

Consolidated
Non- Financial
Statement



2018

2018 CONSOLIDATED NON-FINANCIAL STATEMENT

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1 CHAIRMAN'S LETTER TO STAKEHOLDERS

Dear stakeholders,

The 2018 Non-Financial Statement (NFS) of the Iccrea Banking Group (the "Group") serves ideally as a bridge to a new phase of our history that began with the formation of the Iccrea Mutual Banking Group (ICBG), officially on March 4, 2019.

The perspective from which stakeholders will view future non-financial reporting is set to change completely. The companies consolidated in the 2018 edition are those of the Group that fall within the scope of consolidation for NFS purposes (including Mediocredito del Friuli Venezia Giulia as of July 2018), while the 2019 edition will also include all 142 of the mutual banks affiliated with the ICBG.

The 2018 NFS focuses on the distinctive business model of the Italian mutual banking system that - from the foundation of the first mutual bank, Cassa Rurale di Loreggia (Padua) in 1883 - unites its vocation of working for the social good and local communities (a minimum of 95% of the loans given by the mutual banks must be made in their home territories) with the three pillars of sustainable development centering on environmental, social and economic wellbeing, while taking a long-term view.

More specifically, the 2018 NFS reports that, in operational terms, mutual banking is one of the main players in supporting and developing the real economy of local communities. In this area the Group - which at December 31, 2018 had 256 shareholders, of which 230 are mutual banks (BCC) - had significant success: the retail (individuals and households) segment grew by 2% compared with 2017, while the SMEs served by the Group increased by 3% on the previous year.

During the reporting period the Group continued to support enterprises through financial programs focusing on sustainability. These include agricultural land loans targeted at persons under 40 years of age and loans for developing agro-energies (i.e. biogas), just to name a few examples. The data on microcredit for businesses (unsecured loans of up to €25 thousand for starting up or developing entrepreneurial activities or entering the labor market and backed by a government guarantee) were also in line with these initiatives. Therefore, during the three years 2016-2018, the microcredit section of the Central Guarantee Fund for SMEs, reported a 67% increase in transactions.

The housing lease program has also been created to support young people and families. This is a special type of financing designed to help young people and young couples purchase their primary residence. Social housing also falls under this general category, with long-term investments intended to provide an adequate response to emergency housing demand. There were 29 rental and sale arrangements in 2018, with another 25 to be added in 2019.

Another major area of focus has been our personnel. The 2018 NFS recorded a significant reduction, almost 40%, in fixed-term employment contracts (going from 43 contracts in 2017 to 26 in 2018). This figure is worth mentioning given the generalized increase in temporary employment arrangements in Italy.

In addition, the ongoing reorganization of the Iccrea Mutual Banking Group led to a staff increase of 290 employees through a hiring process that gave priority to mutual banking system employees. This resulted in an overall increase in personnel of 6%, with turnover of 5%. This stands in contrast to general hiring trends.

Again regarding human resources, at the end of 2018 the Group reported a total workforce of 2,475 employees, 38% of whom are women. This is an area on which we should focus in order to narrow the gap between the number of women and men at various job levels.

With regard to the environment, the Group posted considerable success. During the year we purchased and consumed 49,568 gigajoule (GJ) of electricity (with a savings of about 12% compared with 56,182 GJ for 2017), coming entirely from renewable resources with certification of origin and 129 GJ of thermal energy from district heating (compared with 1,441 GJ in 2017 for a 91% drop in consumption).

Finally, consistent with the local nature of the mutual banking system, 95% of procurement was made through suppliers residing in Italy and in the main areas of operations of the Group companies, compared with 91% in 2017 and in 2016. These data and information are in line with the principle of serving local communities that inspires the mutual banks, which are local banks expressing the environment in which the company operates. The deposits collected are used to support and finance the development of the real economy, creating a geo-circular economy.

Moreover, only using the specific metrics of the NFS (Global Reporting Initiative - GRI Standards 2016) as measurement, we can monitor and control the performance of non-financial actions undertaken in the interests of our internal and external stakeholders. It is no accident that the process of approving various European regulations on some of these issues has begun and that it will soon have an impact on the operations of our banks.

These results were achieved also through the ongoing commitment of those who make an important contribution to recording the non-financing factors that, along with the financial information, offer a comprehensive picture of the Group.

The primary data presented in this extensive documentation and summarized here offer a typical snapshot of the Banking Group, founded with the support of the mutual banks, creating with them a coherent ecosystem capable of giving substance to Article 2 of the bylaws of the mutual banks.

This article embodies the identity and mission of the mutual banks and, for the Banking Group, represents a true, binding roadmap from which descends our mission and that serves as a starting point for outlining the vision that drives us to invest in and move forward with development projects.

The Iccrea Banking Group's relationship with its stakeholders, owing to the role, mission and characteristics of the mutual banking system, is a distinguishing - by that I mean fundamental - feature of our work. These constitute strong interconnections, well looked after and developed, first and foremost with the most traditional stakeholders: shareholders, employees, customers and the socio-economic environment in which the Group operates. For these reasons we feel that we can say with pride and conviction that the reality embodied in the Iccrea Mutual Banking Group is that of the country's top local bank!

The Chairman
Giuseppe Maino

2 IDENTITY OF THE ICCREA BANKING GROUP

Group structure

The Iccrea Banking Group was established in 2016 through the merger of Iccrea Holding (founded in 1995), parent company of the first Iccrea Group, with and into Iccrea Banca (a second-level bank). This latter was the historic Istituto Centrale del Credito Cooperativo, established in 1963. Today, the Iccrea Banking Group works to support the operations of the mutual banks (BCC) and of the rural savings banks (CRA) in meeting the needs of their customers, which are made up of businesses and retail customers, with an integrated system of products and services.

During the year the Group also enlarged its scope of consolidation through the acquisition of Banca Mediocredito del Friuli Venezia Giulia in July 2018. This transaction has enabled the Iccrea Banking Group to leverage that bank's traditional role of supporting the small and medium-sized enterprises (SMEs) that operate in Friuli Venezia Giulia, while at the same time improving the current resources and potential of the Iccrea Banking Group.

Furthermore, in 2018, to better integrate all the mutual banks located throughout the country, the Group undertook a path that led, in 2019, to the formation of the Iccrea Mutual Banking Group (ICBG), in accordance with the requirements laid down by the European Central Bank (ECB) concerning the mutual banking system.



The Iccrea Banking Group is organized around a Parent Company, Iccrea Banca Spa, and a number of specialized "product" companies controlled by the Parent Company that complete the product range for the benefit of the mutual banks. The capital of Iccrea Banca Spa is primarily held by the mutual banks themselves, which are simultaneously the shareholders and the main customers of the Iccrea Banking Group. Thanks to the services and products developed by the companies of the Group, the mutual banks are able to enhance their positioning on the local market, be efficient and competitive and maximize the added value of banks at the service of local economic development.

The products and services offered by the Group range from financial to investment products, including advisory services, extraordinary corporate finance, training for company strategies and the entire insurance sector (life and non-life) through equity stakes in companies who work for the mutual banking sector.

More specifically, the activities of the Iccrea Banking Group break down into three main business areas:

- Institutional segment: this groups the companies that offer products and services dedicated to mutual banks. The wide range of solutions available include securitizations, lending, payment systems, electronic money, securities administration, debt collection services, web services and call centers. The companies involved in this segment are Iccrea Banca (the Parent Company), BCC Sistemi Informatici, and BCC Gestione Crediti. BCC Solutions is also part of the institutional segment, although its products are addressed exclusively to the companies of the Iccrea Banking Group.
- Corporate segment: through Iccrea Bancalmpresa, this segment offers services and products for corporate clients of the mutual banks, including advisory services and financial services and solutions. The product range includes effective solutions and customized tailored to the needs of businesses, from traditional forms of bank services to the most advanced and innovative solutions. The portfolio of products ranges from ordinary finance to corporate finance, lending, services for international trade, finance and operational leases through the vendor channel and factoring, with support from the products offered by BCC Lease and BCC Factoring. The product range is completed by hedging derivatives, insurance services and subsidized financing offered as well through Mediocredito del Friuli Venezia Giulia SpA (hereinafter "Mediocredito FVG"), which historically has specialized in short- and medium/long-term loans using pooling.
- Retail segment: this comprises the companies that offer products and services for the household customers of the mutual banks. The product range includes asset management services, personal loans, mortgages and e-commerce services. The companies that operate in this area are BCC Risparmio&Previdenza, BCC Credito al Consumo, BCC Retail, Banca Sviluppo (in 2017, as instructed by the Parent Company, in part prompted by the reform of the mutual banking system and the formation of the Mutual Banking Group, the process of selling the branches to the mutual banks began) and Ventis. Through minority interests both in BCC Vita and BCC Assicurazioni, and in Satispay SpA, the Group also offers mutual bank customers insurance services in the life and non-life sectors and payment services.

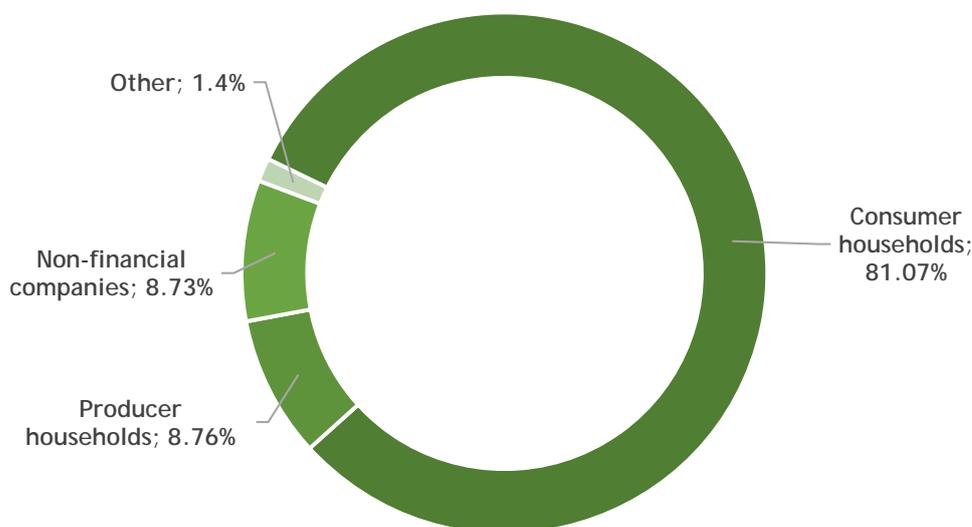
The Iccrea Banking Group in figures (December 31, 2018)*

Mutual banks served	2681
Corporate customers**	365,934
Retail customers	2,775,074
Employees	2,475
Headquarters and local offices	13

* Does not include 142,270 joint account holders since, by their very nature, it is not possible to determine whether they are Corporate or Retail customers.

** To ensure the year-on-year comparability of the data, 147,806 Corporate customers of BCC Lease, BCC Vita, BCC Factoring and Banca Mediocredito del Friuli Venezia Giulia SpA were not included because these companies were included in the Group's customers monitoring systems only in 2018.

Customers by sector (SAE classification)



The local network

The Iccrea Banking Group is based in Rome and Milan. In Rome, Iccrea Banca, Iccrea BancaImpresa, BCC Solutions, Banca Sviluppo, BCC Credito Consumo, BCC Sistemi Informatici, BCC Lease and BCC Factoring have offices in the via Lucrezia Romana complex. BCC Gestione Crediti has a separate office in Rome. BCC Risparmio & Previdenza, BCC Sistemi Informatici, BCC Credito Consumo, Ventis, BCC Lease, BCC Retail, Banca Sviluppo, BCC Factoring, Iccrea Banca and Iccrea BancaImpresa are located in Milan.

Operations are conducted throughout the national territory, with a prevalence of business in the North, where the mutual banks have a larger number of branches. More specifically, the Iccrea Banking Group, through the network of mutual banks, is present in about 1,720 municipalities throughout Italy. The Group's geographical reach also includes 13 offices in a variety of Italian cities.

Through the direct presence of the branches of Banca Sviluppo, the Iccrea Banking Group guarantees access to financial services for 17 municipalities located in "less-favored areas", as defined by Regulation (EC) 1257/99, in Calabria, Campania, Basilicata, Veneto, Emilia Romagna and Sicily.

The history of the Group

The Iccrea Banking Group was born of a long history of consolidation of the mutual banking system in Italy, as shown below. Details concerning changes to the Group's structure, in part a result of the transformation of the entire mutual banking system, can be found in Chapter 3 - "The Transformation of the Mutual Banking Group" of this NFS.

Year	Main events
1849	The first credit union was established in the Rhineland (Germany) by Friedrich Wilhelm Raiffeisen, who is considered the founder of cooperative banking in Europe.
1883	Founding of the first rural mutual bank, Cassa Rurale di Loreggia (Padua), by Leone Wollemborg.
1890	Founding of the first Catholic rural bank in the province of Venice by don Luigi Cerutti.
1909	Establishment in Brescia of Federazione Italiana delle Casse Rurali e Artigiane with the mission of representing and protecting the interests of its member banks.
1950	Re-formation of Federazione Italiana delle Casse Rurali e Artigiane.
1961	The first local federations were gradually founded.
1963	Iccrea Banca was founded in Rome through the signing of the articles of association of Istituto di Credito delle Casse Rurali e Artigiane (CRA), with the aim of making the activity of the rural banks more extensive and effective by providing lending, banking intermediation and financial assistance services.
1978	Creation of the Central Guarantee Fund, a voluntary "protection" scheme established between the rural banks, and indirectly their depositors, within Iccrea.
1995	On January 1, 1994 the new Consolidated Law on Banking came into force, converting the rural banks into the current mutual banks. Subsequently, the Group underwent an extensive reorganization with the formation of Iccrea Holding, which began operating in 1995 with controlling interests in Iccrea Banca, Banca Agrileasing (now Iccrea BancalImpresa) and Aureo Gestioni (now BCC Risparmio&Previdenza).
1997	The Deposit Guarantee Fund (Fondo di Garanzia dei Depositanti del Credito Cooperativo) was formed. This fund is an obligatory financial instrument for protecting depositors based on the provisions of Directive 94/19/EC on deposit-guarantee schemes, transposed in Italy with Legislative Decree 659/1996.
1999	Formation of Banca Sviluppo SpA with nine shareholders, including leaders of the cooperative banking movement: ICCREA Holding SpA, BCC di Roma, BCC di Alba Langhe e Roero, BCC Pordenonese, BCC di Pompiano e della Franciacorta, BCC di Bene Vagienna, BCC di Treviglio, BCC G. Toniolo di San Cataldo and EmilBanca (formerly CrediBo). The Bank was established with the purpose of making acquisitions and managing banks, branches, assets and legal relationships on behalf of mutual banks in difficulty, in collaboration with the Deposit Guarantee Fund.
2004	The Bondholders Guarantee Fund (Fondo di Garanzia degli Obbligazionisti del Credito Cooperativo) was formed. This fund is a voluntary fund for protecting the mutual banks' bondholders.
2008	The Institutional Mutual Bank Guarantee Fund is formed to monitor and prevent crises tied to the mutual banks' "liquidity and solvency" problems.
2013	130th anniversary of the founding of the first rural bank, Cassa Rurale di Loreggia (1883-2013), by Leone Wollemborg.
2015	The mutual banks are exempted from the urgent measure passed by the Government with Decree Law 3/2015, limited, therefore, to the <i>popolari</i> banks. The project to reform the mutual banking system takes effect.
2016	The process of reforming the mutual banking system begins with Decree Law 18/2016 (converted into Law 49/2016) and concludes on November 3rd with the publication of implementing provisions by the Bank of Italy. Thereafter, the Temporary Fund is established as a "temporary tool" for supporting, including through the distribution of assistance, the consolidation and concentration of the mutual banks.
2016	Iccrea Holding and Iccrea Banca merge, placing Iccrea Banca at the head of the Iccrea Banking Group, in accordance with the requirements of the European Central Bank.
2017	The process of forming the Mutual Banking Groups begins, which lead to the official establishment of the Iccrea Mutual Banking Group (142 mutual banks) and the Gruppo Cassa Centrale-Credito Cooperativo Italiano (84 mutual banks).
2018	Iccrea Banca presents to the ECB an application to form a Mutual Banking Group ("MBG"), having met the conditions for establishment. During the year Banca Mediocredito del Friuli Venezia Giulia joins the Group.
2018	Celebration of the 200th anniversary of the birth, in Germany, of Friedrich Wilhelm Raiffeisen, who is considered the founder of modern cooperative banking.
2019	In 2019 the Iccrea Mutual Banking Group was formed, with the purpose of better integrating all the mutual banks.

Group mission and values

The Iccrea Banking Group pursues a strategy aimed at promoting the stability and development of mutual banks while respecting their territorial, historical, cultural, social and economic identity.

The Group seeks to support the mutual banks in approaching the market, selecting products and services and accompanying them in the preparation of the necessary technical and organizational arrangements, in order to improve their market position and enhance their ability to compete. In addition, thanks to its efforts, the Group is committed to furthering the predominantly mutualistic mission typical of the mutual banks.

The primary distinctive characteristics of the mutual banks are:

- 50.1% of exposures are intended for shareholders and/or risk-free assets;
- a minimum of 95% of loans must remain in the territory covered;
- dividends distributed cannot exceed the maximum interest on interest-bearing postal savings bonds plus 2.5 percentage points with respect to the capital actually paid in (Article 2514 of the Civil Code);
- the profit for the year reported in the financial statements is distributed as follows:
 - a minimum percentage of 70% to form or increase the legal reserve;
 - a percentage to the mutual benefit funds to promote and expand cooperation, to the extent and in the manner provided by law;
 - any residual profits can be:
 - allocated to increasing the nominal share value, as provided by law;
 - allocated to other reserves or funds;
 - distributed to the shareholders, as long as not in excess of the maximum interest on interest-bearing postal savings bonds plus 2.5 percentage points with respect to the capital actually paid in;
 - any residual profits still remaining are allocated for charitable or mutual benefit purposes;
 - allocated to the cooperative bank shareholders as a capital dividend, based on the provisions of Article 50 of the bylaws of the mutual banks.

All the Group companies are constantly focused on looking after and further developing the relationship with the mutual banks, making for a stronger partnership and closeness. The different institutional relations activities and the dialogue with the mutual banks make it possible to create opportunities and develop tools for comparing and exchanging views on the main business issues.

The Group's choices and actions are constantly guided by the ethical principles expressed in the Charter of Mutual Banking Values, which expresses the principles on which the action, strategy and practices of the mutual banks are based. It also represents both a constitution for the mutual banking movement and guidelines for the action of the mutual banks. In addition, the Charter of Free, Strong, Democratic Finance reiterates the mutual banks' commitment to taking economic, civil and social action to relaunch Italy. The Charter sets out the "finance that we want" in ten points, specifically: responsible, social, plural, inclusive, comprehensible, useful, incentivizing, educational, efficient and participatory.

The Iccrea Banking Group has also drafted a "Code of Ethics and Conduct", which represents an essential element of the Compliance Model pursuant to and for the purposes of Legislative Decree 231/2001. The main purpose of the Code of Ethics is to define and proclaim the values of the Iccrea Banking Group and direct operations in respect of legality and compliance. The Code expresses the principles shared by all the Group companies and the ethical and behavioral commitments and responsibilities that the Group undertakes and implements in exercising its institutional activities.

The mutual banking system

The Iccrea Banking Group operates in the Italian financial sector, mainly carrying out traditional second-level banking activity, aimed at supporting the mutual banks in offering products and services to households and businesses, especially small and medium-sized enterprises.

More specifically, the Group operates within the national mutual banking system, which in 2018 comprised about 300 mutual banks, with more than 1,200,000 shareholders. In recent years, the number of mutual banks in Italy has decreased due to a process of concentration and consolidation. As of December 31, 2018, the total number of mutual banks present in Italy was 268. The banks of the system are characterized by their deep local roots, represented by a network of 4,238 branches located in over 2,600 municipalities, of which 620 have mutual banks as the only bank, and 101 provinces.

The mutual banks' market share of customer funding (including bonds) is 7.8%, while their gross lending market share is 7.2%.

From an organizational standpoint, the mutual banking system is a subsidiary and supportive system. In particular, the mutual banking system is structured in 2018 into two tracts: the associative and the entrepreneurial.



Its membership is, in turn, broken down into three levels (local, regional and national) and includes the local federations - of which numerous mutual banks are members - associated with the national federation (Federcasse), which represents them and protects their interests (in addition to providing legal and tax-related assistance, organizational and communications help and training for the entire mutual banking system) and through which the mutual banks take part in the European Association of Co-operative Banks (EACB). In Europe there are over 3,000 cooperative banks, with 81 million shareholders and 209 million customers (source: European Association of Co-operative Banks). On the business side, it is composed of central second-level groups, including the Iccrea Banking Group, which provide their products and services to the mutual banks, which, through Iccrea Banca, are members of the single Banking Group.

In addition, the Italian mutual banking system is part of the larger Italian and international cooperation

system, Confcooperative, and participates in the International Raiffeisen Union, the body that proposes to popularize cooperative banking in the countries in the southern hemisphere, according to the teachings of Friedrich Wilhelm Raiffeisen, the “father” of the movement. In 2011, the Alliance of Italian Cooperative Banks was created, uniting the three main Italian cooperative associations (Confcooperative, Legacoop, General Association of Italian Cooperative Banks - Agci), with the goal of: “Building a single body that is responsible for coordinating representation before the Government, Parliament, the European Institutions and social partners: labor unions and associations representing employers”.

At the international level, there is also the International Cooperative Alliance (ICA) which brings together, represents and serves the cooperative banks throughout the world. Founded in 1895, it is one of the oldest and largest non-governmental organizations, with more than 1 billion members. The global cooperative banking network consists of 315 organizations in 110 countries.

In operational terms, the mutual banking system is one of the main financial actors in supporting and developing the real economy of the territories in which it is present. An objective pursued thanks to the specific features of its banking products and services, which over the years have ensured that local communities have constant access to credit. Article 2 of the bylaws of the mutual banks states: “The purpose of the Bank ... is to favor shareholders and members of local communities in bank operations and services, pursuing the improvement of their moral, cultural and economic conditions and promoting ... social cohesion and responsible and sustainable growth of the territory in which it operates.”

Indeed, the cooperative banking system rests on three pillars that render it unique and deserving of support and of economic and social focus: the principles of cooperation, localism and mutual benefit. The first is expressed through the pursuit of long-term financial objectives, including that of offering shareholders its own products/services at “advantageous” market terms. The uniqueness lies in the centrality of the person, in the social motivation for pursuing profit and in the links to the values of solidarity, participation, association. The democratic nature of governance is ensured by limiting the size of shareholdings and through per capita voting (one person, one vote), while the profit motive is excluded by restrictions on distributing profits (as noted above) and the principle of the indivisibility of reserves. Therefore, each shareholder has the right to just one vote regardless of the size of their shareholding (this is done in part to avoid that inequality between shareholders could block the achievement of mutual benefit purposes). In accordance with the principle of serving local communities, the mutual banks are local banks since the members represent the environment in which the company operates and the deposits collected are used to support and finance the development of the real economy, creating a geo-circular economy.

Within this system, the Iccrea Banking Group, in carrying out its mission to support the mutual banks, contributes to the creation of value in local communities, both by providing products and services in the various segments of its operations and by distributing financial resources to the mutual banks.

3 THE TRANSFORMATION OF THE MUTUAL BANKING GROUP

With the approval of Law 49/2016 in April 2016, the process of reforming the Italian mutual banking system began. The definition of a new organizational structure will ensure greater integration among all of the mutual banks operating in Italy. This integration will allow the mutual banks to respond effectively to new market environments and the regulatory developments associated with the entry into force of the Banking Union within the European Union.

This reform, therefore, represents a major change, one that will enable the Italian mutual banks to become part of a new and original organizational model, one that unites local culture and European scope. They will remain autonomous, mutual and local banks. In fact, the reform does not deprive the banks of their identity but rather seeks to preserve the role of the mutual banks as local institutions with a predominantly mutualistic mission and enable shareholders to participate in the social capital of the mutual banking system.

Under the new organizational model envisaged by the reform, each mutual bank has joined a Mutual Banking Group (CBG) as the primary condition for the issue of a banking license. The process of joining the Group is regulated by a specific cohesion contract that will govern the operation of the Group itself. In particular, with the signing of the cohesion contract, the affiliated mutual banks accept the management, coordination and control activities of the Parent Company, without prejudice to the respect for the mutualistic purposes that characterize the mutual banking system. At the same time, the Parent Company will assume the duties and responsibilities in respect of the affiliated banks connected with its role as the entity in charge of the strategic and operational management of the Group and contacts with the supervisory authorities.

After a long and complex process, in 2019 the two national Mutual Banking Groups began operation: one headed by Iccrea Banca (headquartered in Rome) with 142 member mutual banks and the other by Cassa Centrale Banca (headquartered in Trento), with 84 mutual banks.

In this context, the Iccrea Banking Group, through Iccrea Banca, on April 27, 2018 proposed itself as the Parent Company of the future Iccrea-branded Mutual Banking Group, promoting the start of activities for the formal establishment of the new banking entity. On July 24, 2018 the ECB's Governing Council also determined that the conditions for the formation of the CBG were satisfied.

The integration process for the new Mutual Banking Group required the future Parent Company and the member institutions to launch joint working groups through which they will define shared policies and identify common management, administration, control and reporting tools.

Among these, also in the light of the reformed regulatory environment introduced with Legislative Decree 254/16, some of the projects involved in preparing the future Group are focused on the definition of common management and reporting tools among all the institutions involved and, with regard to some strategic and operational aspects, the centralization of resources and activities, also addressing non-financial issues. The participating banks are therefore engaged in a joint process of transposing the provisions of the decree, addressing the complexities generated by the need to combine different organizations with strong identities and diversified business activities.

Instead, based on amendments passed by the Government in November 2018, Casse Raiffeisen dell'Alto Adige opted to form an Institutional Protection Scheme (IPS) as an alternative to a Mutual Banking Group that would operate only in the province of Bolzano.

The Iccrea Banking Group and associations

Within the mutual banking system and the Italian banking industry in general, the Iccrea Banking Group is an active participant in the management of and activities sponsored by agencies, institutions and industry associations, as reported in the following table:

TRADE ASSOCIATION		
<i>Name of organization</i>	<i>Activity</i>	<i>Type of participation</i>
<p>ABI</p> <p>Iccrea Banking Group companies belonging to the organization: <i>Iccrea Banca</i> <i>Iccrea BancalImpresa BCC</i> <i>Credito Consumo Banca</i> <i>Sviluppo</i></p>	<p>ABI - Italian Banking Association - is a voluntary non-profit association that works to represent, protect and promote the common or specific interests of its members through the organization of studies and debates, the solicitation of regulatory innovation, national collective bargaining, information activities, training and dissemination, preparation of guidelines and codes of conduct, collaboration with national and supranational public institutions, and cooperation initiatives among the members.</p> <p>The ABI also represents the Italian credit and financial system in all international fora, including the European Banking Federation and the European Mortgage Federation.</p> <p>The ABI is not involved in the banking activity carried out by its members and does not possess databases with information on customer banking relationships.</p>	<p>Iccrea Banca participates as an ordinary member. The Chairman, Giulio Magagni, was member of the Governing Council and the Executive Committee in 2018. General Manager Leonardo Rubattu was member of the Executive Committee until July 2018 and has been a member of the Governing Council since July 12 of the same year.</p>
<p>Federkasse</p> <p>Iccrea Banking Group companies belonging to the organization: <i>Iccrea Banca</i></p>	<p>Federkasse - National Federation of Mutual Banks - is the trade association of the mutual banks. It performs most of the activities that ABI offers to the Italian banking system. In particular, it manages national collective bargaining (there is a specific national collective bargaining agreement for the mutual banks - see Section 8.2), offers legal and tax advice and assistance services, conducts studies and provides statistical services, promotes the image of the industry through national communication campaigns, and conducts training and information activities. In addition, it manages the external and institutional relations for the mutual banks at the national and international levels, represents the mutual banks, safeguarding their specific interests, with the main national (ABI and Confcooperative) and international industry associations (European Association of Cooperative Banks).</p>	<p>Iccrea Banca participates as an ordinary member and designates two directors.</p> <p>It also participates in the activities of EACB through Federkasse.</p>
<p>Assosim</p> <p>Iccrea Banking Group companies belonging to the organization: <i>Iccrea Banca</i></p>	<p>Assosim represents operators in the Italian securities market in relations with government institutions, other business associations, economic and social organizations and other associations, agencies and public and private entities.</p> <p>It carries out research, regulatory assistance and training services, with publications and the organization of conferences and workshops.</p> <p>The association has about 80 members among banks, securities investment firms and Italian branches of foreign intermediaries that are active on the primary and secondary markets and on derivatives markets, with a share of 82% of the entire volume traded on regulated markets in Italy. Since 2007, membership has expanded to include law firms, consultancies and IT solutions development companies, and to those who provide services to securities brokers.</p>	<p>Iccrea Banca participates as an ordinary member.</p>
<p>Assilea</p> <p>Iccrea Banking Group companies belonging to the organization: <i>Iccrea BancalImpresa</i></p>	<p>Assilea is the Italian Leasing Association. It represents leasing companies with sector organizations operating in various institutional, national and international fora. At the national level, Assilea is an automatic member of the ABI and is a founding member of the O.I.C. (the Italian Accounting Board). It collaborates institutionally with Confindustria and with the main national associations of producers and distributors of goods and markets of interest to the industry.</p> <p>Internationally, Assilea participates in the bodies and activities of Leaseurope and maintains direct collaborative relations with the main international leasing institutions.</p>	<p>Enrico Duranti, General Manager of Iccrea BancalImpresa, is President of Assilea</p>
<p>Assifact</p> <p>Iccrea Banking Group companies belonging to the organization: <i>BCC Factoring</i></p>	<p>Assifact, a trade association for factoring companies, was founded in 2018 to aggregate factoring operators and promote the efficient development of the sector's market. The association therefore proposes to collaborate in analyzing and finding solutions to problems affecting factoring. It conducts research and provides information and technical assistance to its members.</p> <p>In addition, it is responsible for representing the interests of the sector with regard to the economic and financial system, monetary and supervisory authorities and governmental entities.</p>	<p>BCC Factoring is an ordinary member of Assifact.</p>
<p>IFLA</p> <p>Iccrea Banking Group companies belonging to the organization: <i>Iccrea BancalImpresa</i></p>	<p>An association founded in 1965, today it is composed of leasing companies from all over the world, with a representative company for each nation. The member companies are generally affiliated with leading international banking groups. Its main objective is to offer members a forum for the exchange of ideas, experiences and information for the benefit of all participants.</p>	<p>Enrico Duranti, General Manager of Iccrea BancalImpresa, is President of IFLA. Roberta Campanelli, Operations Manager of BCC Lease, is Secretary General of IFLA.</p>

<p>Leaseurope</p> <p>Iccrea Banking Group companies belonging to the organization: <i>Iccrea Bancalmpresa</i></p>	<p>Leaseurope, is the European Federation of Leasing Company Associations. Founded in 1972, Leaseurope boasts 45 members from 32 European and Mediterranean countries (Morocco, Tunisia, Turkey). Today it is a central body that involves both leasing and car rental companies. Its mission is mainly to represent, including through policy positions prepared by experts and technicians, the interests of its members in respect of European institutions, to promote an appropriate market environment for the sector, to inform its members about regulatory developments that impact the sector, to produce statistical data and to offer a platform for the exchange of experiences among members.</p>	<p>Enrico Duranti, General Manager of Iccrea Bancalmpresa, is a director of Leaseurope.</p>
<p>Assofin</p> <p>Iccrea Banking Group companies belonging to the organization: <i>BCC Credito Consumo</i></p>	<p>Assofin is an association that brings together the main financial operators operating in the consumer credit sector. Its members are all captive arms of large companies, industrial or banking groups, both Italian and foreign. Through its delegates it represents its members on the Board of the ABI and is a member of Eurofinas, the European Federation of Finance House Associations. Its main aims are: the coordination of common initiatives, the exchange of experience on relevant common problems; the representation of its members in the relevant fora; maintaining an ongoing dialog with administrative and legislative bodies; the production of information of a statistical, legal, fiscal, administrative or advisory nature on matters of common interest; dissemination and communication to contribute to transparency and a better understanding of the consumer credit sector.</p>	<p>BCC Credito Consumo is an ordinary member of Assofin.</p>
<p>Assogestioni</p> <p>Iccrea Banking Group companies belonging to the organization: <i>BCC Risparmio e Previdenza</i></p>	<p>Assogestioni is the Italian association of asset managers and represents the majority of Italian and foreign asset management companies operating in Italy, as well as banks and insurance companies active in individual and collective asset management. The association offers its members advice and technical support on legal, fiscal and operational issues and promotes a constant dialogue with industry operators and institutions on the issues of investment, the protection of savings, corporate governance and regulatory and operational innovation in the industry. Internationally, Assogestioni is part of EFAMA (European Funds and Asset Management Association), with which it collaborates on the development of Community legislation and the effective self-regulation of the European asset management sector.</p>	<p>BCC Risparmio & Previdenza is an ordinary member of Assogestioni.</p>
<p>Assoprevidenza</p> <p>Iccrea Banking Group companies belonging to the organization: <i>BCC Risparmio e Previdenza</i></p>	<p>Assoprevidenza, the Italian Association for Supplementary Pension Providers, is a non-profit organization operating as a national technical center for supplementary pension and welfare providers, bringing together second-pillar pension schemes of all types, funds and bodies providing welfare services as well as sector operators. After operating unofficially for more than five years, the Association was formally established in August 1991, at the initiative of a group of directors and managers of supplementary pension funds. The number of members has rising from the initial 20 to the more than 120 current members. Assoprevidenza is financed with the membership fees and the contributions from sector operators for study and research activities.</p>	<p>BCC Risparmio & Previdenza is an ordinary member of Assoprevidenza.</p>
<p>CSR Europe</p> <p>Iccrea Banking Group companies belonging to the organization: <i>Iccrea Banca</i></p>	<p>CSR Europe is the leading European Corporate Social Responsibility (CSR) network. Through a network of 40 firms and 41 national organizations, it brings together over 10,000 companies on a single platform. CSR Europe is the European hub for multi-stakeholder initiatives to tackle the United Nations' 2030 Agenda for Sustainable Development. Sustainable development is central to its mission. CSR Europe also beyond the borders of Europe and cooperates with corporate social responsibility organizations in other regions of the world.</p>	<p>Iccrea Banca is an ordinary member of CSR Europe.</p>

As part of its function of taking part in institutional and interbank discussions, Iccrea Banca also participates in the working groups at the Customer to Business Interaction Consortium (CBI), the European Banking Authority (EBA) and the Electronic Invoicing and Dematerialization Observatory.

Iccrea Banca also sits on the board of the European banking industry association responsible for managing the rulebooks of the Single Euro Payments Area (SEPA) and for liaising with the European Payments Council. Therefore, Iccrea Banca takes part in Italian campaigns coordinated by ABI, along with Unicredit, Intesa San Paolo (ISP) and Istituto Centrale delle Banche Popolari Italiane (ICBPI), giving it the possibility to have input on strategic decisions while they are being made. Finally, it participates in the working group that is updating the SEPA rulebooks.

4 GOVERNANCE OF THE ICCREA BANKING GROUP

The governance model adopted by the Group

Iccrea Banca is a bank formed as a public limited company under Italian law (*società per azioni*) and, following its merger with Iccrea Holding, as from October 1, 2016 it assumed the role of Parent Company of the Iccrea Banking Group.

In September 2014, the European Central Bank, following the designation of the Iccrea Banking Group as a significant group pursuant to Article 6(4) of Council Regulation on the Single European Supervisory Mechanism - MVU (Regulation No. 1024/2013) has placed the Parent Company and the banks it controls under its direct supervision.

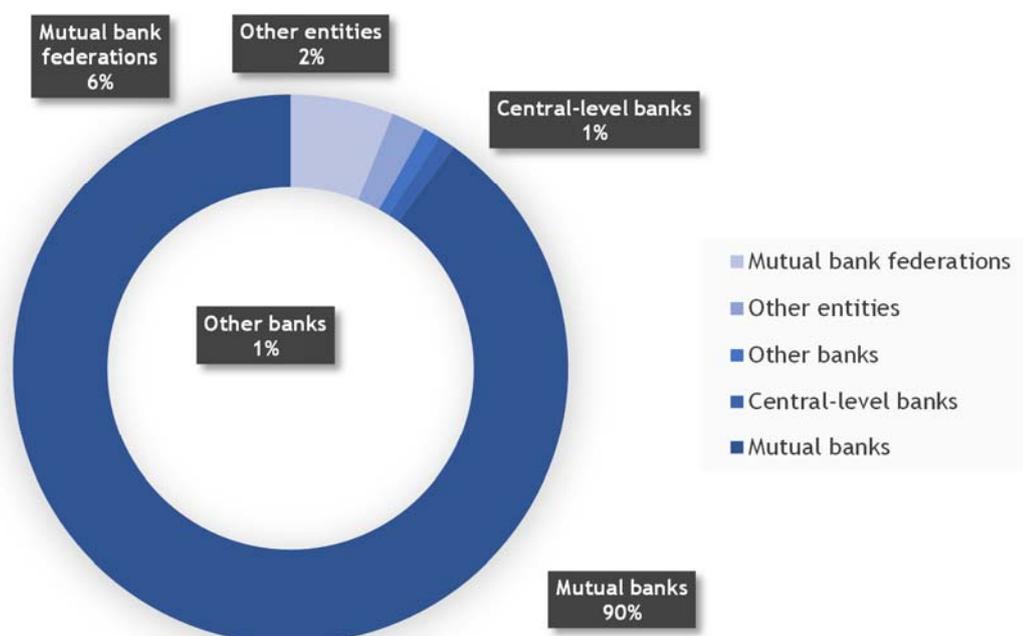
The Iccrea Group is formed by the Parent Company, Iccrea Banca, and by all subsidiaries subject to the management and coordination of the Parent Company, including those in which other entities, whether or not they belong to the mutual banking industry, have an interest.

The Parent Company and the banking, financial and instrumental companies controlled by it constitute the Iccrea Group entered in the Register of Banking Groups maintained by the Bank of Italy.

As at December 31, 2018 the share capital of Iccrea Banca is held by 256 shareholders:

- 230 Banche di Credito Cooperativo e Casse Rurali e Artigiane;
- 2 central-level banks (Cassa Centrale Banca - Credito Cooperativo del Nord Est SpA e Raiffeisen Landesbank Sudtiroil SpA);
- The National Federation, as well as the Regional and Interregional Federations, and the Provincial Federations of Trento and Bolzano;
- 3 Banks other than the mutual banks;
- 5 other entities.

The shareholders of Iccrea Banca



Under the current bylaws, at December 31, 2018, no shareholder may hold more than five percent of the company's share capital, except for Cassa Centrale Banca - Credito Cooperativo del Nord Est SpA, Raiffeisen Landesbank Sudtiroil SpA and the local Federations.

The complexity of the company and the Group, as well as the Parent Company's shareholder structure, has prompted the Group to adopt a traditional governance model, structured into separate bodies for management and control, characterized in particular by a body with strategic supervision and management functions, the Board of Directors, and one exercising control functions, the Board of Auditors. The statutory

audit of the accounts is conducted by external audit firms.

Furthermore, in order to ensure efficient management based on the clear division of duties, the Parent Company's Board of Directors has delegated specific management functions to an Executive Committee.

The members of the Board of Directors and the Board of Auditors are appointed by the Shareholders' Meeting on the basis of the voting mechanism envisaged in the current bylaws. More specifically, the voting system for the appointment of directors provides for the use of competing slates of candidates, one of which is presented by the outgoing Board of Directors and the others are presented by shareholders representing at least 10% of the share capital, in order to foster the active participation of shareholders in the appointment of company officers.

In compliance with current regulations, the Board of Directors determines its optimal size and the qualifications of its members in relation to the need to effectively perform the functions of the administrative body and informs the shareholders of that guidance on the occasion of the election of the Board of Directors.

The bylaws also provide for integrity, experience and independence requirements for the members of the Board of Directors and the Board of Auditors of Iccrea Banca.

Pursuant to the bylaws and in compliance with applicable supervisory regulations, the Parent Company, Iccrea Banca, has established internal Board committees (Appointments Committee, Remuneration Committee and Risk Committee) to support the Parent Company's Board of Directors, performing preliminary assessments, offering advice and making recommendations in their areas of responsibility.

Responsibility for economic, social and environmental issues within the Iccrea Banking Group has been assigned to the Board of Directors and no further attribution of responsibilities in these areas to other bodies is currently envisaged.

The current model is governed by the Corporate Governance Regulation approved by Iccrea Banca SpA's Board of Directors on October 4, 2016. It indicates the Group governance mechanisms and the rules that govern the relationships between the Parent Company and the subsidiaries.

Therefore, the Regulation provides the basic framework for all the group companies and is the basis for standard organizational conduct and rules, which are also consistent with supervisory regulations.

Given the reform of the mutual banking system and the new role that Iccrea Banca has taken on as Parent Company of the Iccrea Mutual Banking Group, its structure and governance model are being revised.

In this regard, management and coordination activity will be weighed based on control that can be exercised and shareholdings.

The material topics of the Iccrea Banking Group

In compliance with the requirements of Legislative Decree 254/2016 and in accordance with the reporting standards of the Global Reporting Initiative (GRI) - specifically the Core option of the 2016 standard - the Iccrea Banking Group carried out in 2017 an initial materiality analysis with the aim of identifying issues relevant to itself and stakeholders that significantly influence its ability to create value in the short, medium and long term.

In this context, "material" topics are those that reflect the significant economic, environmental and social impacts of the organization or that could substantially influence the assessments and decisions of stakeholders. The first phase of the materiality analysis process involved carrying out a benchmarking activity in the financial sector and specific studies and guidelines in the area of sustainability, which led to the identification of approximately 70 material issues for the sector. Subsequently, these issues underwent assessment by the Group's management in order to define their relevance, leading to the identification of 15 material topics for the Group.

In 2018 the Group involved representatives of the Group's management and the employees of the functions directly involved in the process of preparing and defining the Group's materiality matrix for the Consolidated Non-Financial Statement. With regard to this, they were asked to assess the importance of material topics both as spokespersons for the Bank, and as interpreters of the point of view of the stakeholders based on their own professional experience. In addition, the Group also invited representatives of various mutual banks to take part in developing the materiality matrix, asking them to assess the importance of the material topics both as customers and as shareholders of the Iccrea Banking Group. The Group included human rights in its own material topics given the requirements of Legislative Decree 254/2016 and the growing interest of

stakeholders in this area.

The result of the assessments of the material issues described above are shown in the graph below in which the more important issues are placed along two axes:

- the x-axis represents the importance of the aspects to the Group;
- the y-axis represents the importance of the aspects for the Group's main stakeholders;

Materiality matrix of the Iccrea Banking Group (2018)



Risk management processes and the internal control system

The Iccrea Banking Group conducts its activities based on the principles of prudence and containment of the exposure to risks, given the need for stability in the exercise of banking activities and the primary support and service function performed on behalf of the mutual banks and their customers. In line with these principles, the Group pursues its development objectives in line with the needs of the mutual banking system, guaranteeing reliable and sustainable generation of value over time through balanced risk management.

The year 2018 was marked by intense preparation for the launch of the Iccrea Mutual Banking Group, in accordance with the guidelines set out in Law 49/2016. In this regard, many of these initiatives were directed towards establishing the risk appetite framework (RAF) of the forming Group, in order to ensure unified strategic, managerial and technical/operational control for the Group as a whole and operational equilibrium for the individual affiliated banks. The RAF, established and adopted by the Group, is an integral and key part of the Group's overall risk governance; in fact, it is logically and closely intertwined with the strategic processes of governance and control and with the internal stability mechanisms that are unique to the Group.

With the RAF as a base, consistent operational limits were established as part of the comprehensive risk management policies. These constitute, in turn, the internal regulatory expression of the "rules" on assuming and managing risks and are an integral part of the Group's risk management process (RMP). They safeguard the sound and prudent management and support a sustainable implementation of the overall risk strategy.

The Risk Management Process is structured into five phases that represent the general organizational manifestation of the Group's risk assumption and management framework:

- **Risk identification (knowledge):** this requires that each process and/or operational and business activity that involves the assumption or management of risks on an ongoing basis provide for the identification of the underlying types of risk and the factors that drive them. This phase is especially significant at the start of new initiatives, in implementing new strategies (business, organizational

and infrastructural development, etc.) but is also important in existing activities in the present of changes in the surrounding context (market, operational, regulatory, etc.).

- **Assessment/measurement of the identified risks (awareness):** this requires that the level of risk connected with the activities performed be assessed/measured for each of the various types of identified risk. This phase is especially important in understanding the dynamics of the risks involved and in forecasting (or estimating) their developments in relation to developments in the underlying risk drivers and the possibility of adverse events that could jeopardize achievement of expected results or generate losses. All of this is based on a methodological framework for the assessment/measurement of each type of risk assumed and/or managed. It must be defined and implemented consistently with the provisions of internal rules and in compliance with the applicable regulatory framework (and for this purpose recall the role played by company control functions, each in their respective area of responsibility).
- **Risk prevention and attenuation (strategy):** this consists in the ex-ante identification, both at the organization stage and the current execution of operational and business activities, of the possible approaches to preventing and attenuating adverse developments in the risks assumed and/or managed. After a cost/benefit analysis of the risk/return trade-off, this phase involves establishing the actions (or techniques) necessary to prevent the occurrence of adverse internal or external events or to attenuate the impact of an adverse event or development. Such actions are intended to guide the evolution of the possible risk scenarios underlying operations within the risk appetite levels established for the individual operating or business segment.
- **Monitoring and reporting (tracking and control):** this consists of the set of monitoring and ongoing assessment (measurement) activities tracking the dynamic evolution of the risks underlying operating and business activities in each segment, using methods consistent with the established methodological framework, providing for reporting at the frequency and levels established in the applicable internal rules for the segment, and functionally preliminary in terms of timeliness, accuracy and effectiveness to the decision-making process underlying the subsequent management and mitigation phase and for this purpose (recall the role played by company control functions, each in their respective area of responsibility).
- **Risk management and mitigation (reaction and proactivity):** this phase comprises the activities and actions that must be established for each operational and business segment to manage the development of the risks assumed, to mitigate any adverse impacts on expected results in the event of unfavorable actual or expected (estimated) developments, also providing for the constant monitoring of the results of the activities performed. The most important operational and business sectors perform entire corporate processes dedicated to these activities, with corresponding organizational arrangements specifically established for their performance. A critical success factor for the effectiveness of risk management and mitigation activities is the presence of a decision-making process to identify the activities themselves and their evolutionary/corrective maintenance that is soundly based on the results of the monitoring and reporting activities in the previous phase.

The Internal Control System (ICS) operates on the RMP, which must, in general, ensure the completeness, adequacy, functionality (in terms of effectiveness and efficiency) and reliability of the RMP and its consistency with the RAF. The structure of the ICS was designed in line with the Group's organizational structure and takes account of the specific operations and associated risk profiles of each of the companies that comprise the Group.

The ICS also comprises the operation of the independent corporate control functions (CCF), dedicated to ensuring the correct and efficient functioning of the system itself. These include:

- the Compliance function (CCO Area) -second-level control
- the Anti-money laundering function (CAMLO Area) - second-level control;
- the Risk Control function (CRO area) - second-level control;
- the Internal Audit function - third-level control.

Completing the internal control system are the first-level functions, i.e. all the operational and business structures that perform controls on their own business processes and the units dedicated solely to carrying out controls in specific operating environments.

Main non-financial risks identified

Alongside the typical business, financial and commercial risks, which are described in more detail in Chapter 7, "Main risks and uncertainties to which the Iccrea Banking Group is exposed," of the Report on Operations, the Group has identified potential direct and indirect risks on a non-financial nature.

These risks have been identified through a process of mapping the economic, social and environmental issues that could have a significant impact on Group activities, starting with an internal analysis of the institution and supplementing it with information drawn from a market benchmarking exercise and from the publications of international institutions, such as the World Economic Forum (WEF).

The following are the results of the non-financial risk identification and assessment process, highlighting the correlation between the areas provided for in Legislative Decree 254/2016 and the main risks identified, and the Group's material topics.

Area of interest	Material topic	Main risks	Governance
Social – Customers and service	Protection of privacy and personal information	Privacy violation	At present, each Group company addresses the issue individually in their capacity as a Data Controller, in accordance with the regulatory requirements introduced by Regulation (EU) No 2016/679, i.e. the General Data Protection Regulation (GDPR), on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. To protect against these risks, the rules for handling incidents, which includes privacy violation, are being updated to make them compliant with regulatory changes.
	Development of future markets	Loss of data and sensitive information	In the ICT Security sector, in accordance with the "Group Information Security and Information Classification Policies" approved by the Parent Company's Board of Directors, the ICT Security function is responsible for the specialist operational activities relating to IT security and risk management, monitoring any threats. A project to strengthen the monitoring of IT risks, including cyber risk, was also completed, providing for the issue of dedicated insurance policies.
	Customer satisfaction and service quality	Failure to introduce safeguards	The Iccrea Banking Group has adopted a specific regulation on handling complaints by customers of each of the Group companies. Complaint management has been assigned to a Complaints Office that is part of the Compliance Unit, at the individual company level. As for institutional customers, the Group keeps in direct contact with the mutual banks and gathers any reports through annual customer satisfaction surveys. As for the electronic money sector, complaints are handled in accordance with Directive 64/2007 (Payment Service

			Directive 1-"PSD1") and subsequently by Directive 2366/2015 ("PSD2").
	Transparency of information on products and services	Lack of compliance with regulations on product and service transparency	The Group prepares quarterly information sheets on products and services and sheets on the average overall effective rate (AOER) that the mutual banks make available to their customers. In addition, the Group ensures that its investment products comply with the MiFID II on the provision of investment services.
Social - Supply chain	- Responsible supply chain management	Lack of transparency in supplier selection processes	The Group manages the procurement of goods and services on a centralized basis for the companies of the Iccrea Group under the responsibility of the Central Purchasing Unit of BCC Solutions. In addition, a specific mechanism has been set up that requires all suppliers to be registered in the Group Supplier Register, with provision for a formal selection process as per the Group Purchasing Regulations and the Cost Management - Supply Chain rules (again for instrumental goods and services).
Social - Lending practices	Responsible lending	Financing of activities in "controversial" sectors	To protect against potential impacts, the Group does not permit lending to certain sectors of activity deemed "controversial" as per the Code of Ethics and Anti-Money-Laundering Policy.
	Development of products and services with environmental and social purposes	Financing of activities affected by environmental and social issues	With regard to risks in the Corporate segment, the risk of financing activities with critical environmental and social factors is governed by the rules that regulate specific financing activities.
Environment	Managing environmental impact of offices and branches	Inadequate waste management	The Code of Ethics addresses the environmental impact of the activities of the Group companies and condemns any form of damage, deterioration or violation of the provisions of the law concerning the environment, building, urban planning, pollution and illegal disposal of waste.
		Failure to comply with environmental protection regulations	In addition, specific rules of conduct regarding the environment are defined in the Compliance Model 231/01 of each company.
Human resources management	Professional training and development	Missing or inadequate staff training	The "human resources" risk factor is included in the operational risk events defined by the Basel Committee and incorporated in the Regulation (EU) No 575/2013 (CRR). The monitoring of this risk was therefore integrated into the operational risks management framework adopted by the Group. Within the framework itself, risk events are monitored, both ex-ante (assessment of the operating context, risk assessment) and ex-post (loss data collection). On the basis of any findings that emerge, appropriate mitigation actions are proposed to the Human Resource Management department.
	Managing, attracting, developing and retaining talent	Inadequate systems to guarantee equal opportunities in personnel recruitment and recruitment activities	Health and safety risks (Legislative Decree 81/08) are managed on a uniform basis at the Group level, where a specific management system has been

	Workplace health and safety	Accidents and situations of danger for workers	<p>established. The regulatory system to govern these risks provides for:</p> <ul style="list-style-type: none"> - specific arrangements within the Compliance Model 231/01 of each company regarding personnel management (selection, remuneration and incentive system) - specific policies for the selection and formalization of the onboarding of new personnel and intragroup changes.
		Risks in occupational health and safety related to bank personnel and contractors	
	Employee welfare and people care	Lack of protection of and attention to employee welfare	<p>The Group has an Industrial Relations and People Care unit, dedicated to handling People Care policies.</p> <p>In addition, an Easy Welfare IT platform was launched to enable all Group employees to take advantage of flexible benefits.</p> <p>The Group has also created tools and solutions for promoting employee wellbeing and a better work-life balance.</p>
Corruption	Ethics and integrity in the conduct of business	Risks of corruption and money laundering in Group activities	<p>The risk of corruption is regulated by the Compliance Model adopted by the Group pursuant to and for the purposes of Legislative Decree 231/2001.</p> <p>In order to monitor and appropriately manage the risks of money laundering and terrorist financing, the Iccrea Banking Group has issued a "Policy for the governance and management of the risk of money laundering and terrorist financing", which incorporates the guidelines on which the different management models applied within the individual Group companies are based, in compliance with the applicable legislation.</p>

With regard to human rights, specifically with regard to the predicate offenses provided for by Legislative Decree 231/2001, the Group has identified and assessed the areas of crime that could generate a negative, direct or indirect, impact on respect for human rights. As a result of these assessments, the Group did not identify any significant residual risks in these areas. However, it believes that respect for these rights is an essential requirement in the performance of its activities, and for this reason it protects and promotes continuous compliance in this area, including through the application of the Code of Ethics and the Charter of Mutual Banking Values.

Finally, the Group, with the exception of general reputational risk, did not find any significant risks associated with the management of relations with local communities and the territory.

Policies for managing ESG issues

The Iccrea Banking Group has established a codified and formalized internal regulatory system representing a benchmark for all corporate structures. Indeed, such system helps to ensure the certainty and consistency of company organization and the appropriate management of the Group's activities in its various areas of operations. In particular, it consists of "primary rules", which regulate the corporate governance of the Group, the roles and responsibilities of the corporate bodies and units as well as the principles and general

rules of conduct; and "secondary rules", which, in compliance with the roles and responsibilities defined in the primary rules, govern corporate conduct and the operating procedures of activities through the formalization of processes and the specification of operating rules and technical criteria for personnel to follow.

Drawing on the results of the materiality analysis illustrated in Section 4.2, the Group has identified the policies currently implemented to manage the material topics that emerged from that study. In particular, in the course of its business activities, the Iccrea Banking Group has defined specific processes and operating practices that set out governance approaches and responsibilities for the issues considered relevant.

Specifically, in 2018, the Group adopted the "Procedure for preparing the Consolidated Non-Financial Statement", designed to regulate the roles, activities, duties and timetables involved in preparing the document. It describes the phases, activities, roles and duties of the functions involved in the non-financial reporting process. In addition, it contains detailed information on the process for validating non-financial data and information, as well as on how the NFS is prepared and its approval and verification.

Moreover, the mutual banking systems' strong commitment to the principles of sustainable finance are summarized in the Charter of Free, Strong, Democratic Finance (see Section 2.3).

Commitments to stakeholders

Over the years the Iccrea Banking Group has established a sound relationship with its internal and external stakeholders based on the principles of transparency and mutual trust. Having a dialogue with and constantly listening to all stakeholders is, for the Group, fundamental for obtaining relevant information on the economic and social environment of reference and for gaining feedback on its operations in order to continually improve them.

The table below provides an overview of the Group's various stakeholders and highlights the primary general commitments made by the Group to them, as set out in the bylaws, the Code of Ethics and the Charter of Values.

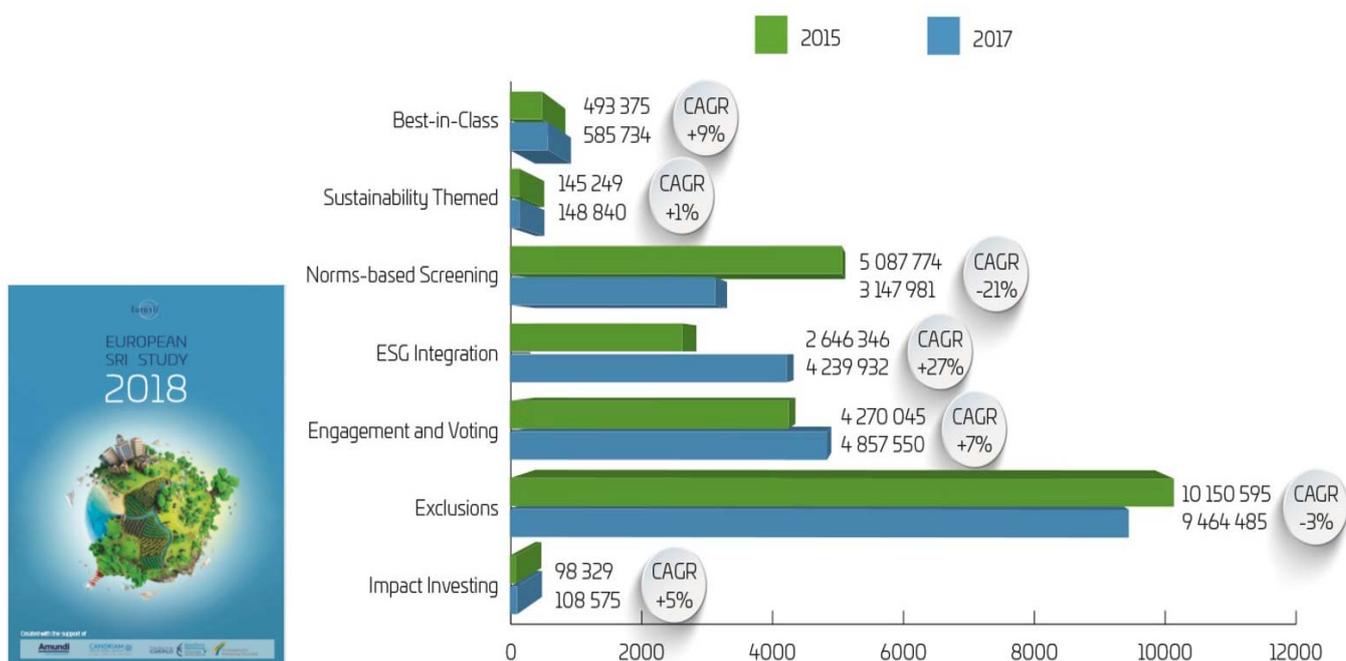
STAKEHOLDERS	
Category	General commitments of the Group
<i>Mutual banks</i>	<ul style="list-style-type: none"> Promote relationships based on the principles of collaboration, professionalism and transparency Support the stability and continuous development of the mutual banks
<i>Customers</i>	<ul style="list-style-type: none"> Promote relationships based on the principles of collaboration, professionalism and transparency Ensure the transparency of banking transactions and financial culture through exhaustive advance information Adopt effective IT security practices Satisfy the financial needs of customers by constantly improving high quality services and products
<i>Iccrea Banking Group personnel</i>	<ul style="list-style-type: none"> Promote staff growth and development, in compliance with the principle of equal opportunity Recognize and enhance the skills of our employees Ensure the protection of the psychological and physical integrity of employees and respect for their moral personality Ensure the dignity of each person and prevent all forms of discrimination
<i>Suppliers</i>	<ul style="list-style-type: none"> Favor local suppliers in order to foster development of the territories in which the Group operates Select suppliers based on the principle of impartiality, avoiding preferential or discriminatory treatment
<i>Territory and local communities</i>	<ul style="list-style-type: none"> Contribute to the enrichment of the economic, intellectual and social heritage of the territory and local communities Support and promote, through charitable contributions, sponsorships and donations, initiatives to support and develop the community
<i>Environment</i>	<ul style="list-style-type: none"> Reduce the environmental impact of our activities through the rational use of resources Promote environmentally responsible behavior by all internal personnel and external partners Purchase goods and services with a lower environmental impact

While the Iccrea Banking Group has not structured a process for the involvement of stakeholders, we have established several channels of communication with them. Constant and direct dialogue with the Italian mutual banks, which are the main channel of contact with ordinary customers as well as with the territories and local communities in which they operate, is key in order to understand their needs and identify potential critical issues.

More specifically, in 2018, the Group invited representatives of the various mutual banks to a meeting to discuss and debate the assessment of the Group's material topics, and to initiate a direct dialogue with them

on non-financial topics. During the meeting, the mutual banks attending pointed to the great importance of the issues of “Ethics and integrity in the conduct of business”, “Customer satisfaction and service quality” and “Community engagement and development”. These topics, in fact, serve as the basis for mutual banking system’s business model, which focuses on sustainable and ethical business, with ongoing improvement of its relationship with its customers, not just with individuals but also with their entire communities. Indeed, the importance attributed to community engagement and development is fully in line with the strong ties that exist between the mutual banks and the territories in which they operate.

In fact, awareness of sustainable finance (and the related environmental, social and economic issues) is rising among stakeholders in the market and it can no longer be ignored. In Europe, in recent years, sustainable and responsible investments (SRI) continue to rise. Below is an overview of the trend in SRI strategies in Europe for 2015-2017.



Source: Eurosif 2018 SRI Study.

Therefore, in keeping with the European commitments on sustainable finance, in September the Iccrea Banking Group organized a workshop entitled “Sustainable Finance and Financial Sustainability”. In addition to employees of Iccrea Banca, representatives of the Bank of Italy, the Forum on Sustainable Finance, ABI, European Sustainable Investment Forum (EUROSIF) and the European Commission’s High-Level Expert Group (HLEG) on Sustainable Finance also took part.

One of the sustainability topics addressed was that of the direct and indirect impact of climate change on the Italian financial system. It has become apparent how these changes are altering production processes and the relative market and, therefore, the process of lending by financial institutions (especially those focusing on local businesses). In recent years, in fact, one of the greatest economic impacts of climate change is the persistent reduction in labor productivity. This clearly has created widespread uncertainty about the climate policies to be defined and implemented.

In particular, it was pointed out that the risk to the climate posed by the emission of greenhouse gases (falling under physical risks) may also increase financial risk. This means that it is necessary to measure and manage new risks, such as transition risk, caused by the decarbonization process, and legal liability risk, tied to attempting to recover losses generated by climate events. In this regard, some of the studies conducted by researchers at the Bank of Italy have focused on “climate intelligence”. Specifically, they measured two statistical relationships: one between hydrogeological risk and credit supply to firms (among the effects of physical risk) and the other between carbon risk and the value of European electricity companies (among the effects of transition risk).

At the international level, in January 2018, the European Commission’s High-Level Expert Group on Sustainable Finance prepared a report in which it formally sets out strategic recommendations, aimed at the financial sector in support of sustainable development. Based on these recommendations, in March 2018, the

Commission presented the “Action Plan: Financing Sustainable Growth” (COM 2018, 97) with the goal of establishing for Europe a position of “global leadership with the move towards sustainable development”.

The Plan contains a series of measures, broken down into proposed primary and secondary legislation, non-legislative measures, communications or guidelines, some of which directly involve the activities of the members, for example:

- integrate sustainability considerations in financial advice;
- foster investment in sustainable projects;
- integrate sustainability in prudential requirements;
- strengthen disclosure and accounting on sustainability issues;
- establish a standard taxonomy for sustainable products.

At the national level, the Italian Observatory on Sustainable Finance (Osservatorio Italiano sulla Finanza Sostenibile - OIFS) formed four working groups focusing on financial centers for sustainability, “green” finance for reindustrialization, the international scope of sustainability and monitoring progress made. In addition, ABI analyzed the impact of climate change on banking.

Of considerable importance in communications with stakeholders, are the Group’s social media channels. Using these instruments, certain Group companies are able to maintain contact, inform and communicate actively with customers and users of the web, encouraging participation and dialogue to ensure transparency and interaction.

Social media channels are also used to gather suggestions and questions on territorial initiatives, institutional initiatives and activities carried out and published.

5 PREVENTING AND COUNTERING CORRUPTION

Compliance with the law, as well as with the provisions of its bylaws, is a principle of fundamental importance and is essential for Iccrea banking Group. The Group undertakes to manage relations with all its stakeholders employing the utmost degree of honesty, transparency and compliance with internal rules and applicable legislation, preventing any conflict between corporate and personal interests.

In order to prevent possible wrongdoing or irresponsible behavior, in compliance with the legislative requirements of Legislative Decree 231/01, the Group companies have prepared a Compliance Model pursuant to and for the purposes of Legislative Decree 231/2001 ("Compliance Model" or simply the "Model"). More specifically, the Model adopted by the Parent Company consists of the following elements:

- Code of Ethics and Conduct: this sets out the principles and ethical values underlying the corporate culture and management philosophy as well as the main rules of conduct to be observed in the performance of its functions and in its internal and external relationships;
- Crime risk mapping matrix: this is a summary document in which all sensitive activities are identified and reported with reference to the commission of the offenses defined in the 231/01 catalogue;
- Behavioral Protocols - General Part: this is a document illustrating the contents of Legislative Decree 231/01, outlining the profile of the Supervisory Body and defining the methods for conducting training and information activities;
- Behavioral Protocols Special Part: this is a document defining the special preventive arrangements and the rules of conduct governing those working in "sensitive" corporate areas, as managers of processes considered potentially exposed to the commission of the identified offenses that could be committed;
- Internal Disciplinary System: this is a document that defines the system of penalties that can be imposed on violators of the provisions of the Compliance Model, in accordance with principles and procedures that comply with the Workers' Statute and the applicable national collective bargaining agreement.

The Group has given responsibility for verifying compliance with the Compliance Model and the Code of Ethics to the Supervisory Body. The Supervisory Body is specifically appointed by the Board of Directors and meets the autonomy and independence requirements provided for in Legislative Decree 231/01. The Group has given the role and functions of the Supervisory Body to the Board of Auditors.

The Banking Group has also launched a long-term project to update and, where necessary, implement a Compliance Model within all the Group companies that adopts a uniform methodological approach but is tailored to the specific businesses and the activities carried out by each company. Alongside this project, the Parent Company also required the subsidiaries to implement the Group's Code of Ethics and Conduct.

Preventing corruption

With regard to corruption offenses under the Model, the Parent Company has performed an analysis of the main processes and activities exposed to the risk of corruption, both between individuals and in relations with government. Following this identification process, the Parent Company established a specific system of responsibilities and controls to govern processes whose activities are potentially exposed to the risk of corruption.

Failure to comply with the provisions of the Model, as well as the values and principles expressed internally in the Code of Ethics, by all the parties involved triggers the application of specific disciplinary sanctions.

Reports of violations or irregularities in the conduct of the parties operating in/for the companies and the Group should be sent in writing via e-mail to the appropriate e-mail address established by the Supervisory Body of each company. In addition, the Group issued the "Policy and process guidelines on internal systems for reporting violations", which envisages the creation of a channel for reporting violations available to all of the Group's collaborators. This channel sends any reports, in written form, to the members of the Reports of Internal Violations Committee.

The entire violation reporting process is duly tracked, and therefore all the documentation is saved in accordance with the provisions on information security and privacy. The persons responsible for receiving, examining and assessing the reports ensure that they are traceable and that all the related documentation

is saved and stored.

These systems are designed so as to ensure that the reporting person's identity is kept confidential and that he/she is protected in accordance with applicable regulations and corporate procedures regarding privacy and the processing of the personal data of all persons involved and/or cited in the reports.

During the year, the Parent Company, together with updating the Models of Iccrea Bancalmpresa and BCC Solutions, also conducted an analysis of the Group's processes and companies related to potential corruption offenses. In particular, 30 processes (about 20% of the total) were analyzed by the Iccrea Banking Group.

Furthermore, providing information and training to all employees on the Group's policies and procedures in this area are key to preventing corruption offenses. Therefore, over the last year the Group completed an e-learning training program, begun in 2017, on anti-corruption topics. It provided more than 860 hours of training to 201 employees.

HOURS OF ANTI-CORRUPTION TRAINING BY GENDER AND LEVEL

	2018			2017		
	Men	Women	Total	Men	Women	Total
Executives	68	-	68	88	4	92
Managers	232	104	336	2,232	848	3,080
Office staff	200	256	456	2,408	2,342	4,732
Total	500	360	860	4,728	3,176	7,904

NUMBER OF EMPLOYEES INVOLVED IN ANTI-CORRUPTION TRAINING BY GENDER AND LEVEL

	2018			2017		
	Men	Women	Total	Men	Women	Total
Executives	17	-	17	22	1	23
Managers	58	26	84	558	212	770
Office staff	50	50	100	602	581	1,183
Total	125	76	201	1,182	794	1,976

PERCENTAGE OF EMPLOYEES INVOLVED IN ANTI-CORRUPTION TRAINING BY GENDER AND LEVEL

	2018			2017		
	Men	Women	Total	Men	Women	Total
Executives	21%	-	20%	38%	33%	38%
Managers	7%	9%	8%	81%	83%	82%
Office staff	7%	8%	8%	86%	89%	87%
Total	8%	8%	8%	82%	87%	84%

In addition, during the year the anti-corruption policies adopted by the Group were communicated to all of the directors of ICCREA Bancalmpresa and of BCC Solutions, as part of the revision of the Model, and to 15 commercial partners of the Group, equal to 1% of the total.

Preventing money laundering

With regard to anti-money-laundering activities, the Iccrea Group has identified an exposure to the risks of money laundering and terrorist financing associated with activities aimed at non-financial parties, such as corporate and retail customers. In this regard, examples include:

- the e-money distribution activities and related payment system services performed by Iccrea Banca;
- the financing activities performed for corporate and retail customers respectively by Iccrea Bancalmpresa, and BCC Lease and BCC Credito Consumo.

At the same time, operations with banking, financial and institutional counterparties, although presenting a lower level of risk, are screened for potential money laundering activity using mechanisms established in Group regulations that include due diligence measures and sample monitoring of transactions.

In order to monitor and appropriately manage the risks of money laundering and terrorist financing, the Iccrea Banking Group has issued a "Policy for the governance and management of the risk of money laundering and terrorist financing", which incorporates the guidelines on which the different management models applied within the individual Group companies are based, in compliance with the applicable legislation.

On the basis of the policy, each Group company has developed a specific body of internal rules that set out

the control activities conducted on the basis of the individual obligations envisaged in Legislative Decree 90/2017, in relation to the operating and distribution model adopted by that company. More specifically, the overall body of rules is made up of a general process standard and secondary rules governing customer due diligence, the conservation and registration of information relevant for anti-money-laundering activities and the reporting of suspicious transactions.

Reports concerning money laundering and terrorist financing offenses are also made in accordance with the procedures set out in the Group policy on internal reporting systems.

The monitoring activities carried out during the year by the Group companies subject to the obligations in this area provided for the analysis of the processes connected with potential money laundering and terrorist financing offenses. In this context, the Group analyzed 21 processes (approximately 20% of the total) for a total of 7 companies, as reported by them to the Parent Company's Anti-Money-Laundering unit.

In parallel with the e-learning training in the anti-corruption filed, the Iccrea Banking Group defined a specific training course on anti-money-laundering issues, for which the Group provided 5,606 hours of training to 1,103 employees.

Furthermore, 20 members of the Board of Directors of Iccrea Banca took part in training and information sessions on anti-money-laundering issues.

HOURS OF ANTI-MONEY LAUNDERING TRAINING BY GENDER AND LEVEL

	2018			2017		
	Men	Women	Total	Men	Women	Total
Executives	56	-	56	140	8	148
Managers	1,526	590	2,116	1,699	677	2,376
Office staff	1,596	1,839	3,435	1,854	2,266	4,120
Total	3,178	2,428	5,606	3,693	2,951	6,644

NUMBER OF EMPLOYEES INVOLVED IN ANTI-MONEY-LAUNDERING TRAINING BY GENDER AND LEVEL

	2018			2017		
	Men	Women	Total	Men	Women	Total
Executives	11	-	11	21	2	23
Managers	288	112	400	310	124	434
Office staff	316	376	692	411	449	860
Total	615	488	1,103	742	575	1,317

6 CUSTOMERS

In carrying out their activities in the three business areas (institutional, corporate and retail), the companies of the Iccrea Banking Group offer financial products and services to the network of mutual banks, to small and medium-sized enterprises and to individuals and families who are customers of the mutual banks. With regard to its customers, the Group seeks to manage, monitor and safeguard the territories it operates in by offering products and services that are capable of meeting the needs of people, enterprises and institutions.

The mutual banks

The institutional segment includes all the companies of the Iccrea Banking Group, which offer products and services to support the operations of the mutual banks.

In this area, the Iccrea Banking Group offers the mutual banks a wide variety of solutions that include financial services, payment systems, securities settlement and administration, debt recovery, facility management, property management, asset management and IT infrastructure management services.

Thanks to this broad range of services, during the year the Group assisted most of the mutual banks that make up the current mutual banking system, operating throughout Italy. At the end of 2018 there were 268 mutual banks served by the Iccrea Banking Group; 142 local banks chose Iccrea as the Parent Company of the nascent Mutual Banking Group (Law 49/2016).

Small and medium-sized enterprises

The corporate segment represents the Group's offer for companies, mainly small and medium-sized enterprises (SMEs), who are the main corporate clients of the mutual banks.

In this segment, working through Iccrea Bancalmpresa and its subsidiaries BCC Factoring and BCC Lease, the Iccrea Banking Group offers Italian SMEs services tailored to the needs of different business sectors, with products ranging from traditional forms of lending to more evolved and innovative financing options.

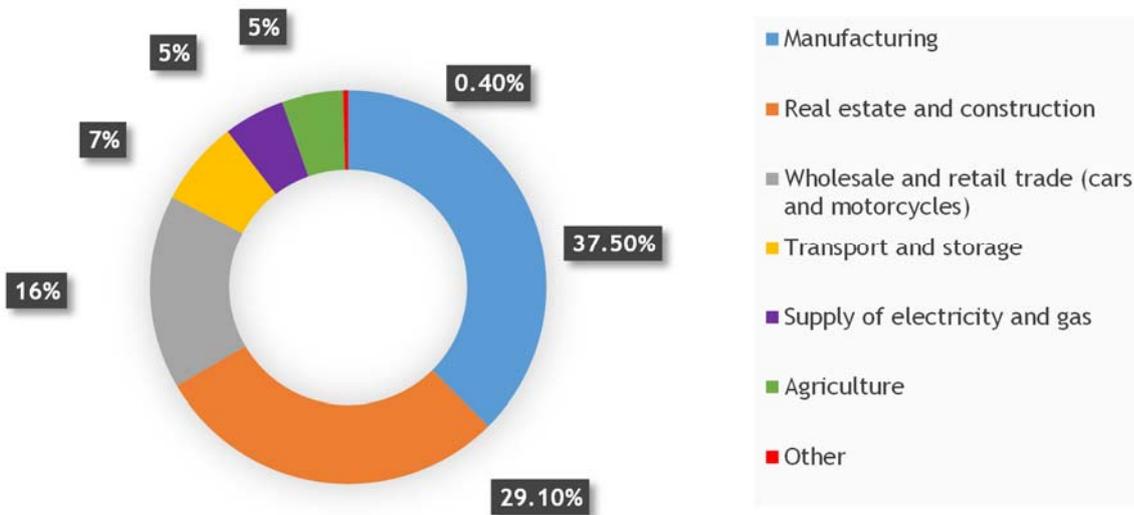
The Group has therefore developed a broad selection of products going from ordinary lending to extraordinary corporate finance. The selection also includes project finance, services for international trade, subsidized financing, mini-bonds, finance and operational leasing and factoring. In addition to financial products and lending, Iccrea Banca, with the help of mutual banks as placement agents, offers its corporate customers specific e-money products (e.g. corporate credit cards, payment acceptance services) and the possibility of selling their goods through the new online platform offered by Ventis.

The corporate segment also includes Banca Mediocredito del Friuli Venezia Giulia, specializing in short- and medium/long-term lending to SMEs operating in its region.

During the 2018, the Banking Group supported 365,934 SMEs¹ with its products and services, up by about 3% over 2017 (when the Group supported 354,869 SMEs).

¹ To ensure the year-on-year comparability of the data, 147,806 Corporate customers of BCC Lease, BCC Vita, BCC Factoring and Banca Mediocredito del Friuli Venezia Giulia SpA were not included because these companies were included in the Group's customers monitoring systems only in 2018.

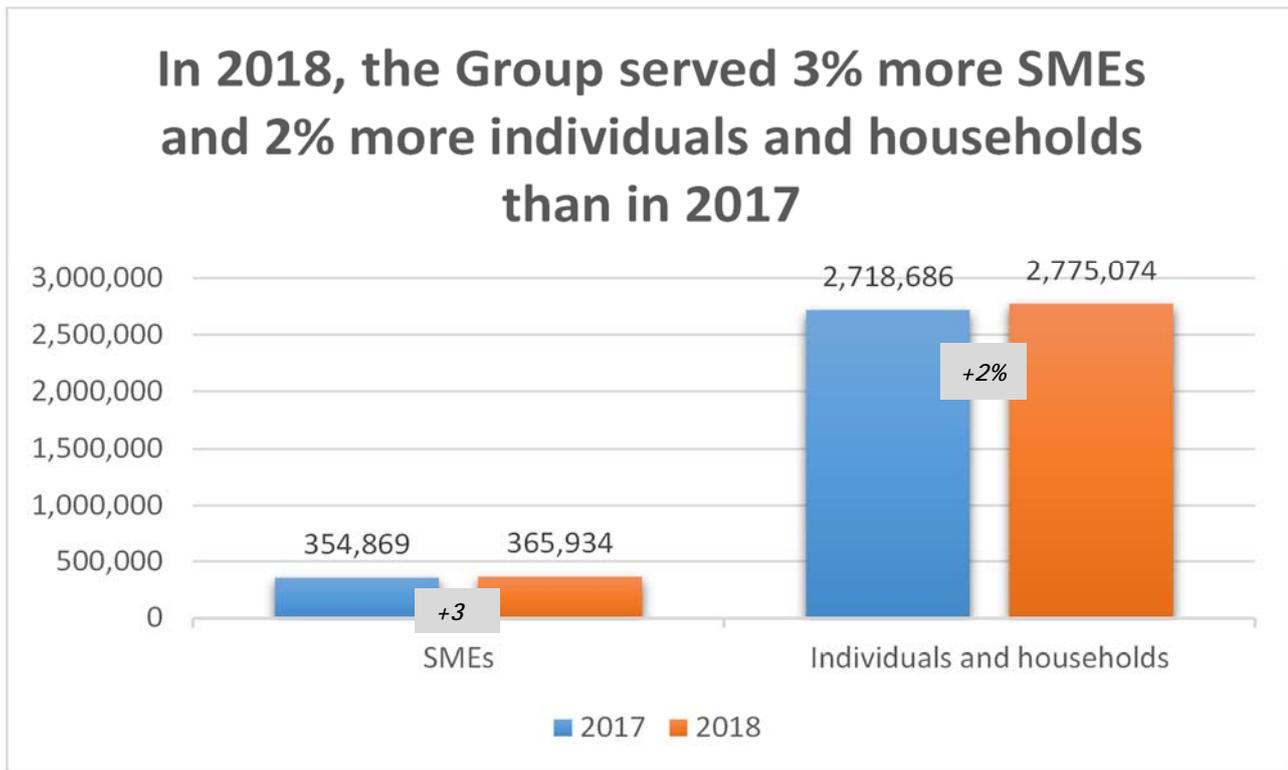
Main sectors served by Iccrea Bancalmpresa in lending



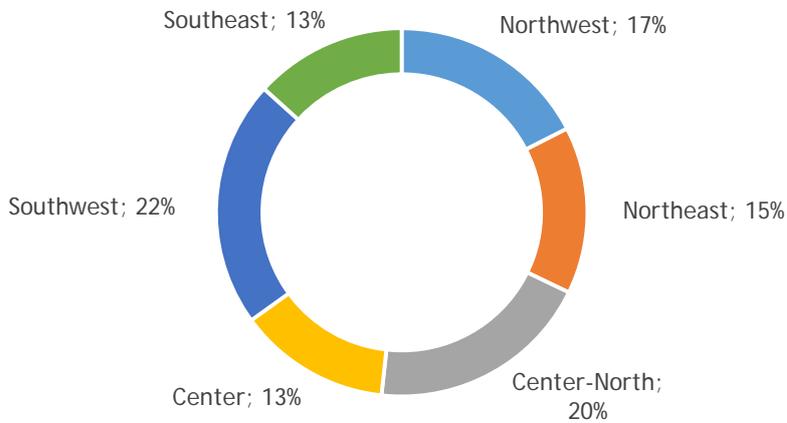
Individuals and families

The retail segment includes the Group's product range for individuals and families who are customers of the mutual banks. The offer includes asset management services, pension and insurance products, personal loans, mortgages and card-based payment systems. BCC Risparmio & Previdenza, BCC Credito al Consumo, BCC Retail, Banca Sviluppo and Iccrea Banca operate in this segment with the help of the mutual banks as placement agents.

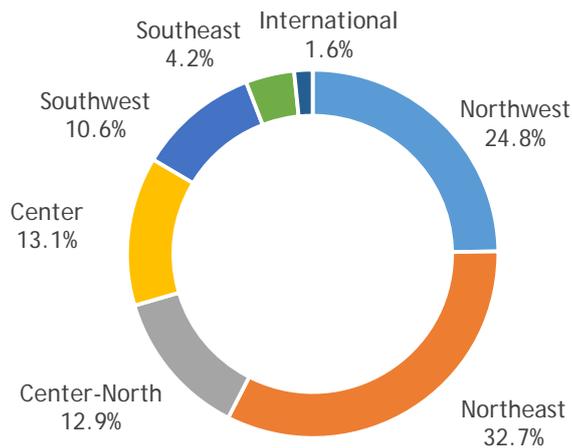
During the year the Group sold products and services to 2,775,074 retail customers, up by about 2% over 2017 (when individual and families served were 2,718,686).



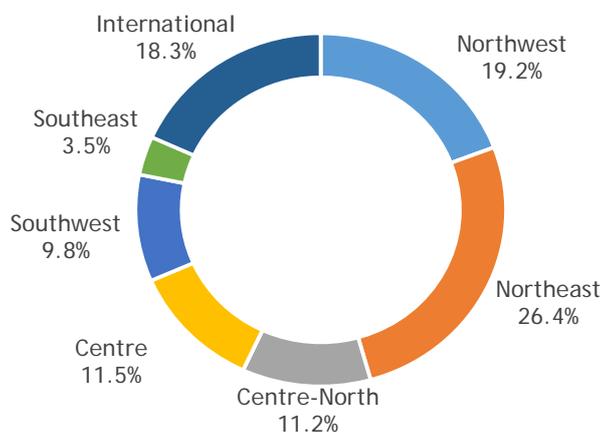
Breakdown of institutional customers by geographical area (2018)*



Breakdown of retail customers by geographical area (2018)*



Breakdown of corporate customers by geographical area (2018)*



*The geographical breakdown of retail and corporate customers does not include joint account holders since, by their very nature, it is not possible to determine to which of these categories they belong.

Value of business lines as a proportion of the Group's consolidated assets

	Institutional	Corporate	Retail
Value of business lines as a percentage of 2018 consolidated assets	71%	23%	6%

Transparency, fairness and quality of service

The Iccrea Banking Group seeks to ensure the satisfaction and appreciation of its customers, responding to their financial needs through the continuous development of quality innovative services and products. The Group also seeks to establish a relationship of mutual trust with the customers of the mutual banks, based on the principles of collaboration, availability, professionalism and transparency, ensuring full compliance with current regulations.

The quality and appropriateness of products and services

The Iccrea Banking Group pays particular attention to the development of financial products and services in order to mitigate the potential regulatory and reputational risks that could be generated by a failure to comply with the applicable regulations on transparency and consumer protection and any divergence of those products and services from the values expressed by the Group.

In this context, the Group companies have their own internal regulations that define the rules for the development of new products and services as well as entry into new markets. In addition, in accordance with the new MiFID, Iccrea Banca rolled out a dedicated Production Governance policy. The model adopted covers all the phases of the production management process, from conception and design to approval (updating its products catalogue) and subsequent distribution. The process also involves ongoing monitoring of whether product distribution meets the real needs of the target audience. Furthermore, in 2018, the Group drew up its corporate policy of Product Oversight Governance (POG) to become compliant with the new regulation in this area, which imposed new requirements on procedures, functions and strategies that the companies must prepare in order to invent and distribute products that satisfy these requirements to one or more target markets and to offer services that meet customers' needs.

Also in 2018, following the entry into force of the Insurance Distribution Directive, the Iccrea Banking Group approved a clear overarching framework for managing insurance product distribution. The Group described this framework in a document entitled "Group policy on the governance and monitoring of insurance products": Specifically, it sets out the main product governance guidelines, common to the entire Group and applicable to the Group companies as "distributors" of others' insurance products, in accordance with the regulation.

BCC Risparmio & Previdenza S.G.R, a Group asset management company, has set up an internal Product Development Committee. This Committee has the task of evaluating - on the basis of market analysis, regulatory developments and the policies and strategic guidelines set by the Parent Company - the advisability of introducing new products, services and lines of business or modifying existing ones. In particular, the Product Development Committee provides the board of directors of the company, which is responsible for the final decision, with all the information and analyses necessary to take informed strategic decisions.

Quality in customer relations

The relationship with institutional, corporate and retail customers is managed by the Iccrea Group through various traditional or digital channels.

For the institutional sector, in 2018 the Group involved mutual bank customers in a customer satisfaction exercise. This activity is managed through a Brand Audit aimed at understanding the quality of the relationship between the various mutual banks and the Iccrea Banking Group, as well as through surveys aimed at recording the degree of customer satisfaction with the products and services offered by the individual Group companies. The current customer satisfaction approach includes seven surveys, composed of fifty questions each, conducted using computer-assisted telephone interviewing (CATI). Each question asks the interviewee for a rating on a scale of 1 (lowest) to 10 (highest).

The survey for 2018 was completed during the reporting year and the results are in the process of being collated; they will be made official in 2019. The initial analysis points to the growing perception, compared with the previous survey, of the Group as solid and reliable and increasingly a partner of the mutual banks. In fact, it encourages the exchange of ideas and opportunities for discussion and comparison and supports the mutual banks in developing their business in their territories. The Group is thus viewed as a partner, more than a mere provider of products and services, that is seen as being strongly committed and as operating ever more as a Group, laying out a single, shared strategy.

In addition, there is growing satisfaction with the Group companies. In particular, the performance of BCC Credito Consumo was good, having already been given the distinction, in 2016, of being the best performer for the products and services offered and its commercial network. Areas for improvement were identified as promptness (intended as speed in resolving problems and proactiveness in developing innovative products and services) and streamlining processes.

With regard to relationship with corporate and retail customers, the Iccrea Banking Group conducts direct engagement activities only in certain cases and relies mainly on the mutual banks in the local community. Businesses, individuals and households, however, can contact all the Group companies through their websites and the main social networks. For some brands such as CartaBCC, the Group is also present on Facebook.

Within the customer relationship, the transparency of the information on products and services is of particular importance, bearing in mind the need to protect the less informed customers who find it more difficult to manage relationships with banks.

In this area, the transparency of products and services is guaranteed by the companies of the Group through the preparation of detailed fact sheets for products and services and the info sheets on the average global effective rates that the mutual banks offer their customers. This applies to all products and services that require it.

Furthermore, for regulatory compliance in the area of investor protection and market structure, the Group companies involved have undertaken a process to ensure compliance with the requirements set out in the new MiFID II and PSD2 regulations. Both of these are in force since January 2018. MiFID II revises and expands the previous regulation (MiFID) on the provision of investment services, introducing greater safeguards to protect investors, with particular attention to disclosure obligations in the placement of financial products. The PSD2 directive on payment services extends the previous framework (PSD) and aims to promote the development of an efficient, secure and competitive payment market by strengthening the protection of users of payment services, supporting innovation and increasing the security of electronic payment services. In particular, in 2018 the Iccrea Banking Group updated the CartaBcc website, with new functions as provided for in the PSD2 regulations, mainly in terms of disclosure to third parties.

Digitization and multichannel systems

Technological and digital development has produced significant changes in the financial sector. The Iccrea Banking Group is committed to seizing the opportunities offered by technological innovation and emerging methods for the distribution of financial services and customer contact services.

This commitment is clearly maintained in compliance with the main national and, above all, Community legislation (e.g. PSD2) in the areas of instant payments, security measures (strong customer authentication) and new operators (so-called "third parties").

With an official document approved by the Board of Directors of the Parent Company, the Iccrea Banking Group has prepared an innovation development program for 2018-2020, envisages achieving major results as early as 2018.

In this delicate phase of the evolution from a second-level banking group to a Mutual Banking Group in 2019, the innovation development program seeks to combine short-term results with long-term structural changes in three macro-dimensions:

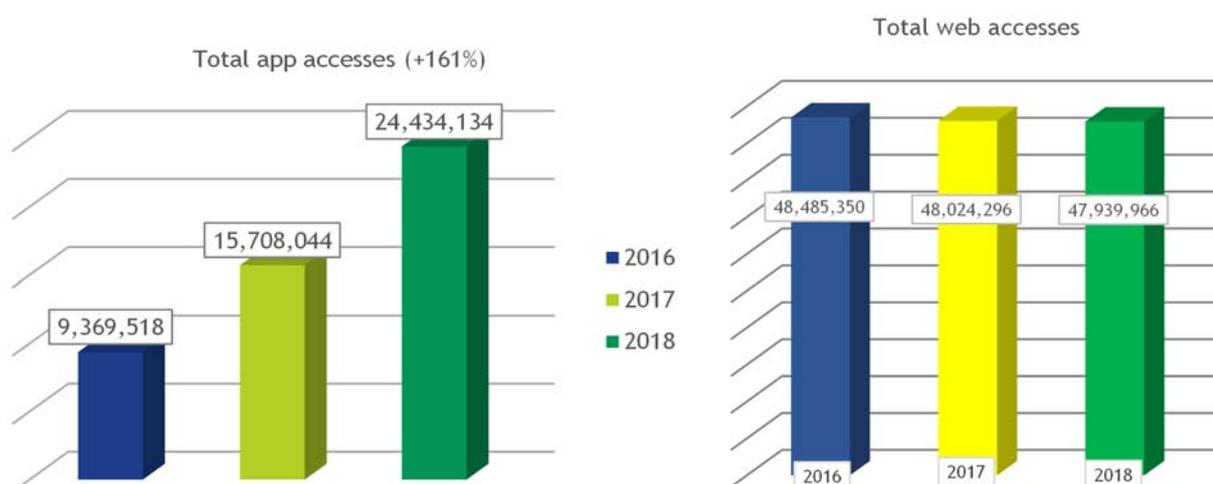
- strengthening and enhancing the concept of proximity by making the digital an additional means of strengthening the relationship with customers through all channels;
- adopting operational approaches and building more efficient and flexible infrastructures through the introduction of new technologies and an architecture open to integration in an open banking context;

- supporting the continuous development of innovation with the introduction of new business models that facilitate the support of local communities and their examples of excellence. In this field, the Group has embarked on a specific process of digitizing its structures in order to exploit the online environment as a communication channel and offer services in synergy with the traditional physical network.

At the same time, the Group has set up a specific service design unit to design an improved digital customer experience, simplifying customer interaction and the ease of navigation on different internet channels. Particular attention was paid during the year to online accessibility for disadvantaged groups, through participation in national and European working groups in which the issues of financial inclusion and digitization are addressed.

On the digital front, the Iccrea Banking Group, through BCC Sistemi Informatici, offers the mutual banks numerous products for the digitization of banking services, in particular:

- **Relax Banking**, an Internet banking tool on a multi-channel platform that allows customers of the BCC to connect and access updated information on their accounts and cards and carry out the main banking transactions directly online. Relax Banking is accessible through the website www.relaxbanking.it, the RelaxBanking Mobile app, available on GooglePlay and AppStore and the m-site accessible for the visually impaired. More specifically, during the 2016-2018 three-year period, there was a 161% increase in the number of accesses to the App against a slight decline in the number of accesses to the Internet portal.



- **Electronic signature**, through which, with the acquisition of the biometric data of the signature, it is possible to manage contractual and accounting documents directly online. This tool allows the mutual banks to obtain advantages in terms of efficiency and environmental impact, thanks to the possibility of eliminating the paper version of documents.
- **Digital payment services**, which include both traditional payment instruments, such as wire transfers and cards, revised and adapted to the needs of speed and simplicity of the "new generation" (e.g. Instant Payment, CartaBCC multifunction app, etc.) and more innovative services.
- With this in mind, Iccrea considered it appropriate to supplement the product range:
 - investing in the "Satispay" smart payment start-up, which enables smartphones and tablets to be used for C2B payments and C2C transfers;
 - launching profitable business partnerships with giants Apple and Samsung to integrate CarteBCC with the Apple Pay and Samsung Pay payment services.
 - developing new solutions for launching e-wallets and digital payment systems. In this regard, during the year the Group collaborated with Garmin to develop "Garmin Pay", a service that allow persons to associate their credit card with their Garmin device.

In addition, the Parent Company decided to invest in the Ventis digital start-up operating in the online sale

of goods and services and now become a key asset in the Iccrea Banking Group's "Open Banking" strategies.

Finally, the Iccrea Banking Group is also participating in Italian and European working groups to monitor and steer legislation in the areas of digital innovation, fintech, privacy and innovative payments in order to prevent the emergence of critical problems and risks for the public and customers and to foster the development of innovative products and services that increase consumer confidence, ease of use, boost competition and, as a result, reduce costs.

Privacy and data protection

In compliance with national regulations on privacy and personal data protection, the Group companies have their own internal rules for the management of privacy and data that specify roles and responsibilities in the management of personal data processing activities.

The security measures adopted by the Group, including "minimum" measures, are diversified according to whether the data processing is being performed with or without the aid of electronic tools or concerns the sensitive or legal information of the interested parties.

The Iccrea Banking Group also periodically updates the privacy documentation and disclosures on the company intranet, on the website and that provided to customers in order to comply with the evolving regulatory framework. Specifically, in 2018, the Group upgraded its personal data management systems to bring them in line with Regulation (EU) 679/2016 (the General Data Protection Regulation - GDPR). It therefore ensures that the Group companies and the mutual banks are in regulatory compliance. The Group set up an email address (dpo@iccrea.bcc.it) through which stakeholders can report any violations of the policy to the Group's Data Protection Officer (DPO) or request additional information on personal data protection.

Consistent with the digital evolution of the banking world and the emergence of new threats to privacy and customer data, the organizational units that are responsible for operational information security activities monitor the related threats in order to ensure the protection of IT resources and the information handled, implementing and verifying IT security processes, safeguards and measures, in line with the Group Policy in this area.

Furthermore, given that global economic, demographic and geopolitical trends, combined with rapid technological progress, are transforming the traditional risks with which international companies used to deal with in the past, in 2017 the Iccrea Banking Group began a project to redesign the "insurance map" aimed at ensuring a consistent, uniform and integrated level of satisfaction and coverage. The project showed the need to implement even more coverage and mitigation measures for cyber risk, an increasingly major threat in terms of impact on corporate reputation. Accordingly, in 2017 the Iccrea Banking Group launched a process to strengthen the tools available to monitor this risk. In particular, this process - based on the results of an in-depth analysis of the business of the various Group companies, the market and the entire technological infrastructure - was intended to implement an insurance coverage system. Such a system is useful to reduce the Group's exposure to losses deriving from events such as, for example, the theft of sensitive data or the interruption of business as a result of the blocking of IT systems.

During 2018, the Iccrea Banking Group did not register any violations of privacy rules. During the course of the year BCC Sistemi Informatici found an operational error that generated only one complaint from a customer of a mutual bank.

During the year there were no cases of loss or theft of sensitive data from the Bank's information systems.

Complaint management

The Iccrea Banking Group has adopted specific rules for the management of customer complaints and has entrusted the management of such complaints to a specific Complaints Office, within the Compliance unit, at each company of the Group.

With regard to complaints from institutional customers, the Group has set up a direct contact channel with the mutual banks.

For corporate and retail customers, the Italian mutual bank network represents the direct contact channel

for the Group and is the initial point of reception for complaints. In the e-money field in particular, the management of complaints from cardholders is governed at the Community level by Directive 64/2007 (PSD1) as amended by Directive 2366/2015 (PSD2) as well as, of course, by the detailed provisions of national legislation and the competent authorities in this area (e.g. the Bank of Italy).

In addition to the physical channel, Iccrea Banca and Iccrea BancalImpresa have created other channels for customers to file a complaint by ordinary mail, e-mail to a specific e-mail address and certified e-mail (PEC).

Please note that all complaints made by customers, whether in written or oral form, are brought to the attention of the Complaints Office, which is required to receive them, register them, assess them and settle them within the time limit established in current legislation.

If the internal channels established by the Bank are not sufficient to resolve disputes, customers can contact the Banking and Financial Ombudsman (ABF), a resolution system for disputes between customers and banks and other intermediaries concerning banking and financial transactions and services.

Responsible and sustainable products

In pursuing its mission to promote the stability and development of the mutual banks, the Group is committed to enriching its product line with financial products linked to eco-sustainable initiatives, territorial development and social inclusion.

Support for enterprises

Regarding products with a social or environmental scope targeted at enterprises, the Group offers different financing solutions for business initiatives that incorporate sustainability. In particular, the Group offers:

- agricultural land loans targeted at persons under 40 years of age. By providing them with the resources needed to start up their farming activity, the Group supports the entry of young farmers into the market;
- financing for the advance on subsidized insurance policies, targeted at crop protection associations. This financing is to ensure the funding of subsidized multi-risk policies for affiliated farms. Up to now, there have been more than 10,000 beneficiaries;
- loans for innovative investment in terms of production aimed at national farms (e.g. high-tech greenhouses). The objective is to ensure the production of quality fruit and vegetable varieties at any time of the year. In this context, in 2017 the Group was the leader of a pooled loan with other mutual banks (BCC Alpi Marittime and Banca TEMA) for a total amount of €11.4 million, destined for the innovative start-up Sfera Società Agricola to help it build a 13-hectare high-tech hydroponic greenhouse. The greenhouse makes maximum use of rainwater, using up to 90% less water than land-based cultivation with a yield of 10 times higher and also provides for a reduction in energy consumption of 70%;
- loans for developing agro-energies (i.e. biogas), also targeted at the nation's farms. The purpose of this loan is to develop plants for producing electricity to be fed into the grid - making use of food and other waste that can be reused for this purpose - with zero impact on the environment.
- Furthermore, specifically for Special Purpose Vehicles (SPVs) - which in most cases are small and medium-sized enterprises - the Group offers the following products:
 - mortgage loans (and other loans secured by collateral) for the construction and management of plants that produce electricity from renewable sources. Up to 2018, more than 40 SPVs have been beneficiaries for a total of about €118 million in loans signed, contributing to the saving of 16.25 tons of CO₂ against 30.6 GWh of electricity produced;
 - signature loans (through bid bonds) for taking part in auctions of the incentives provided by the Energy Services Manager (GSE), of which 3 customers have benefited.

More specifically, during the three-year period 2016-2018, Iccrea BancalImpresa contributed to the development of the following subsidies and guarantees:

- agreement with the European Investment Fund (EIF) for access to the InnovFin guarantee product. This agreement allows the financial intermediary to receive a 50% guarantee on a portfolio of new financing transactions, in favor of SMEs and small midcap companies (companies with up to 499 employees at Group level) focusing on innovation. This tool is part of the European Horizon 2020 program for research and innovation;
- access to interest rate subsidies under the “Sabatini” Law (a subsidy that supports investments to buy or lease machinery, equipment, facilities, capital goods, etc.). Thanks to this service, aimed at the mutual banks’ SME customers, Iccrea Bancalmpresa process the applications indicated below during the 2016-2018 three-year period;
- access to the guarantee of the Central Guarantee Fund on bank loans provided by the mutual banks to SMEs. Iccrea Bancalmpresa, through a specific service, manages the guarantee both directly in favor of SMEs and indirectly on behalf of the affiliated mutual banks.

TRANSACTIONS WITH INNOVATIVE FIRMS

	2018	2017	2016
Amount	€75 million	€73 million	€4.8 million
No. of transactions	77	91	7

PROCESSED INTEREST RATE SUBSIDIES PURSUANT TO THE SABATINI LAW

	2018	2017	2016
Amount of interest subsidized	€28 million	€40 million	€15 million
Total amount	€317 million	€472 million	€200 million
No. of transactions	1,353	1,965	870

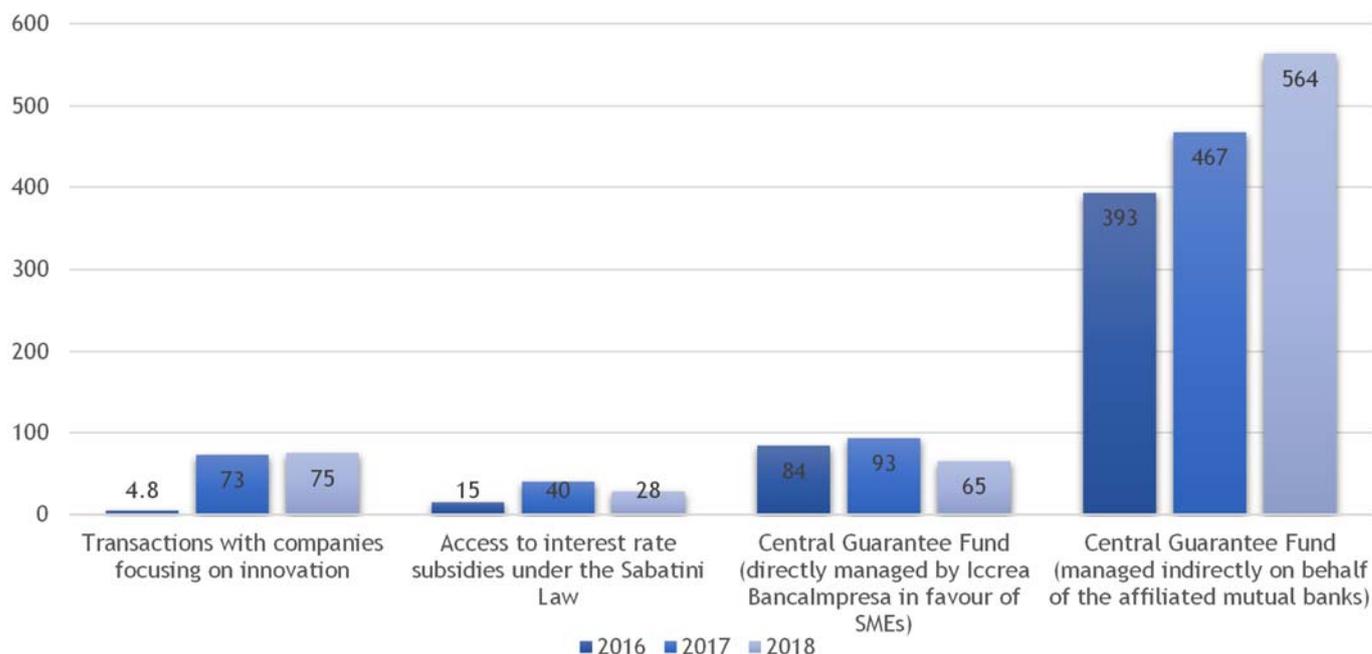
CENTRAL GUARANTEE FUND (granted directly to the SMES)

	2018	2017	2016
Total lent	€65 million	€93 million	€84 million
No. of applications	162	241	230

CENTRAL GUARANTEE FUND (granted to the SMEs on behalf of the participating mutual banks)

Total lent	€564 million	€467 million	€393 million
No. of applications	3,688	3,038	2,910

During the three-year period 2016-2018, there was a steady increase in subsidies granted by Iccrea Bancalmpresa (in millions of euros)

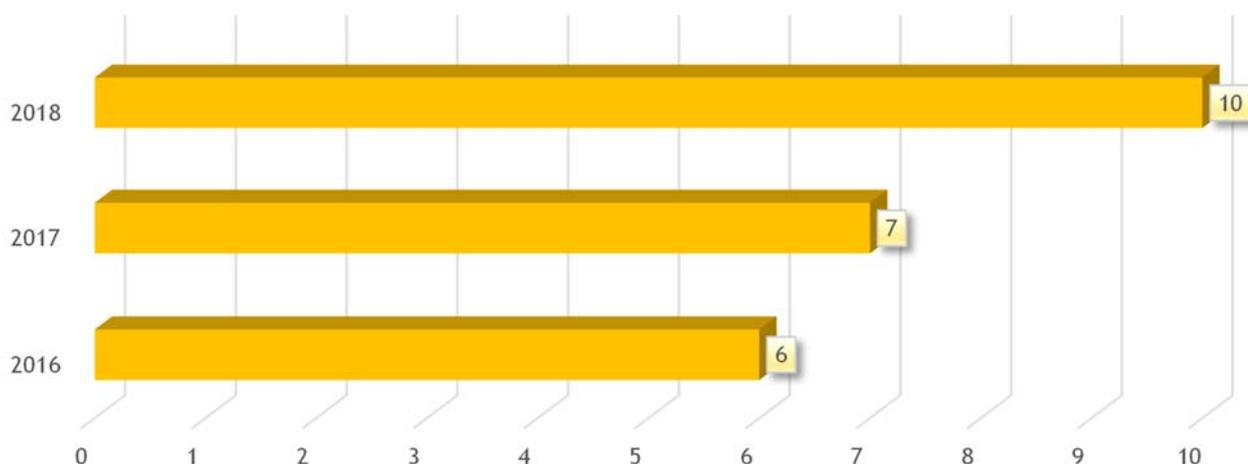


Special mention should be made of the activity performed with regard to the guarantee of the Fund for microcredit transactions, for which a growing trend was recorded in the reference three-year period. Through these entrepreneurial microcredit transactions, the Iccrea Banking Group promotes the development of start-ups by young people.

CENTRAL GUARANTEE FUND FOR MICROCREDIT

	2018	2017	2016
Total lent	€10 million	€7 million	€6 million
No. of applications	438	308	270

Central Guarantee Fund microcredit transactions expanded by about 67% in 2016-2018 (millions of euros)



Support for young people and families

With regard to products designed to meet particular needs of social relevance for families and young people, Iccrea Bancalmpresa has created the housing lease, a specific type of financing intended to support young people and young couples in the purchase of their primary residence. This product offers greater tax benefits and easier access to credit compared with ordinary first-home mortgages. In particular, in 2016, a contract was signed for €1 million, while in 2017, six contracts worth over €1.37 million were signed.

Alongside the housing lease, Iccrea Bancalmpresa is also involved in social housing. These are long-term investments, not meant to respond to emergency situations, but rather for those who are unable to find an appropriate response to their housing needs. Sometimes the targeted customers are able to pay a controlled rent amount, but often they do not meet the requirements for accessing public housing and also have a problem entering the free market. On this front, during the year, the Iccrea Banca Fund invested more than €6 million in Rimini to buy two buildings with 54 social housing units. The goal of the Fund is to increase the stock of social housing available at controlled rents, with a "rent to own" formula, (a type of rental agreement for which the rental instalments can be paid towards the purchase of the property, after a defined period subject to certain terms and conditions) and for sale at lowered prices, to provide support for and integration of public policies to address housing deprivation. The investment incurred by Iccrea Bancalmpresa made it possible to rent and sell 29 residential units in 2018, with another 25 to be added in 2019.

In addition, the Group, through the Crediper Green range of products from BCC Credito Consumo and the CasaRinnovabile project (supported by the non-profit Italian consumer rights group, Altroconsumo, and of which BCC Credito Consumo is a partner - see Chapter 10), households can obtain loans to improve the energy efficiency of their homes, enabling them to cut their energy costs while respecting the environment. They can take advantage of a tax benefit that allows them to take a tax deduction for the costs of efficiency enhancement works on their homes or condominium common areas. Tax deductions can be taken for work to:

- reduce the amount of energy required for heating;
- improve the heat retention of buildings by adding insulation, replacing flooring, windows and doors;
- install solar panels;
- replace heating systems.

In support of the youngest customers, the Group has developed numerous solutions connected to the digital world, especially involving the use of electronic payment cards and payment instruments, including:

- Carta Tasca for minors: a special rechargeable prepaid card designed for teen budgeting, which does not require an associated current account and can be reloaded at any time with the cash immediately available. As well as ensuring young people have access to financial services, this solution is also part of a broader policy of reducing cash in circulation.
- CUS Card: a prepaid card associated with an IBAN that can be used by students as an electronic money instrument and university badge. Over the course of the year over 1,570 students, enrolled at participating universities, signed up for a CUS Card.
- Basic Card Account: a debit card linked to a "Basic Account" with special monetary limits and restrictions on the number of transactions that can be carried out, designed to help young people learn how to use financial instruments while reducing the associated risks. As of today, more than 26,000 customers have chosen the Basic Card Account.
- Ventis card: a credit card created by a commercial partnership with Ventis, aimed at offering millennials (i.e. those born between the beginning of the 1980s and the end of the 1990s) access to the online market. The product is structured to encourage purchases on the Ventis.it portal (with a discount coupon for each new card, cash back for purchases on the Portal, etc.). At present, more than 6,500 Iccrea Banking Group customers have signed up for the Ventis card.

Products offered through the support of the mutual banks

The Iccrea Banking Group has also established considerable synergies with the mutual banks in the areas of financing and other products dedicated to the development of the real economy, through the completion of investment projects to the benefit of the development of the economy and the wellbeing of the territory.

More specifically, the Group entered into financing transactions to support investments in renewable energy. Through the participation of Iccrea Bancalmpresa in a loan pool with some mutual banks, in 2016 the Group contributed to a €20 million loan to the Vallette-Finam Group (the leading group in Italy for the production of renewable energy sources) to support renewable energy and the destined bio-methane. The loan was to be used to carry out a complex operation involving the acquisition of Azienda Agricola Sant'Ilario (a 1,300-hectare farm south of Venice), and the development of a plan for investing in renewable energy by increasing the production of biogas from agricultural biomass. In addition to Iccrea Bancalmpresa, the mutual banks involved in the transaction were BCC Pordenonese, BCC Banca Prealpi, BCC Banca Santo Stefano Credito Cooperativo Martellago Venezia and Cassa Centrale Raiffeisen.

In addition, in 2018, Iccrea Bancalmpresa and Banca di Verona Credito Cooperativo Cadidavid completed a project finance transaction totaling €15 million to finance a portfolio of plants that produce 6.5 MW of electricity from renewables owned by Alps Energy RE Fund, a real estate investment fund managed by Serenissima SGR SpA (an asset management firm headquartered in Verona and owned by La Centrale Finanziaria Generale). The goal is to produce electricity from diversified sources using ground-mounted photovoltaic plants (3.3 MW), biogas plants that produce electricity through the process of anaerobic digestion of biomass plant (3.0 MW) and a small hydroelectric plant. The plants financed should produce 27 million kWh of renewable energy each year, the equivalent of saving 12,000 tons of CO₂ emissions into the atmosphere.

Since 2011, the Group has guaranteed support to the mutual banks in the consumer credit sector through BCC Credito Consumo, which has progressively expanded its offering with competitive online and offline financial services. In particular, thanks to the Affinity agreements (mainly involving businesses, universities, sporting associations, e-commerce, bodies and institutions), the Crediper brand is becoming the one identified with helping certain categories of customers access credit, for example, for public or private bodies interested in offering their members access to online loans with exclusive terms and conditions. Interested customers will be able to consult Crediper's offering of online personal loans featuring promotional terms and conditions and that are highly competitive with the market through the new portal (www.crediper.it).

Beyond providing support to the mutual banking movement by acquiring banks in difficulty, Banca Sviluppo serves as a commercial tool for spreading, with growing strength and synergies, the Group companies' products across territories that differ by culture and banking needs. Specifically, Banca Sviluppo conceived of the "Tomorrow Account", a special account for children from the very young up to 18 years of age. It is designed to meet their present and future needs, through discounted account management fees and access to all services via the internet and a simple App.

Investment products

Within the range of investment products, the Group is engaged in the development and placement of ethical solutions with environmental protection objectives.

During 2017, the Group handled the placement of the following bonds:

World Bank bonds for sustainable development, aimed at promoting projects to reduce poverty and inequality. These initiatives are conducted in compliance with the principles of environmental, social and fiscal sustainability in order to improve the quality of life, protect the environmental heritage and support the development of the education, health and infrastructure sectors. In 2017 the bonds were placed with 35 banks in addition to 46 in 2016;

- **World Bank "green growth" bonds**, issued as part of the "Green Bond" program aimed at promoting projects to protect the environment and combat the effects of climate change. These bonds were placed with 27 banks in 2017.

Also in 2017 the Group participated in the issuance program under which Savings Bonds for the Southern Economy (TREM Bond) may also be issued. The funds raised with the latter must be used for medium-long

term investments in SMEs with registered offices in the regions of Southern Italy or to finance of ethical projects in order to reduce the imbalance between the Southern regions and the rest of the country. In light of this constraint on the allocation of the funds raised, these securities benefit from a flat 5% withholding tax on the interest accrued by the subscribers and therefore represent an opportunity for the holders of the securities to earn a better return. For TREM issues carried out in previous years and still in outstanding, the MEF was sent the notifications of the constraint on the use of the funds necessary to self-certify the incremental flow of medium/long-term lending to SMEs registered in in the previous calendar year to the MEF, which must be at least equal to the funding raised through the issue of the bonds.

In 2018, with the goal of helping the mutual banks access the capital markets, the Group renewed its participation in the European Central Bank's Targeted Longer-Term Refinancing Operations program, designed to offer Eurosystem credit institutions financing with longer maturities to assist then in making loans for the development of the real economy. In particular, the Group, through the formation of the TLTRO Group headed by ICCREA Banca, guarantees access to TLTRO-II for all member mutual banks.

Mutual banks that took part in TLTRO-II		
2016	2017	2018
161	132	125

Responsibility in lending

The Parent Company has established a lending policy that identifies sectors that, while involving legal activities, cannot be financed for ethical reasons. More specifically, these include:

the manufacture, distribution and marketing of weapons (with the exclusion of weapons for sporting or recreational activities), equipment and systems that can be used for military purposes;

the manufacture, distribution and marketing of equipment for betting, video-poker, slot machines and gambling in general;

the manufacture and distribution of material related to pornography (sex shops, pornographic publications, etc.).

Loan applications received from parties operating in these sectors, regardless of the size of the loan requested, the same are brought to the attention of the Credit Committee, which acts as an advisory body in the assessment of transaction eligibility, in order to verify that it does not violate the Bank's ethical policies. The request for an opinion submitted to the Credit Committee must be accompanied by a detailed report by the application manager containing the reasons that prompted the decision to consider the operation eligible. In these cases, the Credit Committee may also act as the body responsible for final approval of the transaction. In 2018, no operations involving the excluded sectors were brought to the attention of the Credit Committee.

7 SUPPORTING LOCAL COMMUNITIES

Contributing to the development and the involvement of the territory and local communities is the primary activity on which the operations of the mutual banking system, to which the Iccrea Banking Group offers its services and support, is based. This commitment is, indeed, clearly set out in the bylaws, Code of Ethics and the Charter of Mutual Banking Values

Support and promotion is also provided through donations and sponsorships. Local activities and initiatives are aimed at safeguarding and enhancing the historical, cultural and natural heritage, the education and training of young people, scientific and university research, humanitarian projects and social and health assistance, and artistic, sporting and recreational initiatives.

More specifically, with regard to charitable donations, Banca Sviluppo has always preferred donating to schools and local cultural events. In 2018, it donated €9,762, down from the two preceding years (€14,857 in 2016 and €14,210 in 2017). Iccrea Bancalmpresa, instead, donated €2,000 to charities and recorded promotional/advertising and entertainment expenses of more than €1.6 million, up 41% compared with 2016 and 70% compared with 2017.

In order to guarantee constant and structured support to the territories, the Senior Management of the Iccrea Banking Group annually establishes a dedicated budget for charitable giving of €4,500 total in the southern territorial area and €7,500 in the north.

Moreover, during the year, the Board of Directors of Iccrea Banca supported a variety of charitable initiatives, which were selected on the basis of:

sector, supporting organizations engaged in humanitarian, healthcare, social assistance and environmental conservation efforts and the protection of cultural heritage;

geographical distribution, supporting organizations that operate both nationally and internationally;

long-term collaborative relationships between the associations supported and the Bank.

In 2018, to support these initiatives, Iccrea Banca donated almost €480 thousand to charity, supporting, specifically:

- Religious and lay associations operating in the city and province of Rome, or in the Lazio region, including Associazione ABC, Caritas, Comunità di Sant'Egidio, Comunità di Capodarco, Assohandicap, Peter Pan Onlus, Sport Senza Frontiere, Fondazione Domenico Tardini, CRI-Gruppo Donatori Sangue, Associazione Italiana Sclerosi Multipla (AISM), Ente Nazionale Sordi, Associazione Kiasso e Associazione Sordomuti XIII Municipio, Migranti e Banche. The Bank donated around €184,000 to these institutions. The figure also includes a contribution of €150,000 to the Blood Donor Area of the Metropolitan Area Committee of Rome of the Italian Red Cross to purchase a three-station bloodmobile to operate at the regional level.
- National and international associations working for intercultural and humanitarian dialog, international cooperation, environmental protection and the restoration or conservation of the historical and artistic heritage. Some €145,000 were disbursed to: Cortile dei Gentili, Doctors Without Borders, Coopermondo (projects in Togo and Colombia), Governatorato dello Stato Città del Vaticano, Lega del Filo d'Oro, Associazione Donatori di Midollo Osseo (ADMO), Legambiente, Federparchi and Fondo Ambiente Italiano (FAI).

In addition, Iccrea Banca donated €20,000 to the Associazione Amici della Normale di Pisa, under a five-year sponsorship plan that began in 2016. This contribution, amounting to €100,000 over five years, is intended to fund the establishment a chair of economic history to be named after President Carlo Azeglio Ciampi, at Palazzo Strozzi in Florence, where an advanced study institute will be established as a center for post-graduate and post-doctoral interdisciplinary education with a special focus on the international perspective.

Each year, the companies of the Iccrea Banking Group also support the CRAL, an employee group that promotes cultural, sporting and recreational initiatives for personnel. More specifically, since 2006 the CRAL has organized a national five-a-side football tournament for the mutual bank sector in a different venue each year. The event involves hundreds of mutual bank employees from all over Italy and interacts directly with the local communities in which the tournament is held. In 2018, the contribution to CRAL from the Group amounted to €118,000.

In 2018, the Group contributed €50,000 to the organization of the mutual banking system's five-a-side football tournament. About 1,200 employees of the Group and the mutual banks took part and the local communities in which the tournament was held benefitted in monetary terms in the amount of around €32,000 (spending on hotels, sports facilities, locally produced products, water, various services, ambulances, restaurants, etc.).

Many initiatives in favor of the local community involve the Iccrea Banking Group indirectly, that is through the direct presence of the mutual banks (customers and directors of the Group) in the territory, since the nature of the Group's governance (second level) does not entail direct contact. The mutual banks, given their unusual governance style, are the ones that conduct business in their territories of responsibility and influence. In fact, at least 95% of the loans given by the mutual banks must stay in their territories (see Section 2.3). Therefore, next year, with the consolidation of the 142 mutual banks, affiliated with the Iccrea Mutual Banking Group, it will be possible to provide more detailed information on the operations and the implementation of programs involving the local community.

Promoting urban development

With the establishment in 2006 of the Iccrea Banking Group headquarters and the then 1,500 employees in the Lucrezia Romana neighborhood, previously largely uninhabited, the Group promoted the urban development of the area concerned, both from a residential and commercial point of view.

Beginning in 2015, BCC Solutions launched a project to develop an area of historical significance owned by the Iccrea Banking Group adjacent to our main offices in Rome.

The project, which was completed in 2018, involved the construction of an archaeological park with an adjoining play area for children, all of which can be enjoyed by the community during the day. The site is located within an excavated archaeological area featuring the ancient route of the Via Latina between the sixth and seventh mile and a necropolis. The initiative involved a collaborative effort between BCC Solutions, the Archaeological Superintendency of Rome and the City of Rome.

In particular, in synergy with the Superintendency and the technical offices of the City of Rome, BCC Solutions implemented a series of measures to prevent potential urban and visitor safety risks, including:

- Creation of paths inside the park using materials selected in agreement with the Superintendency;
- Construction of a new border fence;
- Creation of internal walkways to safely visit the archaeological park;
- Creation of the sidewalk in front of the archaeological park and of the public lighting system for pedestrian safety;
- Installation of a video surveillance system and night lighting inside the park.

Furthermore, BCC Solutions attends and supports the initiatives and activities promoted by the neighborhood committees that are involved with the areas concerned.

With regard to the activities of the corporate bank, during 2018 Iccrea Bancalmpresa continued to manage the JESSICA funds, a program launched in 2012 within the context of the 2007-2013 Regional Operational Programme (POR) as part of the European Regional Development Fund (ERDF) for Sicily and Campania, by entering into specific agreements with the European Investment Bank. The EU resources were used to finance energy efficiency and urban development projects. They were promoted by firms and public entities and are intended to improve the quality of life and urban functions by reducing climate-altering emissions and gradually regenerating destructured urban spaces.

In addition, Iccrea Bancalmpresa consolidated its position in the health and social services sector by signing contracts for a number of financing operations for social and healthcare facilities and has acquired additional projects. The purpose of these projects is to increase the supply of financial services to support the third sector, responding to the needs of the community dictated by the progressive aging of the population and to support the disabled.

Community involvement initiatives

The Iccrea Banking Group sponsored numerous initiatives on a variety of topics, as shown in the following table:

Sponsorships of community and territorial programs	
Environment	<p>The Group participated in Festambiente, the international festival on ecology organized each year by Legambiente. The values promoted by Festambiente 2018 are similar to those of the mutual banking system. Specifically, that edition addressed issues relating to the civil and circular economy, agriculture and sustainable tourism, legality and renewable energy. Iccrea Banca hosted a stand (Civil Economy Pavilion), hosting debates, meetings and entertainment and promoting its projects. It used communication tools, such as banners and totems, and had a 16m² stand staffed by appropriately trained Legambiente personnel.</p> <p>In addition, again with Legambiente, the Group sponsored the awards ceremony for Legambiente's 28th National Tasting Exhibition of Organic and Biodynamic Wines, involving numerous top wine producers across the nation. Iccrea Banca's sponsorship goes to support the most important efforts for promoting and enhancing the project.</p> <p>Finally, it organized with Legambiente, the following conferences: the Ecoforum - "The circular economy of waste" in Rome, attended by 140 persons, and the "School Ecosystem" Forum in Naples, with more than 160 attendees.</p>
Cultural and social issues	<p>The Iccrea Banking Group sponsored #Be Alive, a day dedicated to outdoor sports. Stations were devoted to various sports and champion athletes from the various disciplines interacted with students and visitors, helping them try out and learn different activities, in a day dedicated to physical activity, fun and sharing. The primary goal was to promote sports as a medium of participation and social inclusion as well as being an expression of shared values and equal opportunity for all, through dialogue on the playing field, which transcends the barriers of religion, race, culture, beliefs, gender and ability.</p> <p>Iccrea Banca also sponsored the conference on "The Governance of Tertiary Sector Entities", organized by Dynamo Camp Onlus, allowing its logo to appear on all the communication material for the conference.</p> <p>In addition, the sponsorship of the non-profit initiatives organized by Associazione Culturale Valorizzazione Rango (which is of growing importance since the village of Rango, benefitting from its help, has undergone a revival, leading it to be recognized as the most beautiful village in Italy), has led them to become closely identified with the Group, in part because the mutual banking system has always promoted the territories in which it is located. By becoming a sponsor, Iccrea Banca was able to place its new logo "IB" on the association's new site and on its all communication materials during the Christmas markets season.</p>
Scientific, cultural, artistic and technological dissemination	<p>In 2018, the Group sponsored TEDEX Roma, the cultural event organized in Italy by the international non-profit organization TED (the series of US conferences managed by the non-profit The Sapling Foundation).</p> <p>In addition, in 2018, on the occasion of the Holy See's first-time participation in the Architecture Exhibition of the 2018 Biennale in Venezia, "the Courtyard of the Gentiles", the Pontifical Council for Culture for the dialogue between believers and non-believers, organized an event, the Group's sponsorship of which was for a discussion on the topic of "architecture and spirituality" between four world-famous architects: Stefano Boeri, Mario Botta, Santiago Calatrava and David Chipperfield.</p>

In the environmental field, already in 2017 Iccrea Banca signed an agreement with Legambiente for the promotion of green economy initiatives, energy efficiency, renewable sources, agro-ecology and good environmental practices. The agreement provides for the organization of dissemination and information activities on these issues, including the development of an app, with the collaboration of Legambiente and financial support for the initiatives from Iccrea Banca. The agreement is part of efforts to ensure continuity in the relationship between Legambiente and the world of mutual banking, which began in 2006 with the signing of the first agreement between Legambiente and Federcasse.

Focus on financial education

Involving and developing the territory and the community are an integral part of the Iccrea Banking Group's mission. It organizes training events, conferences and other meetings for local communities, the mutual banks' shareholders and local firms and cooperatives to explain issues of common interest in the area of financial education.

During the year, the Group's Marketing department organized 43 seminars on foreign operations in the banking sector, and on the Central Guarantee Fund. Overall, 52 mutual banks for a total of 3,536 participants took part in the events. Furthermore, the Group organized conferences on microcredit and financing for the energy sector. It also offered training to the mutual banks' corporate customers and the local chapters of the National Council of the Accounting Profession. These initiatives focused on issues related to the 2018 Budget Law ("Sabatini Law", "super-amortization" and "hyper-amortization", Industry 4.0, etc.)

A meeting was arranged in the leasing segment, attended by 60 persons, with the Alba Retailers' Association on the topic of "Leasing for properties under constructions", which represents a real opportunity for municipalities.

Moreover, the Group organized 3 interactive webinars for the mutual banks' customers in order to provide information on individual retirement plans (PIR), the new form of investment introduced in the 2017 Budget Law for Italian residents.

Training on some financial products was provided online through the main social media channels for certain Iccrea Banking Group's products, such as Carta BCC and CrediPer.

Relationships with universities

The Iccrea Banking Group has entered into agreements with various Italian universities and educational institutions to organize internship programs aimed at actively promoting the integration of young people into the world of work. In particular, again in 2018, the Group collaborated with the following institutions:

- Università degli Studi di Roma Tor Vergata;
- Università degli Studi di Roma La Sapienza;
- LUISS - Libera Università Internazionale degli Studi Sociali Guido Carli di Roma;
- Università Commerciale Luigi Bocconi di Milano;
- Università degli Studi di Udine;
- Università di Pisa;
- Università degli Studi di Milano Bicocca;
- Associazione per la Cultura e il Tempo Libero (ACTL) - sportello stage.

8 HUMAN RESOURCE MANAGEMENT

The personnel of the Iccrea Banking Group

People are an indispensable resource for the Iccrea Banking Group as it is thanks to their involvement and their abilities that the Group is able to achieve its corporate objectives. The Group recognizes the central role played by its staff and calls on them to act with professionalism, dedication, loyalty, honesty and a spirit of collaboration in line with the principles and values of the Iccrea Banking Group, which stand on a foundation of ethics and integrity.

In the management of human resources, the Iccrea Banking Group offers all employees the same opportunities with no discrimination in the selection, recruitment, training, management, development and remuneration of personnel. The Group, in fact, fights any kind of discriminatory differentiation, harassment and mobbing of its personnel. It also ensures that personnel can work in an environment that nurtures and improves the capabilities and potential of each one, that promotes diversity and that protects the work-life balance.

The selection and hiring of personnel are carried out by Group companies in compliance with the values of equal opportunity, equality and personal growth. All hiring is conducted in compliance with the provisions of the law, the Workers' Statute and the applicable national collective bargaining agreement.

In its human resource management, the Group has enshrined, the principles of mutual respect, fair treatment and meritocracy within the Code of Ethics and Conduct, as well as the commitment to the fight against any form of favoritism, nepotism or discrimination.

The Iccrea Banking Group believes in the importance of staff engagement with a view to increasing the sense of belonging and continuous development, creating communication initiatives and tools and adapting them to the specific needs of those involved. To this end, the Group undertakes to recognize and leverage the skills of its human resources, providing appropriate training and updating tools.

At the end of 2018, the Group has 2,475 employees, of whom 38% are women. Compared with the previous year, the workforce increased as a result of the need to reorganize the Group. During the year, 171 employees left the company while 290 new employees joined (mostly coming from the mutual banks), with a positive turnover rate of 5%.

EMPLOYEES BY GENDER AND EMPLOYMENT CATEGORY *

Employment category	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	82	5	87	58	3	61	37	31	68
Managers	777	291	1,068	686	255	941	824	653	1,477
Office staff	672	648	1,320	698	656	1,354	683	276	959
Total	1,531	944	2,475	1,442	914	2,356	1,544	960	2,504

*The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG. The figures for the latter, which was acquired in July 2018, will be reported in the data for the Iccrea Banking Group, in Chapter 11 "Appendix".

NEW EMPLOYEES BY GENDER AND AGE GROUP*

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Under 30</i>	19	14	33	17	11	28	11	16	27
<i>Between 30 and 50</i>	129	79	208	16	22	38	86	101	187
<i>Over 50</i>	41	8	49	10	4	14	40	28	68
Total	189	101	290	43	37	80	137	145	282

* The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG. The figures for the latter, which was acquired in July 2018, will be reported in the data for the Iccrea Banking Group, in Chapter 11 "Appendix".

EMPLOYEES LEAVING THE COMPANY BY GENDER AND AGE GROUP *

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Under 30</i>	4	4	8	8	5	13	2	11	13
<i>Between 30 and 50</i>	50	48	98	31	41	72	36	32	68
<i>Over 50</i>	46	19	65	107	36	143	29	10	39
Total	100	71	171	146	82	228	67	53	120

* The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

INBOUND TURNOVER RATE BY GENDER AND AGE GROUP*

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Under 30</i>	48%	45%	46%	53%	39%	47%	30%	52%	40%
<i>Between 30 and 50</i>	16%	13%	15%	2%	4%	3%	10%	15%	13%
<i>Over 50</i>	6%	3%	5%	2%	1%	2%	6%	10%	7%
Total	12%	11%	12%	3%	4%	3%	9%	15%	11%

* The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG. The figures for the latter, which was acquired in July 2018, will be reported in the data for the Iccrea Banking Group, in Chapter 11 "Appendix".

OUTBOUND TURNOVER RATE BY GENDER AND AGE GROUP *

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Under 30</i>	10%	13%	11%	25%	18%	22%	5%	35%	19%
<i>Between 30 and 50</i>	6%	8%	7%	4%	7%	5%	4%	5%	5%
<i>Over 50</i>	7%	6%	7%	17%	13%	15%	4%	4%	4%
Total	7%	8%	7%	10%	9%	10%	4%	6%	5%

* The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

This significant increase in Parent Group staffing is attributable to the need to reinforce the units involved in the formation of the Mutual Banking Group and to absorb the personnel of the national and local federations into the control functions and in the territorial branches, in line with the centrality of human resource within the Group.

Specifically, in 2018, work began to redistribute within Iccrea Banca around 400 employees from the Corporate Control Functions (CCFs), namely Risk Management, Compliance, Audit and Anti-money-laundering, of the local federations and the mutual banks that joined the Mutual Banking Group. This centralization of resources within the Parent Company also addresses the ECB's specific provisions on CCFs, which envisages governance by the holding company.

Almost all employees were hired with open-ended contracts, for an increase of about 6%, in line with that of the rise in total staffing, compared with 2017. In fact, there was a significant decrease of almost 40% in fixed-term contracts, which went from 43 in 2017 to 26 in 2018, against the increase in staffing by 290 new employees in 2018.

In addition, in the reporting period, 115 employees opted for part-time contracts (7% lower than in 2017). Finally, about 60% of employees were between 30 and 50 years of age.

TOTAL NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT CONTRACT AND GENDER*

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Fixed-term contract	12	14	26	19	24	43	13	17	30
Open-ended contract	1,519	930	2,449	1,423	890	2,313	1,531	943	2,474
Total	1,531	944	2,475	1,442	914	2,356	1,544	960	2,504

* The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG. The figures for the latter, which was acquired in July 2018, will be reported in the data for the Iccrea Banking Group, in Chapter 11 "Appendix".

TOTAL NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER*

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-time	1,525	835	2,360	1,433	797	2,230	1,535	834	2,369
Part-time	6	109	115	9	117	126	9	126	135
Total	1,531	944	2,475	1,442	914	2,356	1544	960	2,504

*The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG. The figures for the latter, which was acquired in July 2018, will be reported in the data for the Iccrea Banking Group, in Chapter 11 "Appendix".

TOTAL NUMBER OF EMPLOYEES BY GENDER, EMPLOYMENT CATEGORY AND AGE GROUP *

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	82	5	87	58	3	61	66	3	69
<i>Under 30</i>	-	-	0	-	-	0			0
<i>Between 30 and 50</i>	30	2	32	17	2	19	18	1	19
<i>Over 50</i>	52	3	55	41	1	42	48	2	50
Managers	777	291	1068	686	255	941	727	252	979
<i>Under 30</i>	6	1	7	0	1	1	-	-	0
<i>Between 30 and 50</i>	325	153	478	269	123	392	289	123	412
<i>Over 50</i>	446	137	583	417	131	548	438	129	567
Office staff	672	648	1,320	698	656	1,345	751	705	1456
<i>Under 30</i>	34	30	64	32	27	59	37	31	68
<i>Between 30 and 50</i>	443	458	901	480	475	955	517	529	1,046
<i>Over 50</i>	195	160	355	186	154	340	197	145	342
Total	1,531	944	2,475	1,442	914	2,356	1544	960	2,504

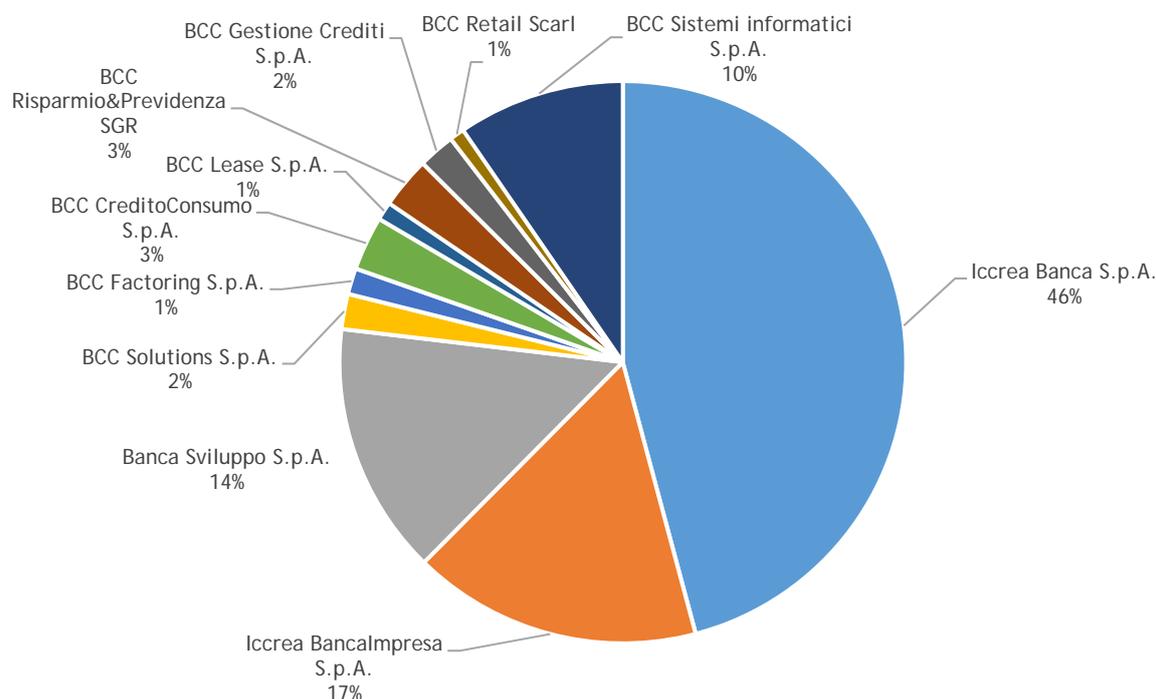
* The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

PERCENTAGE OF EMPLOYEES BY GENDER, EMPLOYMENT CATEGORY AND AGE GROUP *

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	5%	1%	4%	4%	0%	3%	4%	0%	3%
<i>Under 30</i>	0%	0%	0%	0%	0%	0%	0%	0%	0%
<i>Between 30 and 50</i>	2%	0%	1%	3%	0%	2%	1%	0%	1%
<i>Over 50</i>	3%	0%	2%	1%	0%	1%	3%	0%	2%
Managers	51%	31%	43%	48%	28%	40%	47%	26%	39%
<i>Under 30</i>	0%	0%	0%	0%	0%	0%	0%	0%	0%
<i>Between 30 and 50</i>	21%	16%	19%	19%	13%	17%	19%	13%	16%
<i>Over 50</i>	29%	15%	24%	29%	14%	23%	28%	13%	23%
Office staff	44%	69%	53%	48%	72%	57%	49%	73%	58%
<i>Under 30</i>	2%	3%	3%	2%	3%	3%	2%	3%	3%
<i>Between 30 and 50</i>	29%	49%	36%	33%	52%	41%	33%	55%	42%
<i>Over 50</i>	13%	17%	14%	13%	17%	14%	13%	15%	14%

* The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

In order to provide a more complete picture of the Iccrea Banking Group human capital, the following graph shows the distribution of employees by Group company:



*The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti SpA, Ventis S.r.l. and Mediocredito FVG.

The quality of relations with human capital

As expressly set out in the Code of Ethics and Conduct, the Iccrea Banking Group considers respect for individual freedoms and the protection of human rights to be an essential principle.

Furthermore, the Group complies with Law 68/1999 (the purpose of which is to encourage the insertion and integration of persons with disabilities into the workplace by providing support services and through targeted placement) guaranteeing that it meets the required percentage, namely 7%, of the staff being comprised of persons with disabilities. In addition, the Group complies with Article 46 of Legislative Decree 198/2006, for which it is required to prepare the "Biennial Report on gender for companies with more than 100 employees". This document contains detailed information on each of the professional categories, state of affairs regarding recruitments, training and any other factor that makes up the process of the professional development of the human capital.

During events for the entire workforce, such as group meetings and "60minuti con" (themed events that involve various corporate functions), the Group offers interpretation services. The goal is to enable deaf employees to also participate in events. Specifically, Iccrea Banca makes use of qualified persons to offer this service who translate all the speeches given during these events into sign language.

CORPORATE EVENTS DEDICATED TO TOPICS ON DIVERSITY

Date	Event	Duration (in hours)
March 19, 2018	60Minuti con DG	1
May 28, 2018	60Minuti con People Care	1
October 3, 2018	Group meeting	4

For the year 2019, the Group also planned events of "social advertising" on gender-based violence, in collaboration with the Carabinieri. There is also a special psychological counselling program for new mothers to help them return to the workplace and a donation of 100 "baby packages" was made to employees who became new parents.

Group employees can use a dedicated tool - an email box - for written communication to report any incidents of discrimination. Any complaint is brought to the attention of the Group companies, which take appropriate disciplinary measures against those who conduct themselves or abuse their position of authority within the Group in a discriminatory manner. The Group has developed an internal policy for whistleblowing systems to enable staff to report acts and facts that may constitute an infringement of the rules governing banking activity, while ensuring the confidentiality and protection of the personal data of the individual making the report and the individual being reported. Customers, instead, may lodge complaints with the Procurement Department of BCC Solutions, which is also responsible for transmitting reports of violations.

With regard to this, during this year no problems relating to vulnerable groups were found, nor were cases of discrimination or violation of human rights brought to our attention. Furthermore, the Human Resources unit and the trade unions of the Iccrea Banking Group have never reported cases of this kind.

Remuneration of personnel

The Iccrea Banking Group has established a remuneration system designed to attract, motivate and value people with the professional qualities required by the business. This system is structured in accordance with the principles of fairness, transparency and honesty.

The Group periodically reviews its remuneration and incentive policies in compliance with external regulations, through which it ensures that remuneration systems promote the creation of the best conditions for the professional achievement of all employees. It also pursues these goals by enhancing the potential of individuals through effective, fair and transparent processes aimed at promoting, recognizing and rewarding professional skills and their development. Moreover, the remuneration and incentive policies for the Group's key personnel are based on the system for analyzing and assessing positions within the organization. The categories chosen are those indicated in the national collective bargaining agreement for managers and for professionals and the specific ones (again under the national collective bargaining agreement) for the managers of the mutual banks. It should also be noted that the mutual banking system has a special agreement, different from the rest of the banking sector.

The remuneration system implemented by the Iccrea Banking Group consists of a fixed and a variable component. For the fixed component, the Group uses the items envisaged in the national collective bargaining agreement. The variable component, on the other hand, is determined with annual incentive system broken down for the different categories of employee, which provides for the payment of a bonus linked to the achievement of specified performance targets. In addition, the remuneration for employees considered key is determined based on the provisions of the national collective bargaining agreement for the mutual banking system and on the second-level contract (CIA) provided for under current regulations.

This incentive system is intended stimulate people's motivation to achieve the specified improvement objectives and enables the Group to reward the personnel who have contributed most to the achievement of corporate objectives in line with the strategic plans.

BASE SALARY OF WOMEN AS A PROPORTION OF BASE SALARY OF MEN BY EMPLOYMENT CATEGORY *

	2018	2017	2016
Executives	61%	71%	90%
Managers	86%	86%	86%
Office staff	93%	94%	93%

*The figures for base salary are those for gross annual salary (GAS) for each employee category. The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti SpA, Ventis S.r.l. and Mediocredito FVG. The figures for the latter, which was acquired in July 2018, will be reported in the data for the Iccrea Banking Group, in Chapter 11 "Appendix".

AVERAGE SALARY OF WOMEN AS A PROPORTION OF AVERAGE SALARY OF MEN BY EMPLOYMENT CATEGORY *

Employee category	2018	2017	2016
Executives	57%	71%	88%
Managers	85%	86%	86%
Office staff	93%	93%	93%

* The figures for average salary are those for gross annual salary (GAS) for each employee category. The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti SpA, Ventis S.r.l. and Mediocredito FVG. The figures for the latter, which was acquired in July 2018, will be reported in the data for the Iccrea Banking Group, in Chapter 11 "Appendix".

The Iccrea Banking Group's remuneration of executives shows a disparity between women's and men's salaries. Since incentives and bonuses began to be awarded in 2018 (in accordance with the Group's

remuneration and incentive policies)² following the satisfaction of requirements put in place to protect the system, differences between gross annual income and global annual income (i.e. gross annual income plus the variable component) have been recorded. In addition, the increase in average gross annual income and the average global annual income is essentially attributable to increases in staff size and in the compensation package, owing to market position linked to the formation of the Mutual Banking Group. For the remaining personnel, the difference between men's and women's salaries is also due to the greater impact of part-time contracts: about 11% of female employees have a part-time work contract (as opposed to 0.4% of male employees).

Training and development

Faced with the continuous technological evolution of banking services and the transformation of sector regulations, the Group considers the development of skills and professional growth to be of fundamental importance for its employees.

To this end, the Iccrea Banking Group has established a Development and Change Management department at the Parent Company, which among other things is responsible for managing technical-specialist, mandatory and behavioral training activities. It also establishes the training and development policies for personnel, in line with the strategic objectives of the Group and the individual companies and ensures that they are properly adopted. Management of training activities associated with the personal and professional growth of employees is the responsibility of the Human Resource Development unit within the department.

Training and development policies that regard the formation of the Mutual Banking Group are in the process of being drafted. These policies will serve as a point of reference for technical/specialized training and for that relating to corporate culture and soft skills.

- Training initiatives for the employees of the Iccrea Banking Group fall into two main categories, depending on who is organizing the initiative and how it is being managed:
 - Centralized training (in house), which includes all the training and development initiatives planned and delivered internally by the Parent Company.
 - Individual training (out-sourced), which includes courses, conferences, seminars, workshops and webinars organized and delivered by different training organizations outside the Group through their own channels. In this case, the Training unit of the Parent Company acts as an intermediary between the participant and the training organization.

For centralized training, the training plan is prepared following a survey of training needs, in which the managers of the various company departments may provide indications regarding the training areas and the courses deemed useful for the development of their staff. The Training unit analyses the survey data and defines a training plan that is consistent with the strategies set out by top management, with the support of external partners. A calendar is established containing the dates on which the courses chosen are held. More specifically, the unit is responsible for organizing courses, interacting with suppliers and handling the logistical and organizational aspects of each edition.

With regard to human capital development initiatives, the Group defines the annual objectives on a centralized basis, in line with the strategies set out by top management. The Human Resources Development department of Iccrea Banca identifies the recipients and the initiatives to be undertaken. It is also responsible, with the help of external partners, for designing and carrying out programs, which are structured so as to foster integration among the employees of different Group companies.

The Group also monitors training activities and their appropriateness to the needs expressed by employees, using questionnaires to get feedback on course content and organizational aspects. The data are analyzed so that any improvement actions can be taken or as inspiration for any further planning.

In addition, in 2017, the Iccrea Banking Group also implemented an online platform to manage training activities, providing information on courses, enrolment processes, registration of attendance and monitoring of training activities. The platform has an innovative, easy-to-use interface. After a pilot phase that was held from September to October 2017, the new training management process was fully extended to all training

² As specified in the 2018 Remuneration and Incentive Policies: "All variable remuneration awarded, whether up front or deferred, will be conditional on the satisfaction of all the requirements established from year to year, as well as the Group having posted a gross profit. All requirements represent the sound profitability of the Group measured using special indicators that take account of capital, liquidity and value creation levels adjusted for the Group's level of risk".

initiatives.

Two dedicated email addresses were also added, for training and development respectively, to which personnel can write to report problems or anomalies and ask for needed support or clarification.

HOURS OF TRAINING PLANNED BY THE GROUP BY GENDER AND EMPLOYMENT CATEGORY *

	Men	Women	Total
Executives	4,593	243	4,836
Managers	35,070	14,484	49,555
Office staff	27,738	28,240	55,978
Total	67,402	42,967	110,369

*The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

HOURS OF TRAINING PROVIDED BY THE GROUP BY GENDER AND EMPLOYMENT CATEGORY *

	Men	Women	Total
Executives	2,293	132	2,425
Managers	20,032	9,120	29,152
Office staff	17,846	19,230	37,076
Total	40,170	28,482	68,652

* The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG. The data for years 2017 and 2016 are not available since such information was not monitored prior to the launch of the platform.

NUMBER OF EMPLOYEES INVOLVED IN TRAINING ACTIVITIES BY GENDER AND EMPLOYMENT CATEGORY *

	Men	Women	Total
Executives	70	3	73
Managers	717	269	986
Office staff	644	632	1,276
Total	1,431	904	2,335

* The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

AVERAGE NUMBER OF HOURS OF TRAINING BY GENDER AND EMPLOYMENT CATEGORY *

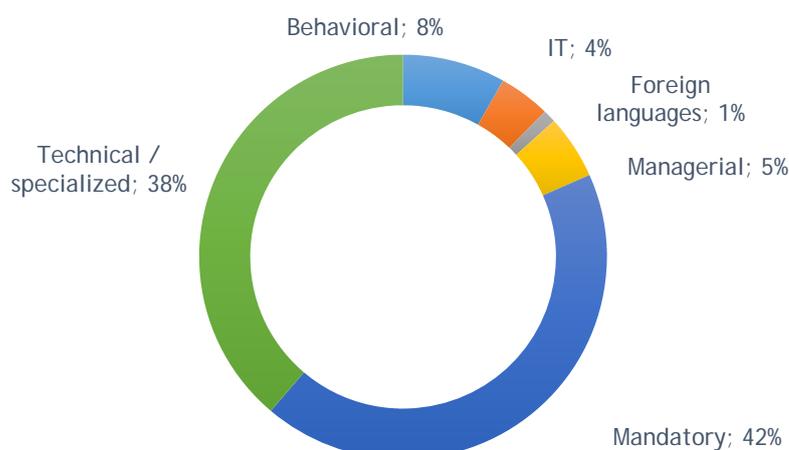
	Men	Women	Total
Executives	28	26	28
Managers	26	31	27
Office staff	27	30	28

* The figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

There were 68,652 training hours provided in 2018, about half in the Professional Areas. The hours were distributed across 6 thematic areas (Behavior, IT, Foreign Languages, Managerial, Mandatory, Technical/Specialized). About two-thirds of the total training hours were dedicated to the Mandatory and Technical/Specialized areas.

In addition to training activities for the entire company, and those for certain staff members, based on specific training needs and regulatory requirements, as necessary, during the year training focused on two particular target audiences: young persons and managers. In fact, the Group is actively engaged in fostering the talents and developing the potential of younger employees. The goal is to groom the next generation of professionals and managers.

Hours of training by type (2018)



A special training program was targeted at managers in order to raise their awareness of the central role of the Group's new values and their importance for improving team management, strengthening their leadership role and a reinforcing a culture of change. In 2018, training focused on the top management, holder of key positions in the Group and other central positions, with a view towards their growth.

A new regulatory provision requires the Board of Directors to prepare appropriate succession plan for the top management positions. Therefore, an analysis was conducted to understand the professional skills of those holding key positions, the skills held that are needed for developing business strategies and the gap that exists between the skills needed and those possessed. Through the assessment of the top management, the Group was able to gain a clearer vision of their skills and therefore prepare targeted development plans for them. These plans made it possible to strengthen the skills deemed critical for the Group's management. Specifically, training, thus defined, will better meet the needs and key skills required to handle the new scenarios, vastly different from those of the past, faced by the new Mutual Banking Group.

HOURS OF ASSESSMENT PROVIDED TO EMPLOYEES BY GENDER AND EMPLOYMENT LEVEL

	Men	Women	Total
Executives	1,188	36	1,224
Managers	1296	396	1,692
Office staff	72	-	72
Total	2,556	432	2,988

NUMBER OF EMPLOYEES THAT TOOK PART IN THE ASSESSMENT BY GENDER AND EMPLOYMENT LEVEL

	Men	Women	Total
Executives	66	2	68
Managers	72	22	94
Office staff	4	-	4
Total	142	24	166

In order to develop the planned training plans, the Group increased the funding for training and development from €1,330,000 in 2017 to about €1,900,000 in 2018, for a roughly 3% increase.

NUMBER OF EMPLOYEES THAT RECEIVED REPORTS ON THE RESULTS AND ON CAREER DEVELOPMENT

	Men	Women	Total
Executives	65	3	68
Managers	597	226	823
Office staff	475	494	969
Total	1,137	723	1,860

*Figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

PERCENTAGE OF EMPLOYEES THAT RECEIVED REPORTS ON THE RESULTS AND ON CAREER DEVELOPMENT DURING THE PERIOD, BY GENDER AND EMPLOYMENT CATEGORY

	Men	Women	Total
Executives	93%	75%	92%
Managers	82%	82%	82%
Office staff	72%	76%	76%
Total	78%	78%	78%

*Figures do not include BCC Beni Immobili S.r.l, FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

An integral part of the skills development activities of Group employees is the annual professional evaluation process. During the year, approximately 78% of employees received a review of their job performance, with the actual percentage of employees undergoing evaluation in each Group company varying from a minimum of 56% to a maximum of 97%.

In 2017, the 360° Feedback tool on the norms of behavior of the Iccrea Banking Group was also introduced in the evaluation process. It enables each person to receive feedback from colleagues, collaborators and their manager. In this latter case, the observations of behavior were incorporated in the professional evaluation form mentioned above.

NORMS OF BEHAVIOUR OF THE ICCREA BANKING GROUP

Cooperation	Openness and attention to others in order to forge a common good together, responsibly and knowingly, going beyond the individual.
Openness	We create opportunities out of the needs of our customers
Excellence	Continuously improving with passion and creative drive
Merit	We recognize valuable contributions.
Courage	Having the heart to achieve change with entrepreneurial accountability.

Caring for employees and people care

Since 2013, the Iccrea Banking Group has developed a system of People care, establishing the Industrial Relations and People Care unit. The system has tools, policies and solutions aimed at promoting the well-being of people and forging a better balance between professional and private life, to be combined in a socially responsible way.

Since 2014 the Group has allowed its employees to convert all or part of their performance bonus into corporate welfare benefits and services. More specifically, for 2018 as well, the Iccrea Banking Group granted open-ended and fixed-term contract employees financial benefits, such as health insurance, disability and invalidity coverage, maternity/paternity benefits and a pension. In addition to these benefits, childcare services and wellbeing and healthy eating programs are planned.

An integral part of this program is the activation of flexible benefit plans, which allow employees to obtain an annual reimbursement for

the expenses incurred for childcare and education services;

the use of use assistance services for elderly relatives;

the repayment of interest on mortgages for the construction, renovation and purchase of primary or secondary homes;

the cost of local public transportation passes.

Moreover, to simplify the use of flexible benefits by all employees, the Group has implemented the Easy Welfare digital platform. More specifically, the benefits were provided in 2018 to one-third of the Group's personnel. In addition, the Iccrea Banking Group anticipates paying a share of employee compensation into two institutions. The first is the National Pension Fund, whose business is geared toward sustainable investment, and the second is the National Mutual Benefit Fund, a healthcare fund set up pursuant to an agreement with the unions arrived at through national collective bargaining, signed by Federcasse. This fund has the institutional purpose of providing its members with health insurance, generally in the form of reimbursement of expenses incurred. Coverage is provided to employees and members of their nuclear families. Employees can remain enrolled, along with family members, even when they retire and for their entire lives. There are 5,905 employees eligible, of which 3,071 are beneficiaries. In 2018 over €1.6 million in reimbursements were paid out against contributions paid in of more than €2.1 million.

Moreover, in December 2018 the Group began to offer insurance counselling at its Rome offices (via Lucrezia Romana and via Carucci). This service, provided in partnership with Marsh and UnipolSai, enables all employees to take advantage of special discounts on insurance products and pay insurance premiums in instalments at zero percent interest.

To better understand its employees' needs, during the year the Group conducted two important surveys:

- a survey on the food services offered on the Group's premises to provide a service that better meets personnel's requirements.
- a survey on the Group's People Care services to offer programs that are better suited to its employees' needs.

Based on these surveys, the Group developed a People Care model that can provide employees with a structured range of solutions regarding sustainable mobility, support for families, promoting better employee health, work-life balance, flexible working hours (hours of leave, vacation days, part-time work, etc.) and solidarity among employees through programs allowing them to donate vacation time to colleagues. In addition, the Group offers employees an integrated system of financing terms and financial contributions that include subsidies for the purpose of public transportation passes, scholarships and other benefits. In particular, through the Corporate Benefits portal the Group provides employees access to special deals with more than 150 vendors of various sort.

Beginning in 2016, the Mobility Management function was established with the appointment of a Group Mobility Manager to implement a range of initiatives for public transport and carpooling. Specifically, in 2018, the Carpooling 2.0 project was launched, enabling employees to form a group, composed of 2 or more co-workers, for whom one of five special parking spots is reserved in the Lucrezia Romana company carpark. In addition, there is an external pole station and three wall stations located in the carparks of buildings A, B

and C of the Lucrezia Romana complex. The purpose is to encourage e-mobility (for further information on this see the environmental programs described in Section 10.1 of the NFS).

To support the families of employees, the Group set up a company nursery in 2017. This structure, adjacent to the Lucrezia Romana complex, can accommodate up to 30 children, staffed by highly qualified educators. The Italian Model United Nations (IMUN) project, first offered in 2017, was repeated in 2018. By paying for the program registration costs, Iccrea Banking Group offers its employees' children the possibility to take part for free in the IMUN project, the largest simulation of diplomatic processes in Italy for secondary school students. In 2018 the Group funded 100 registrations for IMUN, in addition to 100 the year prior, giving the three best students grants to take part in the Global Citizens Model United Nations (GCMUN), held in New York at the UN's headquarters in the Crystal Palace.

To help families, the Group provides an active listening space at its Rome, Milan and Pioltello offices. This is a place where employees can receive counselling from a psychologist on problems they might be encountering in their personal or professional lives, or to obtain information on international adoption and receive advice and support. As from January 2019, the service will be expanded to offer counselling to new parents, targeted at those with children under 3 years of age. The service is free, offered in partnership with child aid organization CIAI (Centro Italiano Aiuti all'Infanzia).

With regard to its employees' health and wellbeing, during the year the Group sponsored days devoted to preventing and screening for melanoma (130 free screening provided) and prostate cancer (286 free screenings provided). Again in the spirit of prevention, in 2018 the Group offered its employees the chance to receive the anti-flu vaccine.

The Group supports cultural activities through the Bancariochilegge! service, launched in 2016, which enables employees to borrow for free digital books from an online library that is constantly adding new selections.

In addition, in 2018 the Group donated 340 books from 3 different authors to its employees, during the "In-company Stories and Authors" events. In particular, it organized two events during the year featuring Massimo Cuomo, who presented the book "Bellissimo", and Fabio Stassi, who spoke about "L'ultimo ballo di Charlot". The events were attended by 120 employees.

As regards work flexibility and solutions to reconcile private and working life, in 2017 the Group launched an experimental project for the dissemination of smart working solutions among its employees, which has now taken effect. Employees can perform their work from home, in specially appointed spaces onsite, in other company offices or from other locations as agreed in advance. Flexible working, which places the person at its heart, represents a profound cultural shift, reinforcing the relationship of mutual trust and accountability between supervisors and staff, between company and employee. Employees whose profiles make smart working feasible can take part on a voluntary basis and can work from a different location for three, four or five days per week. In 2017, there were 69 smart working employees, representing 2.9% of the total workforce, while in 2018 the number was 136, or 5.5%.

Once again in 2018 the Group offered "solidarity holidays", to support employees suffering from serious medical conditions or who need leave to assist family members. Under this system, Iccrea Banking Group employees can voluntarily transfer part of their holiday entitlement to support their colleagues in need. In addition, for each voluntary donation the company contributes to the solidarity holiday pool increasing by 50% the days transferred by employees.

Other programs included "Running for Good", carried out in partnership with "Sports Without Borders". In 2018, some of the Group's employees took part in the 2018 Milan Marathon. The Group was represented in the event by 6 marathon runners and 84 other runners, who formed 23 relays, with the participation of 8 young migrants. The event was held to raise money for charity, donating €9,557 Euro to "Rete del Dono", through personal fundraising by employees and a contribution from the Group.

Iccrea Banking Group also organized the "ConViva - Awareness, vision, value" project, consisting of single-topic meetings intended to highlight discontinuity and the culture of change. The topics addressed during the year were: "The team and performance: Merit at the service of the company", "Cooperation and the importance of teamwork", "Changing perspective, the path to Excellence" and "Founder's mindset: values and mistakes of an imperfect - but true - story". Overall 354 employees attended these events. ConViva involves discussions by one or more speakers over the course of about an hour and a half. The event is usually held in the late afternoon and, at the end, there is time for participants to informally mingle. Exclusive video interviews are also produced for each event to be shared on the Group's social media channels (also available on HuBa, the Group's smart intranet).

Occupational health and safety

The Iccrea Banking Group, aware of the importance of guaranteeing optimal health and safety conditions in the workplace, is constantly engaged in promoting and encouraging responsible behavior among its employees and in preserving the health and safety of all staff and third parties present on our premises.

Recently, a major renovation of the Lucrezia Romana head office was carried out, housing more than 2,470 employees in a "citadel" designed to ensure compliance with anti-seismic regulations, by eco-sustainable and preserve the safety of workers.

All employees are required to collaborate, to the extent to which they are responsible, in maintaining a healthy, safe and efficient work environment, observing internal rules on workplace safety, as provided for by Legislative Decree 81/08. In particular, they must not act in a manner that could jeopardize the safety of their colleagues or other people or create a risk of damage to property or plant. They are required to use company assets, premises, furnishings, infrastructures and their work equipment with diligence and care.

The Group has created an Occupational Health and Safety Management System in accordance with UNI INAIL guidelines, with certification of conformity from an external organization. Beginning in 2016, this system, which was initially designed for the individual companies, was extended to the Group level. Banca Sviluppo, BCC Sistemi Informatici, Ventis and Mediocredito FVG currently do not fall within the scope of the system.

In order to harmonize and direct activities related to occupational health and safety at each company within the Group's Occupational Health and Safety Management System, the Intragroup Committee for Occupational Health and Safety was set up, chaired by the health and safety sub-delegate of BCC Solutions, with the participation of the health and safety sub-delegates of the other Group companies and the Occupational Health and Safety Management System Officers of the companies involved.

In accordance with the Occupational Health and Safety Management System, the Group, as required by law, has designated the people responsible for managing the health and safety of workers and has assigned health surveillance activities to physicians present in the different companies, who are responsible for the ongoing monitoring of the health of employees and the hygiene of workplace premises.

Furthermore, in accordance with the applicable regulations, the Group has designated the Worker Safety Representatives, who are involved, for all companies, in the processes of risk assessment and the development of prevention and training processes.

Although the Group has determined workers are exposed to a low level of risk, it adopts a preventive approach through an annual plan of improvement measures, which comprises the workplace safety measures that the various companies are required to implement.

In 2018, 30 injuries were recorded, of which the majority were incurred travelling to or from work, with one fatal incident.

INJURIES AND INJURY RATES *

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of injuries	13	17	30	15	15	30	16	10	26
At work	3	5	8	4	5	9	6	4	10
Travelling to and from work	10	12	22	11	10	21	10	6	16
Fatal accidents	1	-	1	-	-	-	-	-	-
At work	-	-	-	-	-	-	-	-	-
Travelling to and from work	1	-	1	-	-	-	-	-	-
Cases of occupational disease	-	-	-	-	1	1	-	-	-
Days lost to injuries	245	401	646	397	374	772	357	270	627
At work	70	266	336	106	180	286	98	110	208
Travelling to and from work	175	135	311	291	195	486	259	160	419
Injury rate	5.760	13.275	8.481	5.954	11.124	7.757	6.79	7.89	7.17
Lost day rate	0.109	0.313	0.183	0.158	0.278	0.200	0.15	0.21	0.17
Occupational disease rate	-	-	-	-	1.48	0.52	-	-	-

*The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

Notes on the calculation of rates:

Lost day rate (Number of days lost to injuries / Total number of hours worked) *1,000

Injury rate (IR): (Total number of injuries / Total number of hours worked) *1,000,000

Occupational disease rate (ODR): (Total number of cases of occupational diseases / Total number of hours worked) *200,000

EMPLOYEE ABSENTEEISM BY TYPE * (in days)

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Illness	8.937	6.888	15.825	8.830	7.668	16.498	234	2.688	2.921
Injury	245	401	646	397	374	772	2.676	2.025	4.700
Stress	-	-	-	-	-	-	-	-	-
Absentee rate	3%	3%	3%	2%	4%	3%	1%	2%	1%

*The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A, Ventis S.r.l. and Mediocredito FVG.

As regard contractors, in 2018 the Group reported 2 accidents, of which one travel related, and no fatal accidents.

Trade union relations

In the Iccrea Banking Group, relations with trade unions are inspired by the principles of honest dealing and respect for roles, as well as compliance with the applicable rules. With the goal of achieving a growing consensus for growth, competitiveness and sustainable employment, the Industrial Relations and People Care unit is also responsible for these relations with trade unions.

After a long period of considerable conflict, 2017 saw the re-establishment of a healthy and constructive dialogue with the union, in which the negotiators sought out shared solutions to occupational, professional, economic and regulatory issues for the benefit of personnel, keeping abreast of the reorganization of the operational and corporate structures of our Group. In addition, conflict was contained by applying the discussion and settlement procedures provided by legislation (Law 300/1970), the labor contract (Articles 11-bis and 22 of the Federcasse National Collective Bargaining Agreement) and by the supplemental contracts for the Group companies. More specifically, the above articles and the supplemental contracts for the companies specify the notice period and the consultation and negotiation procedures, providing for a minimum period of two weeks' notice for communicating significant organizational changes.

In 2017 the impact on structural personnel costs of the application of the trade union agreement of July 26, 2016 made itself felt, with 93 employees - 12 of whom executives - receiving support under the Mutual Bank Solidarity Fund. In addition, during the reporting year, all employees were covered by collective bargaining agreements.

From December 2017, an agreement on the establishment of the Group Trade Union Delegation has been in force, which permits a more streamlined and effective management of trade union relations.

In 2017, the company agreed a range of innovative solutions with the trade unions with a view to acknowledging the greater organizational and work commitment required from personnel under the 2016-2019 cost reduction plan. An agreement was reached on the payment of the performance bonus, based on an amount envisaged under the cost reduction plan and tied to developments in the consolidated gross operating margin. The amount awarded can also be used through the mechanisms provided for in the flexible benefit system, i.e. in the form of reimbursements (see Section 8.4).

The Iccrea Banking Group actively involves worker representatives in the health and safety issues envisaged by Legislative Decree 81/08. This collaborative effort meant that it was not necessary for the Group to reach other specific agreements with the trade unions on occupational health and safety issues.

9 SUPPLY CHAIN MANAGEMENT

The Group has prepared specific internal rules to govern the process of managing suppliers and procuring goods and services for the Group companies, in compliance with the applicable legislation in this area (Legislative Decree 231/01, privacy, anti-money laundering, “relevant persons”).

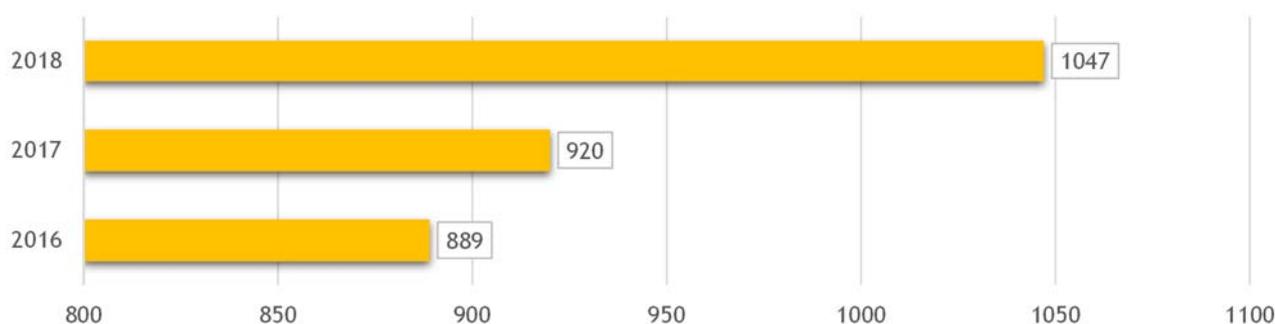
The process for evaluating and selecting Iccrea Group suppliers is based on a careful technical and economic analysis of a variety of parameters, such as the analysis of the product, the offer, pricing, the technical and professional appropriateness, competence and reliability, and service quality. In the selection process, the Group also assesses the suppliers’ possession of certifications, such as ISO 14000 (which provides managerial tools for the control and improvement of parameters in terms of organization and related environmental impacts) and ISO 18000 (with which management tools are acquired to protect the worker health and safety).

In specific cases provided for in the relevant internal rules, the Iccrea Banking Group verifies that the supplier’s officers meet integrity and reputability requirements. In the Code of Ethics and Conduct, the Group emphasizes, among other things, the importance of ensuring that relations with suppliers are conducted in compliance with the law and current internal rules. To this end, the Group makes all suppliers aware of the contents of the Code and requires compliance with the principles expressed in it. Any violation of the general principles of the Code by the suppliers is grounds for exercising the termination clauses included in the individual supply contracts.

In general terms, the Group avails itself of suppliers to provide services, products and instruments necessary to pursue and enhance the efficiency of banking activities, property management, ICT activities and services, logistics, marketing and personnel.

During 2018, the Group involved 1,047 suppliers in its procurement processes for goods and services. This represented an increase of approximately 14% compared with 2017 (when suppliers numbered 9203) and of about 18% over 2016 (when suppliers were 8894). The share of suppliers resident in Italy and in the Bank’s main areas of operation⁴ came to 95%, from 91% in 2017 and 2016.

In 2018, suppliers involved in the procurement process for goods and services increased by about 14% compared with 2017, and by about 18% over 2016. The share of Italian suppliers increased of about 4% over the previous years.



³ The data shown differs from that reported in the 2017 NFS as the method for identifying the suppliers used by the Group has been refined.

⁴ For a precise definition of the Group areas of operation, see the section “The local network” at page 9 of this document.

10 ENVIRONMENT

The environmental impact of offices and branches

The Iccrea Banking Group pays particular attention to environmental protection issues, including with regard to the opportunities for savings that can be pursued through energy efficiency measures, compliance with sector regulations, and coherence with the objectives defined in the Strategic Plan.

The Group considers the environmental heritage to be a public good whose protection requires not only full compliance with the relevant legislative requirements, but also the commitment of all personnel for the continuous improvement of services. Therefore it adopts all measures aimed at reducing the environmental impact of its activities, through the rational use of resources, the search for innovative and effective solutions, reducing the impact of its activities, the promotion of responsible attention by all internal and external actors.

More specifically, the environmental management of the Group's buildings is entrusted to BCC Solutions, which manages real estate and logistics services for Group companies. The company is responsible for the management of real estate projects involving the Group's premises, ensuring the necessary quality of real estate and logistics services.

During 2017 and 2018, we continued the restyling and energy efficiency upgrade begun in 2015 and managed by BCC Solutions, of the external facades of the various buildings that make up the Group's Via Lucrezia Romana complex in Rome. In addition to achieving a 67% reduction in the heat transfer of the façade, the project also saw the construction of a photovoltaic system for internal power generation (for more details, see the following table). The Iccrea Banking Group's renovation and energy efficiency project at the Rome offices enabled the Parent Company to win the 2017 Legambiente Prize "Good Practices for Renewable Sources and Energy Efficiency". Moreover, in 2018, the Group sponsored the annual Legambiente Festival, dedicated to the civil and circular economy, agriculture and sustainable tourism, legality and renewable energy (see Section 7 of the Statement).

Another initiative of the Group to support limiting greenhouse gas emissions involved the launch of the Group "Car Policy". This sets out the general principles for the assignment, use and management of the cars of the Group's vehicle fleet. The definition of specific parameters for the selection of company cars assigned to executives in an important part of environmental protection, with standards and limits for power, consumption and carbon dioxide emissions.

The Group implements a series of initiatives and activities to protect the environmental heritage and reduce its own impact.

Environmental initiatives	
<i>Informed use of paper</i>	
Reduction of paper use thanks to electronic signature	BCC Sistemi Informatici initiated the Electronic Signature Service, which consists in acquiring the customer's signature directly on a special tablet that allows the electronic registration of biometric data and the generation of documents in digital format, replacing paper documentation.
<i>Energy efficiency and reduction of CO₂ emissions</i>	
<i>Restyling and energy efficiency upgrade of Lucrezia Romana headquarters complex</i>	<p>BCC Solutions managed the project for the expansion, restyling and energy efficiency upgrading of the Via Lucrezia Romana headquarters in Rome. With regard to the restyling and energy efficiency modifications, the old facades of the building, dating back to the 1990s, were replaced with new material with a low degree of heat transfer. Thermal performance was evaluated in accordance with the provisions of Decree 311/2006. The new façade cladding covers an area of 16,800 square meters and has made it possible to achieve the goal of reducing the heat dispersion of the façade by 67%:</p> <ul style="list-style-type: none"> • average transmittance before works 2.32 W/mqK • average transmittance after works 0.75 W/mqK <p>To enable the generation of electricity from an renewable internal source, a photovoltaic system with a capacity of 74.25 kW has been set up on Building B of the headquarters complex. It will include twenty-two 250 W modules over an area of 1,100 square meters. It is</p>

estimated that annual electricity generation will amount to about 107,066 kWh, enough to meet 10% of the annual consumption of the Building B offices.

The photovoltaic system (which will enter service during 2019) will enable annual savings of 20 tons of oil-equivalent, thus reducing CO₂ emissions by 47 tons each year.

The Milan office in Via Carlo Esterle actively uses energy generated by the photovoltaic system already in operation.

In order to make the lighting system more efficient in the offices occupied by the IBG companies, every time there are renovations or requests for changes to the existing layout, traditional lamps are replaced with those of the latest generation, such as LEDs.

Furthermore, a number of modifications have been made to the air conditioning and heating system, as well as to the air renewal system, by replacing existing plant with more energy-efficient systems, ensuring better performance and higher yields, as well as the reduction of emissions in the atmosphere due to gas combustion. For example, we have acquired machines that, by recovering heat, reduce the energy requirements of the rooms served, in addition to decreasing operating costs, especially in mid-seasons.

Another important measure is the installation of a monitoring system for electricity consumption (being finalized), both for the Rome office (via Lucrezia Romana) and for the Milan office (via Carlo Esterle), which will be the main tool for ensuring an energy efficiency approach. In fact, it enables us to know and quantify energy flows and, as a result, our spending.

BIT

The Group is a founding shareholder of BIT, which operates with the Banks of the Group and other leading banks. BIT SpA is a technical advisor for the renewables, energy efficiency, environmental and agri-food sectors. It aims to provide banks and their customers with energy audits, technical and economic financial analysis, in relation to investment and energy-saving projects in agriculture, for agri-food supply chains, agro-energy and efficiency initiatives, the rational use of energy and renewable energy sources, making available its specialized expertise in the fields of agriculture, food production and the environment.

Furthermore, BIT Energia Srl (a company incorporated and wholly owned by BIT) is an Energy Services Company (ESCO.), established in 2007 and ISO certified (UNI CEI 11352). It offers energy services for all types of activities and has gained significant experience in the energy markets, also with the establishment of the BCC Energia Consortium.

BCC Energia Consortium

The Iccrea Banking Group procures electricity and natural gas through the BCC Energia Consortium, which uses a portfolio management approach to operate on energy markets through structured contracts. The Consortium also manages value-added services in the energy sector.

The BCC Energia Consortium has 123 members including mutual banks and Group companies. Every year, it manages an energy supply portfolio of over 115 GWh of electricity and over 3.5 million cubic meters of gas. This integrated management enabled cumulative savings of over 21.1 million over nine years (compared with the Salvaguardia service). The exclusive purchase of green energy, from a certified renewable source with Guarantee of Origin (GO) allowed economic savings, besides been a concrete measure in favor of the environment.

Bringing together the mutual banks and the Group companies in a single large purchasing force on the free market makes it possible to have an important bargaining power, but above all to be protagonists on the markets, with evolved contractual forms that modify the approach towards an active management of the procurement portfolio.

In addition to this fundamental activity, the Consortium makes it possible to capture the potential for energy efficiency, with a specialized contribution aimed at harness technological solutions, regulatory opportunities, incentives and, in general, an approach to energy management that reduces the impact on the environment and

	energy expenditure.
"M'illumino di Meno" initiative	<p>The Iccrea Banking Group participated in the "M'illumino di Meno" initiative, whose theme in 2018 was: "The beauty of walking".</p> <p>The symbolic objective was to cover - by putting together 555 million steps - the distance separating the Earth from the Moon. The event, whose slogan was "Those who walk leave a footprint", asked Group companies to adopt virtuous behavior, in terms of energy saving, and to organize ad hoc initiatives aimed at sharing and transmitting a significant "cooperative" message.</p>
Green economy initiative by Iccrea Banking Group, BIT and BCC Energia	<p>In November 2018, the IBG, BIT and BCC Energia took part - within the broader Ecomondo event - in the seventh edition of the States General of the Green Economy, with a workshop on "Environmental and energy sustainability. Business Opportunities for Mutual Banks," at the Rimini Fair.</p> <p>The event was an opportunity to illustrate the sustainability paths of the IBG, focused on three pillars: new European legislation, sustainable banking and non-financial reporting.</p>
AltroConsumo initiatives	<p>In 2018, the Iccrea Banking Group, with BCC Credito Consumo, participated in the inaugural day of the Altroconsumo Festival "FestivalFuturo-Ri-Generations, the age of circular economy".</p> <p>The event presented new declinations of a development model that is revolutionizing industrial processes and people's everyday experience. Discussions focused on the building of new solutions and an ecosystem that involves consumer life in every sector, from energy to information, from transport to catering, from telecommunications to mass distribution and waste management.</p> <p>This is consistent with the desire to build a circular economy, fostering waste reduction, sustainability, recycling and recovery.</p> <p>In addition, BCC Credito Consumo has long been a partner of "Casarinnovabile", an initiative of Altroconsumo within the European project "Clear 2.0", for the enhancement of renewable energy sources. The purpose of the initiative is to support the environment through projects dedicated to energy saving and energy upgrading of buildings, reducing costs while respecting the environment.</p>
Sustainable mobility	<p>The Iccrea Banking Group benefits from a dedicated service of shuttles that allows its employees to go to work using public transport and, therefore, promoting sustainable mobility. In the reporting year, more than 103,000 employees were transported in over 16,000 trips to the Via Lucrezia Romana headquarters in Rome, with an average of 230 transported employees per day. The data for the other offices are: 3,300 employees and 1,640 trips for the office in via Carucci (Rome) and 2,640 employees transported and 440 trips for the office in Pioltello (Milan).</p> <p>A charging station (Pole Stations) - located in the outdoor area - and three others (Wall Stations) - located in the garages of buildings A, B and C - were installed at the Lucrezia Romana headquarters in order to encourage electric mobility with its advantages: zero production of local emissions, reduction of harmful emissions in the urban environment and related health risks, minimum noise emissions (electric cars are extremely quiet).</p> <p>In particular, the external charging station serves employees provided with a special card (at the moment only surveillance personnel), while the three Wall Stations are for the exclusive use of company electric and hybrid cars.</p> <p>A policy is being defined that will allow the Group employees to join the electric charging service with the possibility of using the Pole Stations located within the Lucrezia Romana headquarters.</p>
Investment in renewables	<p>The Iccrea Banking Group supports the development of renewable energies, also through Iccrea Bancalimpresa investment activities. These included participation in a €20 million loan pool dedicated to the support of renewable energy and bio-methane in Veneto (whose beneficiary was the Vallette-Finam Group) in 2016, and a €15 million investment by Iccrea Bancalimpresa and Banca di Verona in the Alps Energy renewable energy fund, managed by Serenissima Sgr, in 2018. The aim of the project was the production of electricity from renewable sources, with a total capacity of 6.5 MW. These plants will enable the generation of 27 million kWh of renewable energy,</p>

reducing CO₂ emissions by 12,000 tons per year.

In November 2017 the Board of Directors of Iccrea Bancalmpresa approved General Rules for the Environmental Risk Mitigation Process. This standard, issued in June 2018, is mainly intended to identify control functions to mitigate the risk of potential environmental offenses that the Bank might commit in the provision of banking services to existing or potential customers. The foregoing essentially applies to the real estate leasing sector, giving the bank's role as owner and lessor of assets under finance leases. The model adopted - which holds for all forms of pollution, but with a particular focus on certain types (for example the presence of asbestos) - envisages prevention, analysis and control mechanisms throughout the entire lending process, from the valuation of the asset when credit is granted through to recovery of the asset. The model provides for both the involvement of the network of existing experts and, where necessary, of organizations specialized in the analysis and reclamation of potentially polluted sites.

Use of materials

Within the Group the main materials used are paper and toner for office printers and those used by customers. Iccrea is committed to reducing the consumption of these materials thanks to initiatives (such as the implementation of electronic signature) with consequent economic and environmental benefits. During the year, 51.6 tons of paper and 941 kg of toner for printers were used within the Group.

Energy consumption and emissions

The Iccrea Banking Group monitors its direct emissions created by the direct consumption of energy produced by the use of natural gas for heating (Scope 1) and indirect emissions deriving from the consumption of electricity purchased from third parties (Scope 2).

During the year the Group consumed 72,956 GJ (a 14% decrease from 84,504 GJ in 2017). The Group's energy consumption is mainly linked to the use of heating and air conditioning systems, office lighting systems and the use of the company vehicle fleet.

The offices and most of the Group's agencies have an electrically powered heating/cooling system. The remaining gas-powered agencies had direct energy consumption for heating of 11,370 GJ (down by 22% from 14,583 GJ in 2017). The Group consumed 11,889 GJ of energy during the year for the use of the vehicle fleet (diesel powered), down by 3.3% from 12,298 GJ in 2017. In addition, the Group purchased and consumed 49,568 GJ of electricity (down by 12% on 2017, when the figure was 56,182 GJ), coming entirely from renewable sources with a certification of origin and 129 GJ of thermal energy from district heating (down 91% from 1,441 GJ in 2017).

DIRECT ENERGY CONSUMPTION BY SOURCE

	Unit	2018**	2017	2016***
Heating		11,370	14,583	8,509
Natural gas		9,928	13,172	8,509
Diesel	GJ	1,442	1,411	-
Vehicle fleet		11,889	12,298	-
Diesel*		11,889	12,298	-

*In calculating energy consumption, we consider 70% of diesel consumption by cars used for personal and business purposes. The 70% figure was determined by applying the provisions of Article 51, paragraph 4(a) of the Uniform Income Tax Code to the calculation of emissions.

**Consumption data for 2018 do not include the electricity produced by the photovoltaic system installed at the Via Esterle headquarters in Milan. This is because only estimated figures are currently available for the plant, in service since 2017. Measures to calculate energy produced have been implemented.

*** Data for vehicle fleet consumption in 2016 are not available.

INDIRECT ENERGY CONSUMPTION BY SOURCE

	Unit	2018	2017	2016
Electricity		49,568	56,182	34,099
From non-renewables		-	-	-
From renewables	GJ	49,568	56,182	34,099
District heating		129	1,441	1,206
From non-renewables		129	1,441	1,206
From renewables		-	-	-

Against this energy consumption, the Iccrea Banking Group registered greenhouse gas emissions equivalent to approximately 1,572.22 metric tons of CO₂ equivalent in the year (down by about 9.5% from 1,738.66 t.CO₂eq in 2017).

GREENHOUSE GAS EMISSIONS

	<i>Unit</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>
Total emissions*		1,572.22	1,738.66	557.52
<i>Scope 1</i>		1,565	1,658	490
From heating	t.	683	852	490
From use of vehicle fleet	CO2eq	882	807	-
<i>Scope 2**</i>		7.22	80.66	67.52
Market Based		7.22	80.66	67.52

* Emissions are given in metric tons of CO₂ equivalent and include emissions of CO₂, CH₄ and N₂O, as provided for in the guidelines on the application in banks of GDI environmental indicators issued by AbiLAB.

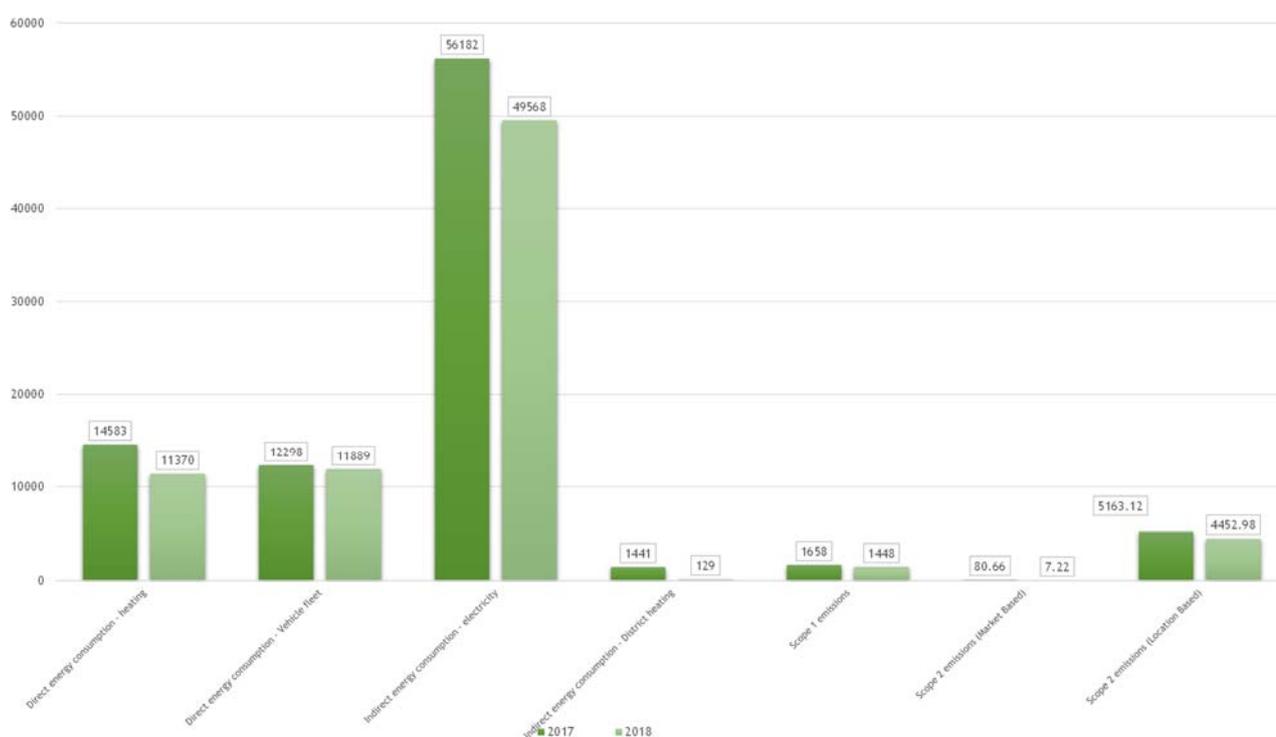
**To calculate Market Based emissions: 1) emissions from electricity purchased from non-renewable sources were calculated based on the Residual Mix for Italy issued by the Italian Banking Association (ABI) for 2016, equal to 471 gCO₂e/kWh; 2) the share of electricity purchased from renewable sources is entirely covered by Certificates of Origin, therefore the emission factor is considered equal to 0; 3) emissions relating to district heating are estimated on the basis of the average emission factors defined by ISPRA applied to the fuel used for the production of thermal energy by the supplier.

Furthermore, following the December 2018 update of the Guidelines on the application of the 2016 GRI Standards to Banks, by ABI, the reporting of greenhouse gas emissions (Scope 2) is based on a more refined methodology than the previously-used "Market Based" approach. This method, called "Location Based", considers the contribution of the average emission factors of the distribution network used by the organization for its own electricity consumption. The Guidelines provide for the use of a formula in which the main variable refers to the total kWh of electricity purchased by the Group (both renewable and non-renewable).

GREENHOUSE GAS EMISSIONS (Location Based method)			
	Unit	2018	2017
Scope 2*			
Location Based	t. CO2eq	4,452.98	5,163.12
			3,163.42

* The calculation of Location Based emissions was based on the formula proposed by the ABI guidelines on the application of the GRI standards to banks (version 12 November 2018): $((Y * 321 + 28 * Y * 0.0181 + 265 * Y * 0.004) / 1,000,000)$, where Y refers to the total kWh of electricity purchased by the Group (both renewable and non-renewable).

Total energy consumption (in GJ) in 2018 decreased by about 14% over 2017, while greenhouse gas emissions (t.CO2 eq.) were down by about 16.3%



Finally, the different trend in consumption and emissions for the 2016-2018 three-year period can be explained not only with the change in the scope of data collection (due for example to the sale of several Banca Sviluppo branches),⁵ but also with the many efficiency measures described above. In particular, the transition from gas to electricity for the Lucrezia Romana B building had a significant impact. The transition will be implemented in the C building in the coming years. Consumption and emissions in the three-year period were also impacted by weather-related factors.

⁵ Thirteen sales transactions were carried out as of January 2019; currently, 52 branches are still present in the territory.

The LEED® certification process

As part of environmental management policies, the adoption of sustainable practices in building design and management produces environmental, economic and social benefits (at local and global level), with obvious positive effects on all building users, including owners, occupants and the general population.

The Group has chosen to start the process of international and voluntary environmental sustainability certification denominated "LEED O + M v4.1 Beta version" (where LEED stands for Leadership in Energy and Environmental Design), focused on the management and maintenance of existing buildings. In particular, it implies the measurement of the objective performance of the building, in terms of consumption of energy and water resources, green procurement, environmental impact of transport and quality of the internal environment (both perceived and measured) compared with buildings of similar size, intended use and usage levels. The building is given a LEED® certification rating ("Certified", "Silver", "Gold" and "Platinum"). The objective is to monitor the headquarters of Lucrezia Romana over the course of 2019 to obtain certification in the early months of 2020.

The independent certification body is Green Business Certification Inc. ("GBCI"), issuing the certification based on a 12-month monitoring of the building's activity. The initial certification is valid for one year after which it is necessary to continue to track and provide data on the performance of the building, following the same procedure as the first year, for the following 5 years.



The LEED® protocol requires the adoption of good practices for:

- the adoption of systems for an efficient use of energy as well as monitoring and reducing consumption;
- the responsible use and management of water resources, monitoring and reducing consumption;
- management, collection and disposal of waste, produced in accordance with modern recycling practices, using production processes that will gradually reduce waste;
- encouraging the use of shared transport as well as sustainable mobility and teleworking;
- favoring the purchase of energy produced from renewable sources;
- favoring the purchase of low environmental impact products based on a life cycle analysis;
- monitoring environmental quality and internal comfort.

LEED® certification also requires a survey on at least an annual basis of how employees travel from home to the workplace in order to encourage alternative and sustainable mobility policies, as well as a survey on the quality of the internal environment and the level of comfort perceived by the users of the building. The certification also includes the uploading of consumption data on a dedicated online platform (www.arkscoru.com), which assigns a performance rating for each credit depending on the different impact categories.

The main reasons that prompted the Group to undertake the LEED® certification process are:

- the value attributed to the rigorous verification by the GBCI third-party certification body, thanks to which the LEED® certification is synonymous with transparent processes and operations with specific and high quality standards. It is also a guarantee of the correct functioning of the entire building system and the correct implementation of the sustainability measures undertaken;
- from a strategic-management point of view, the reduction of costs associated with energy consumption.

The certification process is an integrated path that requires the involvement of all the parties involved in the use, management and maintenance of a building, with the establishment and management of a dedicated LEED team.

Participation in the LEED O+M v4.1 Beta version certification process for the Lucrezia Romana premises:

- is a first test of a system;
- enables the Group to verify, confirm and improve its building management policies, recognizing the advantages of the LEED® quality certification process for the Group and encouraging efficiency choices in the plant and management environment, in order to improve the final score.

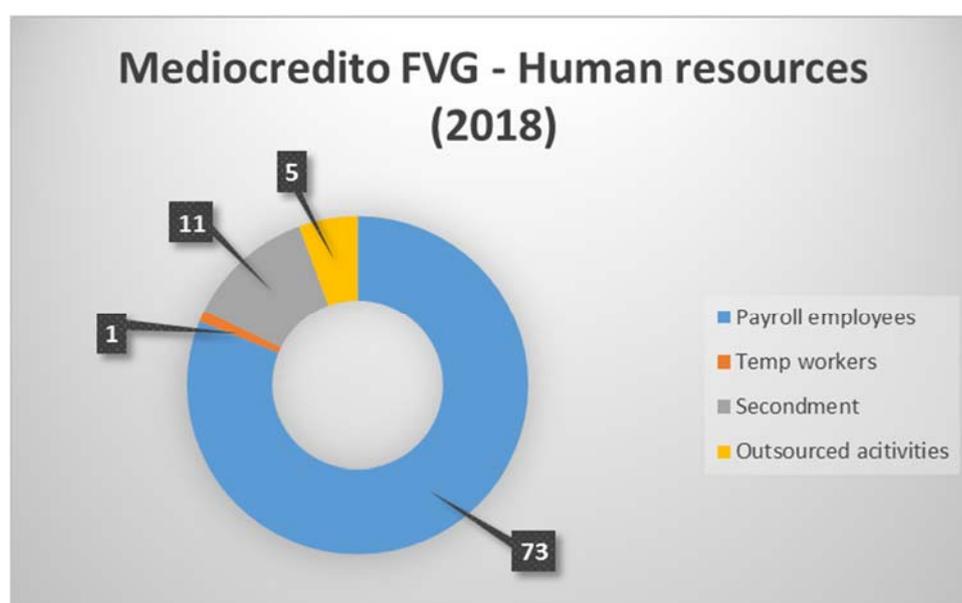
11 APPENDIX

Banca Mediocredito del Friuli Venezia Giulia: human resources

In 2018, Banca Mediocredito del Friuli Venezia Giulia (hereinafter Mediocredito FVG) had a workforce of 75, of whom 46 men and 29 women, all hired on a permanent, full time contracts. One of the employees is seconded to BCC Factoring.

2018	Men	Women	Total
EMPLOYEES BY GENDER AND AGE GROUP			
<i>Under 30</i>	0	1	1
<i>Between 30 and 50</i>	24	15	39
<i>Over 50</i>	22	13	35
EMPLOYEES BY EMPLOYMENT AND GENDER			
<i>Executives</i>	1	0	1
<i>Managers</i>	19	12	31
<i>Office staff</i>	26	17	43
Total	46	29	75

Mediocredito FVG also benefits from the contribution of non-payroll staff: in particular, one person is hired on a temp contract, 11 are on secondment while 5 come from companies to which non-core activities have been outsourced.



With regard to remuneration, the ratio between female and male employees' base salary and total remuneration in 2018 by professional level is approximately 80%. The details are shown in the following table:

2018	Ratio of female to male base salary	Ratio of female to male total remuneration
<i>Executives</i>	0%	0%
<i>Managers</i>	79%	82%
<i>Office staff</i>	87%	85%

The benefits provided to full-time employees are exclusively of a financial nature. In particular, Mediocredito FVG offers life insurance, health care, disability coverage, maternity and paternity leaves, pensions and subsidized loans. In the reporting year, no incidents of discrimination and violation of human rights were reported.

In the occupational health and safety (OSH) field, only one accident incurred while travelling to or from work was registered in 2018, which led to an absence from work of two days. Considering absences due to illness, permits and work-related stress, a total of 320 days of absences were recorded, with an absenteeism rate of

4%. Mediocredito FVG has not signed collective agreements or specific agreements with the trade unions on OSH issues. For the communication of significant organizational changes, a minimum notice period of 2 weeks is required.

12 METHODOLOGICAL NOTES

Standards applied

The Consolidated Non-Financial Statement of the Iccrea Banking Group (hereinafter also the "Statement"), prepared in accordance with Article 4 of Legislative Decree 2554/2016 (hereinafter also the "Decree"), contains information concerning environmental, social, personnel-related, human rights compliance and anti-corruption issues helpful in providing stakeholders with an accurate, comprehensive and transparent vision of the strategies, activities undertaken, the Group's performance and results from it has achieved in ensuring its financial growth and business development, taking account of the expectations of the stakeholders involved and seeking continuous improvement in the environmental and social impacts generated by its activities.

This Statement, which is published on an annual basis, has been drawn up pursuant to Legislative Decree 231/2004 and the reporting standards used are the "GRI Sustainability Reporting Standards - Core Option" issued in 2016 by the Global Reporting Initiative (GRI). These guidelines are currently the most widely adopted and internationally recognized standard for non-financial reporting. Furthermore, where appropriate, the indications of the GRI G4 Financial Services Sector Disclosure have been applied. In order to facilitate readers in tracing information within the document, the GRI Content Index is shown on page 79.

The information included in non-financial reporting reflects the principle of materiality or relevance, a characteristic that is provided for in the relevant legislation and characterizes the GRI Standards: the topics covered in the Statement are those that, following an analysis and evaluation of materiality (described on pages 17 and 18 of this document) were considered relevant, as they can reflect the social and environmental impacts of the Bank's activities or influence the decisions of its stakeholders.

The 2018 Consolidated Non-Financial Statement of the Iccrea Banking Group has undergone a limited review ("limited assurance engagement" in accordance with ISAE 3000 Revised) by the audit firm EY SpA. The report describing the procedures carried out and the related conclusions is available on page 85.

Scope of the Statement

The qualitative and quantitative information contained in the Statement refer to the performance of the Group for the year ended December 31, 2018.

If useful for the purposes of the comparison or contextualization of the information, data for 2017 and 2016 have been included and duly indicated, with the exclusion of certain exceptions, also duly indicated.

The data and information refer to all fully consolidated Group companies included in the consolidated financial statements at December 31, 2018, with the exception of BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A. and Ventis S.r.l., as these companies are not considered material in understanding the Group's business, its performance, its results and the impact it generates, as defined in Article 3 of Legislative Decree 254/2016. The businesses of these entities differ from the core business of the Group and their small size means that their non-inclusion does not prejudice the comprehensiveness of the representation provided in this document.

Banca Mediocredito of Friuli Venezia Giulia only joined the Group in July 2018. Yet, with a view to enhancing transparency and completeness of information, Group deemed it appropriate to provide disclosure on the main activities, products and the composition of human resources. In particular, the data relating to human resources are reported in the "Appendix", since the Bank's integration into the Group's management systems took place in January 2019. However, quantitative information concerning the environmental sphere, such as, for example, energy consumption and emissions, are not available for the period under review.

In addition, we should emphasize that the energy data cover the reporting scope of BCC Solutions, the 14 Group offices managed by BCC Solutions, Banca Sviluppo and BCC Sistemi Informatici, whose utilities for 2018 were managed by BCC Solutions. This area corresponds to over 90% of the Group total. The management of the supply and consumption of energy for all these companies is performed by a single external provider. There may be an additional narrowing of scope connected with certain individual corporate premises, of

little importance, not managed by the energy provider. Finally, the Group's consumption of water is limited to ordinary civil uses and to fire-fighting systems and should therefore be considered as not material for the purposes of this Statement.

Materiality analysis

In order to select the individual topics for which non-financial disclosures would be provided pursuant to Legislative Decree 254/2016, a materiality analysis was conducted in accordance with the provisions of the "GRI Sustainability Reporting Standards". The main phases of the process adopted for this analysis are briefly described below:

- internal identification of possible non-financial topics relevant to the financial sector, through peer analysis, reports published by ESG analysts and rating agencies (Environmental, Social, Governance), sectoral studies and the media;
- evaluation of the topics identified by the management of the Group and the employees of the departments directly involved in the drafting of the NFS in 2017;
- involvement of the representatives of different mutual banks, who assessed the relevance of the material topics in their dual capacity as customers and shareholders of the Iccrea Banking Group;
- preparation of the materiality matrix for the year 2018 based on the assessments provided by the Group's stakeholders;
- approval of the materiality matrix by the Board of Directors on March 1, 2019.

Contacts

For more information and details on the contents of the Statement, please contact the Public Affairs & Sustainability unit, through the NFS function, at DNF@iccrea.bcc.it.

Reconciliation of material topics and GRI standards

Material topics identified by the bank	GRI reference standard	Scope of impacts		
		Internal impact	External impact	Limitations
Ethics and integrity in corporate conduct	Ethics and integrity			
Development of products and services with environmental and social purposes	Anti-corruption	•		
Development of future markets	Product portfolio*	•		
Protection of privacy and personal information	**	•		
Responsible lending	Customer privacy	•		
Customer satisfaction and quality of service	Product portfolio*	•		
Responsible supply chain management	**	•		
Engagement and community development	Procurement practices	•		
Transparency of information on products and services	Indirect economic impacts			
Professional training and development	Local communities	•		
Employee wellbeing	Marketing and labeling	•		
Workplace health and safety	Training and education	•		
Management, attraction, development and retention of talent	Employment			
	Diversity and equal opportunity	•		
Ethics and integrity in corporate conduct	Occupational health and safety	•		
Development of products and services with environmental and social purposes	Training and education	•		
Development of future markets	Energy			
	Emissions	•		
Protection of human rights	Non - discrimination	•		
Systematic risk assessment	Strategy	•		

*The GRI aspects regard the "GRI-G4 Financial Services Supplement"

**With regard to this issue (which is not directly connected with an aspect envisaged in the GRI Standards), the Group reports the management approach adopted and the associated indicators in the document.

13 GRI INDICATORS

- The table below shows the summary of the GRI indicators reported, with the relative page references and any notes or omissions. Furthermore, for the material themes not referable to a GRI indicator, the reference of the pages in which they are reported is provided.

GRI CONTENT INDEX			
GRI standard	Standard description	Page number and notes	Omissions
GRI 102: GENERAL DISCLOSURES			
ORGANIZATION PROFILE			
GRI 102-1	Name of the organization	5	
GRI 102-2	Activities, brands, products, and services	5 - 7	
GRI 102-3	Location of headquarters	7	
GRI 102-4	Location of operations	7	
GRI 102-5	Ownership and legal form	16	
GRI 102-6	Markets served	5 - 7	
GRI 102-7	Scale of the organization	6	
GRI 102-8	Information on employees and other workers	52 - 54, 75	
GRI 102-9	Supply chain	66	
GRI 102-10	Significant changes to the organization and its supply chain	12, 64, 65	
GRI 102-11	Precautionary principle or approach	18, 19	
GRI 102-12	External initiatives	9	
GRI 102-13	Membership of associations	13 - 15	
STRATEGY			
GRI 102-14	Statement from senior decision-maker	3, 4	
GRI 102-15	Key impacts, risks, and opportunities	20 - 23	
ETHICS AND INTEGRITY			
GRI 102-16	Values, principles, standards, and norms of behavior	9	
GOVERNANCE			
GRI 102-18	Governance structure, including committees of the highest governance body. Committees responsible for decision-making on economic, environmental, and social topics	16, 17	
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics and description of how those aspects are reported directly to the highest governance body	16, 17	
GRI 102-24	Description of nomination and selection processes for the highest governance body and its committees	16, 17	
STAKEHOLDER ENGAGEMENT			
GRI 102-40	List of stakeholder groups	25, 26	
GRI 102-41	Percentage of total employees covered by collective bargaining agreements	100% of employees are covered by collective bargaining agreement	
GRI 102-42	The basis for identifying and selecting stakeholders with whom to engage	25	
GRI 102-43	The organization's approach to stakeholder engagement	25, 26	
GRI 102-44	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded	26 - 28	
REPORTING PRACTICE			
GRI 102-45	Entities included in the consolidated financial statements	76	
GRI 102-46	Defining report content and topic boundaries	17, 18, 76, 77	
GRI 102-47	List of material topics	18	
GRI 102-48	Restatements of information	Any changes to the information included in the previous documents are appropriately identified in the text by specific explanatory notes.	
GRI 102-49	Changes in reporting	76, 77	
GRI 102-50	Reporting period	76	
GRI 102-51	Date of most recent report	The 2017 Non-financial consolidated statement (pursuant to Legislative Decree 254/2016) was published on April 24, 2018	

GRI 102-52	Reporting cycle	76	
GRI 102-53	Contact point for questions regarding the report	77	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	76	
GRI 102-55	GRI content index	79	
GRI 102-56	External assurance	85	
TOPIC-SPECIFIC DISCLOSURE			
GRI standard	Standard description	Page number	Omissions
GRI 200: ECONOMIC PERFORMANCE			
GRI 203: INDIRECT ECONOMIC IMPACTS			
GRI 103-1, 103-2, 103-3	Management Approach	18, 40 - 45	
GRI 203-1	Development and impact of significant infrastructure investments and services supported, mainly for public use	40 - 45	
GRI 204: PROCUREMENT PRACTICES			
GRI 103-1, 103-2, 103-3	Management Approach	18, 66	
GRI 204-1	Proportion of spending on local suppliers	66	
GRI 205: ANTI-CORRUPTION			
GRI 103-1, 103-2, 103-3	Management Approach	18, 29 - 31	
GRI 205-1	Operations assessed for risks related to corruption	30, 31	
GRI 205-2	Communication and training on anti-corruption policies and procedures	30, 31	
GRI 205-3	Confirmed incidents of corruption and actions taken	During the year, the Group did not report any episodes of corruption	
GRI 206: ANTI-COMPETITIVE BEHAVIOUR			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and outcomes of legal actions	An appeal is pending before the Lazio Regional Administrative Court against ruling no 26565 of the Competition Authority of April 28, 2017, issued following proceeding no. 1794 and notified to Iccrea Banca (together with other banks and the Italian Banking Association) on May 16, 2017.	
GRI 300: ENVIRONMENTAL TOPICS			
GRI 302: ENERGY			
GRI 103-1, 103-2, 103-3	Management Approach	18, 67 - 74	
302-1	Energy consumption within the organization	71, 72	
GRI 305: EMISSIONS			
GRI 103-1, 103-2, 103-3	Management Approach	18, 67 - 74	
305-1	Direct (Scope 1) GHG emissions	71	
305-2	Energy indirect (Scope 2) GHG emissions	71	
GRI 400: SOCIAL TOPICS			
GRI 401: EMPLOYMENT			
GRI 103-1, 103-2, 103-3	Management Approach	18, 52, 53, 61 - 63	
GRI 401-1	New employee hires and employee turnover	52, 53	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Group employees on fixed-term contracts receive the same benefits as those hired on open-ended contracts	
GRI 402: INDUSTRIAL RELATIONS			
GRI 103-1, 103-2, 103-3	Management Approach	18, 64, 65	
GRI 402-1	Minimum notice periods regarding operational changes	Articles 11 bis and 22 of the Federcasse collective bargaining agreement provide for a minimum of two weeks' notice	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY			
GRI 103-1, 103-2, 103-3	Management Approach	18, 63, 64, 75	

GRI 403-1	Workers representation in formal joint management-worker health and safety committees	100% of employees are represented on formal joint management-worker health and safety committees	
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	63, 64, 75	The accident rate of the workforce outside the Group is not available for the year under review.
GRI 403-4	Health and safety topics covered in formal agreements with trade unions	63, 65	
GRI 404 - TRAINING AND EDUCATION			
GRI 103-1, 103-2, 103-3	Management Approach	18, 57 - 60	
GRI 404-1	Average hours of training per year per employee	58	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	The Group organizes technical-specialized, mandatory and behavioral training programs together with targeted personal and professional growth activities. To date, the Group has not developed specific transition assistance programs (retirement, termination of employment, retraining) for its employees.	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	60	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103-1, 103-2, 103-3	Management Approach	18, 52 - 57	
GRI 405-1	Diversity of governance bodies and employees	53, 54	In accordance with Article 10 of Legislative Decree 254/16 amending Legislative Decree 58/98, the Iccrea Banking Group is not required to report on the composition of its administrative, management and control bodies.
GRI 405-2	Ratio of basic salary and remuneration of women to men	56	
GRI 406: NON DISCRIMINATION			
GRI 103-1, 103-2, 103-3	Management Approach	18, 55, 56	
GRI 406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination occurred during the year.	
GRI 413: LOCAL COMMUNITIES			
GRI 103-1, 103-2, 103-3	Management Approach	18, 46 - 51	

GRI 413-1	Operations with local community engagement, impact assessments, and development programs	18, 46 - 51	The nature of the Group's governance (second-tier bank) ensures that initiatives in favor of local communities provide for indirect involvement of the Group. In light of this, it is not possible to report on the calculation of the percentage required by the indicator. With the establishment of the Mutual Banking Group, the data will be reported in the 2019 NFS.
GRI 417: MARKETING AND LABELLING			
GRI 103-1, 103-2, 103-3	Management Approach	18, 36, 37	
GRI 417-1	Types of information is required by the organization's procedures for product and service information and labeling and Percentage of significant product or service categories covered by and assessed for compliance with such procedures	36, 37	
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents of non-compliance occurred during the year.	
GRI 417-3	Incidents of non-compliance concerning marketing communications	No incidents of non-compliance occurred during the year.	
GRI 418: CUSTOMER PRIVACY			
GRI 103-1, 103-2, 103-3	Management Approach	18, 39, 40	
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	40	
GRI 419: SOCIO-ECONOMIC COMPLIANCE			
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	No incidents of non-compliance occurred during the year.	
GRI G4 Supplement for financial services sector			
PRODUCT PORTFOLIO			
EX FS2	Procedures for assessing and verifying social and environmental risks in business lines	45	
FS-6	Portfolio for business lines by specific region, customer size and sector	32 - 35	
FS-7	Products and services designed to deliver a specific social benefit	40 - 45	
FS-8	Products and services designed to deliver a specific environmental benefit	40 - 45	
LOCAL COMMUNITIES			
FS-13	Access points in low-populated or economically disadvantaged areas by type	7	
OTHER MATERIAL TOPICS			
CUSTOMER SATISFACTION AND SERVICE QUALITY			
GRI 103-1, 103-2, 103-3	Management Approach	18, 36, 37, 40	
DEVELOPMENT OF FUTURE MARKETS			
GRI 103-1, 103-2, 103-3	Management Approach	18, 37, 38	

REPORT OF THE AUDIT FIRM



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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 2018 (Translation from the original Italian text)

To the Board of Directors of
Iccrea Banca S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Iccrea Banca S.p.A. (hereinafter the "Bank") and its subsidiaries (hereinafter the "Group" or "Iccrea Banking Group") for the year ended December 31, 2018 in accordance with article 4 of the Decree approved by the Board of Directors on March 28, 2019 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and of the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative (the "GRI Standards") mentioned in paragraph "Methodological Notes" of the DNF, identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

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Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. understanding of the following aspects:
 - Group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - policies adopted by the Company related to the matters indicated in art. 3 Decree, results achieved and related key performance indicators;
 - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 4. a) below.

4. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF. In particular, we have conducted interviews and discussions with the management of the Bank and with its personnel and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, at group level, for significant information, considering the Group activities and characteristics:

- at Group level:
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and



acquired supporting documentation to verify its consistency with the available evidence;

- b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for some companies (Iccrea Banca S.p.A., Banca Sviluppo S.p.A., Iccrea Bancalmpresa S.p.A. and BCC Sistemi Informatici S.p.A.), selected based on their activity and contribution to the consolidated performance indicators; we have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that DNF of the Iccrea Banking Group for the year ended December 31, 2018 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Other Information

The comparative information presented in the DNF for the year ended December 31, 2016 have not been examined.

Rome, April 12, 2019

EY S.p.A.

Signed by: Wassim Abou Said, Partner

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