	2016 competitors' TRI*M Index results
Italy	65	66	65	56
Germany	73	67	71	64
Austria	59	67	66	70
Poland	63	62	61	61
Bosnia and Herzegovina				
UniCredit Bank ad Banja Luka	84	95	89	76
UniCredit Bank dd	80	86	90	
Bulgaria	78	78	81	65
Croatia	79	79	81	71
Czech Republic	82	74	70	74
Hungary	68	68	68	67
Romania	71	70	68	66
Russia	83	86	86	81
Serbia	97	94	93	69
Slovakia	89	88	84	81
Slovenia	82	80	79	61

A. In Italy, Poland and CEE, Retail segment refers to individual clients (i.e., Mass Market and Affluent) and Small Business. In Germany the term Retail segment refers to individual clients (i.e., Mass Market and Affluent). In Austria the term refers to Individuals (i.e., Mass Market and Affluent); a resegmentation started in 2016 is still ongoing, and so Small Business will be included in the Retail segment together with private/individual clients (i.e., Mass Market and Affluent), from 2017.

In 2016, survey results confirmed UniCredit's leading position in the majority of the countries it serves. The Retail segment maintains a good overall performance, with Italy, Germany and CEE again delivering outstanding results as in 2015.

## Supplement

### → Social and relationship Capital

## Corporate TRI\*M Index results<sup>A</sup>

Country	2016	2015	2014	2016 competitors' TRI*M Index results
Italy	59	58	52	60
Germany <sup>B</sup>	77	70	69	-
Austria <sup>B</sup>	67	70	62	-
Poland	64	69	66	65
Bosnia and Herzegovina				
UniCredit Bank ad Banja Luka	79	84	88	74
UniCredit Bank dd	85	86	76	73
Bulgaria	85	81	85	71
Croatia	80	82	82	67
Czech Republic	77	79	77	60
Hungary	76	76	70	64
Romania	86	80	78	74
Russia	79	86	86	73
Serbia	81	80	84	77
Slovakia	81	80	77	67
Slovenia	69	71	78	63

A. In Germany, the term Corporate segment refers to small, medium and large companies. In Italy, Austria, Poland and CEE, the term Corporate segment refers to medium and large companies only.

B. In 2016, In Germany and Austria customer satisfaction survey was not carried out on competitors.

In most of our CEE countries the Corporate segment once again confirmed its best-in-class status as in 2015.

## Private Banking TRI\*M Index results

Country	2016	2015	2014
Italy	70	67	65
Germany	89	88	80
Austria <sup>A</sup>	84	83	82
Poland	75	86	77
Bulgaria	96	96	98
Croatia	101	103	102
Czech Republic	88	89	88
Hungary	80	79	78
Romania	89	84	83
Russia	95	93	94
Slovakia	99	99	99
Slovenia	80	87	84

A. Austria results refer only to UniCredit Bank Austria AG.

## Handling complaints

UniCredit's approach to complaints management is driven by the belief that a continuing dialogue and swift responses are fundamental to addressing and improving our service quality and customer satisfaction. Clients can submit their complaints through a number of channels, including email, written letter or in person at one of our branches. Complaints are then managed locally or centrally, depending on the subject or type.

As far as verbal complaints are concerned, the goal is to improve the efficiency of our responses to various events (Errors, Delays, Malfunctions and Churn Rate); rapid resolutions increase customer satisfaction and enhance their confidence in the bank.

The adequate management of complaints is fundamental to achieving operational excellence and reducing risks. Complaints may highlight areas where service quality can be improved, with positive effects on risk mitigation. In addition, an effective and efficient management of complaints is an opportunity to re-establish a satisfactory relationship with the customers.

As per our Global Compliance Guidelines - Complaint Management a complaint is any form of dissatisfaction expressed by a current, potential or former customer, certainly recognizable regarding the manner in which the Group has managed a banking, finance or insurance transaction or service. Each UniCredit legal entity develops and regulates its own complaint management processes and defines the methods and timing applied to settling complaints in accordance with their type and the manner of communication chosen by the customer.

### Retail division: number of recorded complaints<sup>A</sup>

Country	2016		2015		2014	
	Recorded (written and verbal)	Written	Recorded (written and verbal)	Written	Recorded (written and verbal)	Written
Italy	350,355	38,338	367,032	32,484	332,163	28,369
Germany <sup>B</sup>	38,009	6,159	67,851	26,168	84,653	15,199
Austria	32,321	1,776	55,961	2,502	41,518	1,626
Poland <sup>C</sup>	26,782	26,782	17,091	17,091	17,023	17,023
Bosnia and Herzegovina	6,124	1,347	4,773	1,274	4,266	946
Bulgaria <sup>D</sup>	2,567	2,494	2,516	2,516	2,361	2,361
Croatia	30,184	6,502	32,422	9,279	42,608	5,131
Czech Republic	7,949	4,627	7,638	4,656	7,735	4,271
Hungary	8,208	4,342	12,306	7,413	7,767	3,717
Romania	4,394	2,350	4,136	2,366	5,199	3,055
Russia	30,177	21,137	30,189	23,392	28,798	25,254
Serbia <sup>E</sup>	744	744	778	769	513	503
Slovakia	4,127	3,983	4,556	4,484	3,845	3,698
Slovenia	1,849	869	1,594	890	1,775	925

A. In Italy, Germany, Austria and Poland the complaints refer to Individuals and Small Business. In our CEE Countries the complaints refer to Retail division. Totals are not provided because definitions and recording methods have not been completely aligned across all countries.

B. In 2016, complaints refer only to Individuals.

C. All complaints are considered as written.

D. In 2015 and 2014 all complaints were considered as written.

E. From 2016, according to local law all the complaints are considered as written.

# Socially Responsible Investments (SRI)

## Sustainable investing at Pioneer Investments

By becoming a signatory to the United Nations Principles for Responsible Investment (UNPRI) in March 2009, Pioneer Global Asset Management SpA joined an initiative launched by the UN Secretary-General to advance six best-practice principles among asset owners and investment managers. In alignment with its commitment to the UNPRI, Pioneer Global Asset Management SpA expanded its Proxy Voting Policy to include environmental, social and corporate governance (ESG) issues. During 2015, Pioneer Global Asset Management SpA became investor signatory of the CDP Climate change program and CDP Water program.

Moreover, Pioneer Global Asset Management SpA has defined its search, investment, control and monitoring processes to ensure their alignment with the transparency guidelines of the European Sustainable Investment Forum (Eurosif). Pioneer Global Asset Management SpA provides several asset-management products that are designed to maximize returns while adhering to ethical and sustainable principles. Portfolio Managers hold responsibility within the organization for ESG screening of assets in the portfolios:

- **Pioneer Obbligazionario Euro Corporate Etico a distribuzione (Euro Bond Ethical Corporate Fund)**

The fund's investment strategy is designed to achieve capital appreciation over the medium term.

This is accomplished by investing in fixed income instruments issued by companies with business models that meet high standards of social, human and ecological responsibility.

- **Pioneer Funds - Global Ecology**

The fund's investment strategy is designed to achieve capital appreciation over the medium to long term.

This is accomplished by investing at least two-thirds of the fund's assets in a range of equities and equity linked instruments issued by companies manufacturing or producing environmentally friendly products or technologies that help to create a cleaner, healthier environment. Such companies include those operating in the fields of air pollution control, alternative energy, recycling, waste incineration, wastewater treatment, water purification and biotechnology.

- **Pioneer Funds Austria - Ethik Fonds**

This is a balanced fund designed to achieve long-term capital growth while generating regular returns.

The basic fund portfolio is composed of 30 percent global equities and 70 percent euro bonds. An investment is considered ethical when the issuer's business model meets established sustainability standards.

## Fund performance

%	One year (as of Dec. 31, 2016)		Three years annualized (as of Dec. 31, 2016)	
	Fund	Benchmark	Fund	Benchmark
Pioneer Obbligazionario Euro Corporate Etico a distribuzione	2.25	4.53	2.46	3.87
Pioneer Funds – Global Ecology	-0.08	10.73	4.82	13.47
Pioneer Funds Austria – Ethik Fonds	4.6	Not available <sup>A</sup>	6.6	Not available <sup>A</sup>

A. The Fund has no declared benchmark in the Prospectus.

## Asset subject to positive and negative environmental or social screening

In € million	Asset under management (as of Dec 31, 2016)	Asset under management (as of Dec 31, 2015)
Pioneer Obbligazionario Euro Corporate Etico a distribuzione	335	389
Pioneer Funds – Global Ecology	1,030	1,137
Pioneer Funds Austria – Ethik Fonds	223	104
<b>Total assets under management at Pioneer Global Asset Management SpA, including regular funds</b>	<b>228,400</b>	<b>223,600</b>

## Sustainable investing at UniCredit Bank AG

Since 2013, at UniCredit Bank AG we have maintained a Sustainable Investments Working Group, in which our experts and decision-makers come together to review products, strategies and overall market dynamics, with an eye to the changing needs of our clients. This Working Group has developed a core concept that is used to assess, for all investment classes, whether any particular investment should be considered sustainable by UniCredit Bank AG. The concept was derived from a methodology developed by oekom research AG, a prominent sustainability rating agency, and from accepted industry certification standards.

To systematically assess the interest of customers in incorporating sustainability into their personal investment strategies, we integrated sustainability into UniCredit Bank AG *FinanzKonzept*, our customer advisory process. During their first advisory sessions with us, all customers are asked about their interest in sustainable investments. Over the past years, HVB Sustainable Asset management have turned out to be a driver for our “assets under sustainable management”. With HVB Sustainable Asset management, the challenging task of selecting securities can be entrusted to experienced specialists. It is also possible to include sustainable investments in the mix. The investment strategy uses a “best-in-class” approach based on a selection process by oekom research: industry-specific minimum criteria are required by companies, while controversial business practices and countries are excluded via a negative screening process.

UniCredit Bank AG’s “assets under sustainable management” are calculated every year by analyzing the share of sustainable investment to total customer deposits and managed funds. Assets under sustainable management include sustainable equities and bonds, funds and certificates of deposit held by all UniCredit Bank AG clients. In 2016 we included Green Bonds as an its own asset class in our calculation. With 18 Green Bonds and “Schuldscheine”<sup>1</sup> totaling €14.1 billion that UniCredit has lead managed for different issuers since 2013, the bank has offered investment opportunities in sustainable projects both with positive environmental and social impact.

### Assets under sustainable management at UniCredit Bank AG:

in € billion	2016	2015	2014
<b>Total</b>	<b>2.6</b>	<b>2.0</b>	<b>1.5</b>

1. Promissory notes for corporates.

## Financial inclusion

**Percentage of total branches in sparsely settled or economically disadvantaged areas as of December 31, 2016<sup>A</sup>**

Country <sup>B</sup>	Percentage
Italy	19.5%
Germany	6.2%
Poland	100.0%
Bosnia and Herzegovina	100.0%
Bulgaria	100.0%
Croatia	100.0%
Czech Republic	80.3%
Hungary	47.3%
Romania	100.0%
Russia	100.0%
Serbia	100.0%
Slovakia	79.1%
Slovenia	100.0%

A. Relating to EU Countries, in order to identify disadvantaged areas, we used the NUTS classification (Nomenclature of Territorial Units for Statistics: a hierarchical system for dividing up the economic territory of the EU). In particular, we considered those regions at level 2 of the NUTS classification whose GDP (Gross Domestic Product) per inhabitant is less than 75 percent of the Community average (<http://ec.europa.eu/eurostat/web/nuts/overview>). Based on this classification, there are no sparsely settled or economically disadvantaged areas in Austria.

B. In Bosnia and Herzegovina, Bulgaria, Croatia, Poland, Romania, Russia and Serbia, we considered as disadvantaged areas the whole territory, since for a study of the IMF published in April 2015 these countries are considered emerging markets and developing economies (<http://www.imf.org/external/pubs/ft/weo/2015/01/pdf/text.pdf>).

## Adherence to legal standards and voluntary codes related to marketing and communications

UniCredit follows the Code of Marketing Communication Self-Regulation ([www.iap.it](http://www.iap.it)) disseminated by the Istituto dell'Autodisciplina Pubblicitaria (IAP), which commits its subscribers to transparent and honest advertising practices.

UniCredit is also a member of the Utenti Pubblicità Associati (UPA), which supports the IAP. All UniCredit entities follow the regulations disseminated by these bodies, particularly when local codes do not provide guidance on topics covered by the UPA.

All advertising and communication activities at UniCredit are managed by our Group Identity & Communications department, which is responsible for assuring the effective application of the IAP's code, as well as the oversight of the UniCredit Supervisory Body.

In advertising related to investment products, all texts are submitted to the Commissione Nazionale per le Società e la Borsa (CONSOB) in Italy so they can be evaluated for regulatory compliance and consistency with the principles of truth and transparency.

### Legal standards and voluntary codes related to marketing and communications adopted by Group Legal Entities

Country	Description
Austria	Advertising Industry Ethics Code of the Austrian Society for Self - Regulation in Advertising (Werberat)
Bosnia and Herzegovina	Consumer Protection Act covering advertisement of financial products and services
Bulgaria	Code of Ethics of the Association of Banks in Bulgaria
Croatia	Code of Advertising issued by the Croatian Association of Advertising Agencies
Hungary	Hungarian Banking Association's Code of Conduct



# Natural Capital

## Environmental performance indicators<sup>1</sup>

### Scope 1: direct GHG emissions (tons CO<sub>2</sub> e), 2014-2016<sup>A</sup>

Country	2016	2015	2014
Italy	40,790	40,925	43,077
Germany	17,961	16,617	17,308
Austria	2,498	2,655	2,813
CEE	10,686	10,326	10,606
<b>Total</b>	<b>71,936</b>	<b>70,523</b>	<b>73,804</b>

A. GHG emissions from sources owned or controlled by our Group. Data for 2016 covers 83 percent (direct energy consumption) and 75 percent (road business travel) of population (a full-time equivalent of more than 112,000).

### Scope 2: indirect GHG emissions (tons CO<sub>2</sub> e), 2014-2016<sup>A</sup>

Country	2016	2015	2014
Italy	98,168	107,261	102,725
Germany	68,152	68,270	70,200
Austria	17,299	17,637	17,563
CEE	47,787	47,396	49,479
<b>Total</b>	<b>231,406</b>	<b>240,563</b>	<b>239,967</b>

A. GHG emissions from purchased electricity, steam and heating/cooling consumed by equipment or systems owned or controlled by our Group. The table above reflects the use of emission factor averages of the national grids. Data for 2016 covers 83 percent of population (a full-time equivalent of more than 112,000).

The table above reports our Scope 2 emissions according to the location-based calculation method. The GHG Protocol Scope 2 Guidance issued in 2015 details a parallel emissions calculation according to the market-based method: under this approach our 2016 Scope 2 emissions are 177,513 tons CO<sub>2</sub> e. The source for the Residual Mix emission factors we applied in this calculation (where available) is the 2015 European Residual Mixes, V.1.0, published by Association of Issuing Bodies (AIB) in May 2016.

The Scope 2 component of Group GHG emission reduction objectives refers to emissions calculated in accordance with the location-based method.

### Scope 3: other indirect GHG emissions (tons CO<sub>2</sub> e), 2014-2016<sup>A</sup>

Country	2016	2015	2014
Italy	4,632	5,592	5,648
Germany	2,074	2,434	2,505
Austria	708	1,050	1,060
CEE	1,798	1,964	1,998
<b>Total</b>	<b>9,212</b>	<b>11,040</b>	<b>11,211</b>

A. GHG emissions from business travel, from copy paper consumption, and from glass, paper and plastic disposal. Data for 2016 covers 82 percent (copy paper consumption), 75 percent (air and train travel) and 80 percent (glass, paper and plastic disposal) of population (a full-time equivalent of more than 112,000).

1. Data for 2016 has been collected involving 59 Group legal entities (a full-time equivalent of more than 112,000) operating in Italy, Germany, Austria, Poland and in Central and Eastern Europe (CEE) countries. CEE includes: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia and Slovenia. Due to improved processes in data collection, calculation, selection of included Group legal entities and to periodical updates of GHG emission factors, several figures may differ from data presented in the 2015 Integrated Report. Country-to-country comparisons may be misleading as different tracking systems should be taken into account.

### Energy consumption per employee (GJ/capita), 2014-2016<sup>A</sup>

Country	2016	2015	2014
Italy	33	34	34
Germany	44	43	42
Austria	61	54	52
CEE	23	24	25

A. Data for 2016 covers 83 percent of population (a full-time equivalent of more than 112,000).

### Copy paper consumption per employee (kg/capita), 2014-2016<sup>A</sup>

Country	2016	2015	2014
Italy	61	50	55
Germany	31	31	32
Austria	40	39	43
Poland	42	41	40
CEE	57	59	60

A. Data for 2016 covers 96 percent of population (a full-time equivalent of more than 112,000).

Roughly 96 percent of the copy paper used Groupwide is Total Chlorine-Free (TCF) or Elementary Chlorine-Free (ECF) and approximately 80 percent is certified by the Forest Stewardship Council (FSC).

### Water usage per employee (m<sup>3</sup>/capita), 2014-2016<sup>A</sup>

Country	2016	2015	2014
Italy	30	31	31
Germany	15	20	22
Austria	37	34	29
Poland	14	14	13
CEE	13	13	13

A. Data for 2016 covers 95 percent of population (a full-time equivalent of more than 112,000).

### Waste production per employee (kg/capita), 2014-2016<sup>A</sup>

Country	2016	2015	2014
Italy	73	84	87
Germany	451	358	341
Austria	243	213	184
CEE	175	170	164

A. Data for 2016 covers 80 percent of population (a full-time equivalent of more than 112,000).

### Waste by disposal method (%), 2015-2016<sup>A</sup>

Country	Separation and recycling of valuable materials		Incineration		Disposal in landfill		Other treatment	
	2016	2015	2016	2015	2016	2015	2016	2015
Italy	96.37	95.02	1.80	3.21	1.75	1.71	0.08	0.07
Germany	73.07	66.99	26.89	33.00	0.00	0.00	0.04	0.01
Austria	91.33	94.53	8.67	5.47	0.00	0.00	0.00	0.00
CEE	23.00	22.07	4.13	4.34	70.58	71.03	2.29	2.56

A. Data for 2016 covers 80 percent of population (a full-time equivalent of more than 112,000).



**UniCredit S.p.A.**

A joint stock company

**Registered Office in Rome:** Via Alessandro Specchi, 16 - 00186 Roma

**Head Office in Milan:** Piazza Gae Aulenti 3 - Tower A - 20154 Milano

Share capital €20,862,962,205.11 fully paid in, Fiscal Code, VAT number and Registration number with the Company Register of Rome: 00348170101

Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with. cod. 02008.1; Cod. ABI 02008.1

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

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The Integrated Report and Supplement are available at [www.unicreditgroup.eu](http://www.unicreditgroup.eu)  
and they are also available for download by activating the QR code below.



You may also request a copy from: UniCredit - Group Sustainability Piazza Gae Aulenti, 20154 Milan, Italy  
e-mail: [groupsustainability@unicredit.eu](mailto:groupsustainability@unicredit.eu)



#### ENVIRONMENTAL IMPACT CALCULATOR

By choosing to print 2016 Integrated Report on 100% recycled and Ecolable certified (no. FR/011/003) paper, UniCredit has avoided:



Source: Carbon footprint data evaluated by Labelia Conseil in accordance with the Bilan Carbone® methodology. Calculations are based on a comparison between the recycled paper used versus a virgin fibre paper according to the latest European BREF data (virgin fibre paper) available. Results are obtained according to technical information and subject to modification.

Life is full of ups and downs.  
We're there for both.

