

*Consolidated
non- financial
statement*



2017

2017 CONSOLIDATED NON-FINANCIAL STATEMENT

Prepared in accordance with Legislative Decree
254/2016

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1. CHAIRMAN'S LETTER TO STAKEHOLDERS

The first edition of the Non-Financial Statement of the Iccrea Banking Group comes at a time of profound and radical transformation of the organizational and strategic structure of mutual banking.

The reform initiated with Law 49 of 2016 has led our system and the Group to radically rethink our business, with the aim of giving the mutual banks, their shareholders and customers more secure capitalization and a greater ability to respond to the need for security, innovation and development of the products and services offered.

The Iccrea Banking Group proposed the establishment of a Mutual Banking Group, drawing on the experience and structures created since 1963 in support of the mutual banks. The involvement of the banks and other entities of the mutual banking system in the definition of projects is in Iccrea's DNA. On February 5, 2017, a project implementation process was launched, having been prepared and shared with the European supervisory authorities back in March 2016. The effort has been undertaken by the Steering Committee, the 15 project areas giving substance to the 3 programs identified (Risk, Government, Market), and the Working Groups that have held 214 meetings over the 8 months of the project. This structure has involved 790 mutual bank professionals, who contributed to the drafting of the documentation relating to the application for establishment of the Mutual Banking Group to be presented to the supervisory authorities. These documents were presented to the Board of Directors of Iccrea Banca on December 21, 2017, which then discussed and supplemented them at the meeting of January 18, 2018.

The Non-Financial Statement has been interpreted not only as a regulatory obligation, but also as an opportunity to embody stakeholder engagement experiences and activities, to reflect and bring together the numerous initiatives and projects that we have activated, as typical tools of the cooperative and mutualistic identity of the system, in the careful and consistent development of business activities.

Values such as sustainability (economic, financial, territorial/local, social and environmental) are the foundation of the establishment of the Mutual Banking Group and are already a substantive part of the strategies and distinctiveness of the Iccrea Group.

We believe that Article 2 of the standard bylaws of the mutual banks is programmatic and binding for any structure involved in mutual banking, thus becoming an essential part of the Iccrea Banking Group's mission.

The Iccrea Banking Group has translated and identified the five values that constitute its foundation, which represent the expression of the programmatic structure of article 2 in daily operations:

- Cooperation;
- Openness;
- Excellence;
- Courage;
- Merit.

The drafting of the first NFS has further highlighted the fact that the Iccrea Banking Group has laid a solid foundation for making sustainability an even more distinctive and competitive factor for the future: the Mutual Banking Group must be able to identify and support new and more modern forms of cooperation and mutuality, adapted to respond to the needs of a society that has changed profoundly.

The 2017 document underscores the arrangements that have been taken to manage the main non-financial risks, including those considered fundamental by Decree 254/2016, taking account of the activities and initiatives implemented, the regulatory framework and the controls developed.

The Group's involvement of stakeholders is intended to give increasing support to the role and mission of the mutual banking system and translates into supporting the banks:

- as actors of local development;

- as key partners in supporting the real economy;
- in their commitment to the responsible pursuit of banking;
- as leading players in providing services, products, advice and support for the economic, social and civil development of local communities;
- in confirming them as standard bearers for the environment, both as regards the services on offer and for all that concerns the very way of “living” the environment. In this context, the Iccrea Banking Group has developed solutions for significant environmental enhancement and sustainability, including for its own offices.

The attention devoted to internal stakeholders has evolved in recent years through investments for the improvement and safety of workplaces, for the development of practices that are attentive to the needs of families and flexibility, to identify advanced forms of corporate welfare in addition to enhancing the neighborhoods in which it is present.

The passion and commitment shown by many in contributing to the production of this document further demonstrates the deep involvement and resources that the Iccrea Banking Group can bring to the table and develop. Our thanks go to everyone who personally and passionately embodies the values of mutual banking.

One of the claims that characterize the proposed Mutual Banking Group formulated by Iccrea Banca is “The first local bank in the country”. This claim sums up the main objectives and the attentiveness that distinguishes us. With this document, the Iccrea Banking Group highlights the long road we have travelled in promoting sustainability. With the launch of the Mutual Banking Group, this specificity will be even more closely integrated in strategy and guidelines, so that we can have an even greater positive impact on the territory, people, communities and the environment in which the shareholders and customers of the mutual banks live, operate and realize their identity and entrepreneurial skills.

The Non-Financial Statement, from this year and in the future, is an image of a way of being and interpreting one’s role in the market, a distinguishing element and integral factor of competitiveness, the drive for innovation and our Group’s commitment to efficiency.

The Chairman
Giulio Magagni

2. IDENTITY OF THE ICCREA BANKING GROUP

2.1. Group structure

The Iccrea Banking Group is the second-level banking group of the mutual banking system, created in order to support the operations of the mutual banks (*banche di credito cooperativo* and *casse rurali*) and meet the needs of their business and individual customers with an integrated system of products and services.



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 subsidy programs.
- **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 Consumer Credit, BCC Retail, Banca Sviluppo and Ventis. Through minority interests in BCC Vita and BCC Assicurazioni, the Group also offers mutual bank customers insurance services in the life and non-life sectors.

The Iccrea Banking Group in figures (December 31, 2017)

Mutual banks served	145 ¹
Corporate customers	354,869
Retail customers	2,718,686
Employees	2,356
Headquarters and local offices	13

The local network

The Iccrea Banking Group is based in Rome and Milan. In Rome, Iccrea Banca, Iccrea Bancalmpresa, 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 Bancalmpresa 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.

2.2. 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.

¹ The number of mutual banks served by the Iccrea Banking Group at December 31, 2017 corresponds to the number of mutual banks that have joined the Iccrea Mutual Banking Group (see Chapter 3). On average, the number of mutual banks served was greater. The large number of mergers amount mutual banks in 2017 must also be taken into account.

Leveraging the professional experience gained alongside the mutual banks, the broad vision of their markets and understanding of the internal functional mechanisms of those banks, the Group seeks to support them in approaching the market, selecting products and services and accompanying them in the preparation of the necessary technical and organizational arrangements.

The Group's choices and actions are constantly guided by the ethical principles expressed in the **Charter of Mutual Banking Values**, which represents both a constitution for the mutual banking movement and guidelines for the action of the mutual banks.

The Iccrea Banking Group has 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 for 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.

2.3 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 2017 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 January 1, 2018, the total number of mutual banks present in Italy was 279, of which 145 are served by the companies of the Iccrea Banking Group. The banks of the system are characterized by their deep local roots, represented by a network of over 4,000 branches located in over 2,600 municipalities and 100 provinces.

From an organizational standpoint, the mutual banking system is a subsidiary and supportive system that distinguishes the associative system from the entrepreneurial system. In particular, the mutual banking system is structured into two winds: the associative, which includes the national federation (Federcasse) and the local federations, grouping together the numerous mutual banks; and the entrepreneurial, today made up of central second-level groups, including the Iccrea Banking Group, which supply their products and services to the mutual banks.

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, thanks to the specific features of its banking products and services, which over the years has 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".

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 in the form of dividends and the pass-through of fees and commissions for Iccrea services and products used and distributed by the banks themselves.

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, with the definition of a new organizational structure aimed at ensuring 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, but will be integrated within a more cohesive and efficient system. 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 will have to join a **Mutual Banking Group (MBG)** 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.

In this context, the Iccrea Banking Group has 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.

The integration process for 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, including for 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.

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:

ASSOCIATIONS AND ORGANIZATIONS

TRADE ASSOCIATIONS		
Name of organization	Activity	Type of participation
ABI Iccrea Banking Group companies belonging to the organization: Iccrea Banca Iccrea Bancalmpresa BCC CreditoConsumo BancaSviluppo	<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>	Iccrea Banca participates as an ordinary member. The Chairman, Giulio Magagni, and the General Manager, Leonardo Rubattu, of Iccrea Banca are members of the Governing Council and the Executive Committee.
Federkasse Iccrea Banking Group companies belonging to the organization: Iccrea Banca	<p>Federkasse - National Federation of Mutual Banks - is the trade association of the mutual banks. It performs most of the activities that the ABI offers to the Italian banking system for the mutual banks - cooperative and mutual banks other than traditional banks. In particular, it manages the national collective bargaining, offers legal and tax advice and assistance services to the mutual banks, 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>	Iccrea Banca participates as ordinary member and designates two directors.
Assosim Iccrea Banking Group companies belonging to the organization: Iccrea Banca	<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>	Iccrea Banca participates as an ordinary member.
UNICO banking Group Iccrea Banking Group companies belonging to the organization: Iccrea Banca (until June 2017, when the liquidation of the association was begun).	<p>A European-level association based in Brussels for the exchange of experience, reciprocal training and strategic discussion on regulatory and market developments. The association was put into liquidation in 2017 and was officially liquidated in February 2018. The eight main European mutual banking groups were members: Rabobank, Crédit Agricole, DZ Bank, Raiffeisen Bank International, Raiffeisen Schweiz, OP Financial Group, Iccrea Banca and Banco Cooperativo Español.</p>	Iccrea Banca participated as a member, the General Manager was a member of the Board and the Head of Institutional and International Relations was a member of the Executive Committee.
Assilea Iccrea Banking Group companies belonging to the organization: Iccrea Bancalmpresa	<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</p>	Enrico Duranti, General Manager of Iccrea Bancalmpresa, is President of Assilea

international leasing institutions.

IFLA Iccrea Banking Group companies belonging to the organization: Iccrea Bancalmpresa	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.	Enrico Duranti, General Manager of Iccrea Bancalmpresa, is President of IFLA. Roberta Campanelli, Operations Manager of BCC Lease, is Secretary General of IFLA.
Leaseurope Iccrea Banking Group companies belonging to the organization: Iccrea Bancalmpresa	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.	Enrico Duranti, General Manager of Iccrea Bancalmpresa, is a director of Leaseurope.
Assofin Iccrea Banking Group companies belonging to the organization: BCC CreditoConsumo	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.	BCC CreditoConsumo is an ordinary member di Assofin.
Assogestioni Iccrea Banking Group companies belonging to the organization: BCC Risparmio&Previdenza	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.	BCC Risparmio&Previdenza is an ordinary member di Assogestioni
Assoprevidenza Iccrea Banking Group companies belonging to the organization: BCC Risparmio&Previdenza	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.	BCC Risparmio&Previdenza is an ordinary member di Assoprevidenza.

4. GOVERNANCE OF THE ICCREA BANKING GROUP

4.1. 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, 2017, the shareholders of Iccrea Banca consisted of:

- a) 253 mutual banks;
- b) 2 central-level banks (Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A. and Raiffeisen Landesbank Sudtirol S.p.A.);
- c) the National Federation and the 15 Regional Federations;
- d) 3 Banks other than mutual banks;
- e) 4 other entities.

Under the current bylaws, no shareholder may hold more than five percent of the company's share capital, except for Cassa Centrale Banca - Credito Cooperativo del Nord Est S.p.A., Raiffeisen Landesbank Sudtirol S.p.A. 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.

4.2. 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), the Iccrea Banking Group carried out 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.

The result of this evaluation led to the identification of 15 material topics for the Group, which are shown below.

MATERIAL TOPICS OF THE ICCREA BANKING GROUP

Material topics	Leg. Dec. 254 area of interest
Ethics and integrity in company conduct	Corruption and associated topics
Development of products and services for environmental and social purposes	Social
Development of future markets	
Protection of privacy and data protection	
Responsible lending	
Customer satisfaction and quality of service	
Responsible management of the supply chain	
Engagement and community development	
Transparency of information regarding products and services	
Training and professional development	Human resources
Welfare of employees and People Care	
Health and safety at work	
Management, attraction, development and retention of talents	
Management of the environmental impact of offices and branches	Environment
Systematic assessment of risks	Business model

In consideration of the geographical (mainly domestic), regulatory and business context in which it operates, the Group has not identified human rights topics as material. 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 Values. Therefore, with regard to the prerequisite offenses provided for by Legislative Decree 231/2001, the Bank has

identified and assessed the areas of crime that could generate a negative, direct or indirect, impact on respect for human rights. The Iccrea Banking Group did not identify any significant residual risks in these areas.

4.3. The internal risk 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.

In this context, the Group develops and implements its **Risk Management Process (RMP)** in compliance with the applicable regulatory framework, adapting it constantly to changes in the framework and changes in the market and the internal operational context.

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.

Within the ICS, first-level controls are performed by all the operational and business units within company processes (for example, hierarchical, systematic and sample controls), or by units dedicated exclusively to control duties that report to the managers of the operational areas or are performed at the back-office level. For most company processes, first-level controls are incorporated into IT procedures.

The ICS also comprises the operation of the independent **Company Control Functions (CCF)**, dedicated to ensuring the correct and efficient functioning of the system itself. These include:

- the Compliance and Anti-Money Laundering function (CCO Area) – second-level controls;
- the Risk Control function (CRO area) – second-level controls;
- the Internal Audit function (Internal Audit) – third-level controls.

The RMP is divided into five phases that represent the general organizational declination of the Group's assumption and management risk framework:

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

1. **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 presence of changes in the surrounding context (market, operational, regulatory, etc.).
2. **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).

3. **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.
4. **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).
5. **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.

Alongside risks of an economic, financial and commercial nature typical of business activity, which are described in detail in section 8 “Main risks and uncertainties to which the Iccrea Banking Group is exposed” of the Report on Operations, the Group has also identified potential direct and indirect risk situations associated with non-financial issues.

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 publications of international institutions, such as the World Economic Forum.

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. Risks attributable to material topics not included in the following table are explained and described in the subsequent chapters of the Statement.

MAIN NON-FINANCIAL RISKS IDENTIFIED

Area of interest	Material topics	Main risks	Governance
Social – Customers and services	<ul style="list-style-type: none"> - Protection of privacy and personal information - Development of future markets 	Privacy violation	<p>At present, each Group company addresses the issue individually in their capacity as a Data Processor. The Group recently delegated responsibility for these risks to the Compliance function, while the Incident Management rules, which will also include breaches of privacy, will be amended by May 25, 2018.</p> <p>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.</p>
	<ul style="list-style-type: none"> - Protection of privacy and personal information - Development of future markets 	Loss of data and sensitive information	
Social – Supply chain	<ul style="list-style-type: none"> - Responsible supply change management 	Lack of transparency in supplier selection processes	<p>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.</p> <p>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).</p>
Social – Lending practices	<ul style="list-style-type: none"> - Responsible lending - Development of products and services with environmental and social purposes 	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.
	<ul style="list-style-type: none"> - Responsible lending - 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	<ul style="list-style-type: none"> - 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.
	<ul style="list-style-type: none"> - Managing environmental impact of offices and branches 	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 resource management	<ul style="list-style-type: none"> - 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 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

	- Management, attraction, development and retention of talent	Inadequate systems to guarantee equal opportunities in personnel recruitment and recruitment activities	(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.
	- Workplace health and safety	Accidents and situations of danger for workers	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 established. The regulatory system to govern this risks provides for:
	- Workplace health and safety	Risks in occupational health and safety related to bank personnel and contractors	<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.

4.4. Policies for managing ESG issues

The Iccrea Banking Group has established a codified and formalized internal regulatory system that 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, representing a benchmark for all corporate structures. In particular, the system 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.

4.5. Commitments to stakeholders

In the performance of its activities, the Iccrea Banking Group establishes relationships and dialogue with a range of stakeholders, indicated below, with whom it has made general commitments defined in the bylaws, the Code of Ethics and the Charter of Values.

ICCREA BANKING GROUP STAKEHOLDERS

Category	General commitments of the Group
Mutual banks	<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
Customers	<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
Iccrea Banking Group personnel	<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
Suppliers	<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
Territory and local communities	<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
Environment	<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, ensuring constant and direct dialogue with the Italian mutual banks in order to understand their needs and identify potential critical issues. .

For the Group, the mutual banks are the main channel of contact with ordinary customers as well as with the territories and local communities in which they operate.

Of considerable importance today in communications with customers and society in general 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 for Iccrea. 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**. 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 catalog;
- **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 the Group companies that adopts a uniform methodological approach but is tailored to the specific businesses and the activities carried out by each company.

Preventing corruption

With regard to corruption offenses within the Compliance 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 Compliance 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.

During the year, the Parent Company, together with updating the Compliance Model, also conducted an analysis of the Group's processes and companies related to potential corruption offenses. In particular, 25 processes (about 20% of the total) were analyzed for the Parent Company.

Staff training is fundamental to preventing corruption. In this regard, last year the Group provided 7,904 hours of training on anti-corruption issues to 1,976 employees, using e-learning systems.

HOURS OF ANTI-CORRUPTION TRAINING BY GENDER AND LEVEL

	Men	Women	Total
Executives	88	4	92
Managers	2,232	848	3,080
Office staff	2,408	2,324	4,732
Total	4,728	3,176	7,904

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

	Men	Women	Total
Executives	22	1	23
Managers	558	212	770
Office staff	602	581	1,183
Total	1,182	794	1,976

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, the e-money distribution activities and related payment system services performed by Iccrea Banca, as well as the financing activities performed for corporate customers by Iccrea BancalImpresa, are an example. 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 conducted defined a specific training course on anti-money-laundering issues, for which the Group provided 6,644 hours of training to 1,317 employees.

HOURS OF ANTI-MONEY-LAUNDERING TRAINING BY GENDER AND LEVEL

	Men	Women	Total
Executives	140	8	148
Managers	1,699	677	2,376
Office staff	1,854	2,266	4,120
Total	3,693	2,951	6,644

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

	Men	Women	Total
Executives	21	2	23
Managers	310	124	434
Office staff	411	449	860
Total	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.

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 Italian 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 2017 there were 145 mutual banks served by the Iccrea Banking Group, corresponding to the local banks that 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, who are the main corporate clients of the mutual banks.

In this segment, working through Iccrea BancalImpresa 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, 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.

During the year the Banking Group supported 354,869 SMEs with its products and services.

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 2,718,686 retail customers.

GEOGRAPHICAL BREAKDOWN OF CUSTOMERS BY BUSINESS LINE

	Northern Italy	Central Italy	Southern Italy	International
Corporate	51.4%	26.8%	21.5%	0.3%
Retail	57.4%	24.1%	18.4%	0.2%
Institutional	33.0%	27.0%	40.0%	

VALUE OF BUSINESS LINES AS A PROPORTION OF THE GROUP'S CONSOLIDATED ASSETS

	Institutional	Corporate	Retail
Value of business lines as a percentage of 2017 consolidated assets ¹	78%	20%	2%

¹ The 2017 consolidated assets used as the denominator for the calculation of percentages is equivalent to the sum of the following balance sheet items: Due from banks, Loans to customers and Financial assets. The figure does not include inter-company transactions and the corporate center.

6.1. 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.

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, the Group involves mutual bank customers in a customer satisfaction exercise each year. 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. The current customer satisfaction approach includes seven surveys, composed of fifty questions each, aimed at recording the degree of customer satisfaction with the products and services offered by the individual Group companies.

In 2017, the Group published the results of the survey carried out at the end of 2016, which resulted in a mutual bank satisfaction level of 7.2 on a scale of 1 to 10. In short, the perception of the Iccrea Banking Group as a solid and reliable institution is strong among the mutual banks. In addition, the survey found a need for the mutual

banks to engage more closely in joint planning with the Group for commercial activities, such as communication and marketing, the design of innovative products and accelerating time to market. .

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 and CrediPer, 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.

6.2. 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 offered by the digital world, adapting itself to 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 starting next year, the innovation development program seeks to combine short-term results with long-term structural changes in three macro-dimensions:

1. Strengthening and enhancing the concept of proximity by making the digital an additional means of strengthening the relationship with customers through all channels;
2. 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;
3. 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.
- **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.

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.

6.3. 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. In anticipation of the entry into force in May 2018 of the new European privacy regulation, the Iccrea Banking Group undertook a process of adaptation to the new regulatory requirements to ensure that the companies of the Banking Group and the mutual banks were compliant.

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 – is intended to implement an insurance coverage system 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 2017 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.

6.4. 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 Bancalmpresa 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.

6.5. 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 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 support of the youngest customers, the Group has developed numerous payment and payment solutions:

- **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.
- **Prepaid Ateneum Card:** a prepaid card created through an agreement with major Italian universities, aimed at offering payment services that meet the needs of university students.
- **Black Ventis card:** a credit card created by a commercial partnership with Ventis, aimed at offering millennials 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.).

Banca Sviluppò has also created **Conto Domani**, a current account targeted at under-18s that can meet their present and future needs, with facilitated conditions and the ability to access all services via web or a simple app.

Support for small and medium-sized enterprises

In order to promote territorial development and support the growth of small and medium-sized enterprises, as actors and drivers of the development of local communities and economies, the Iccrea Banking Group has established relationships and partnerships with different National Promotional Banks, such as Cassa Depositi e Prestiti (CDP), as well as with European financial institutions such as the European Investment Bank (EIB) and the European Investment Fund (EIF).

These agreements guarantee access to financial instruments to facilitate the financing of local businesses in the field of subsidized finance. In 2017, numerous initiatives were carried out in this area, including:

- **Agreement with the EIF for access to the InnovFin guarantee product**, which allows the financial intermediary to receive a 50% guarantee on a portfolio of new financing transactions with SMEs and small midcaps (companies with up to 499 group-wide employees) oriented towards innovation. This instrument is part of the European Horizon 2020 program for research and innovation. Through Iccrea Bancalmpresa, in 2016-2017 the Iccrea Banking Group disbursed about €85 million in 104 transactions with innovative companies.
- **BCC Lease agreement with the EIF on the COSME guarantee facility**, which gives financial intermediaries a guarantee on a portfolio of new small-sized transactions with SMEs, which often considered risky. Between the end of 2016 and all of 2017, the Iccrea Banking Group used this instrument to disburse some €48 million for 2,854 contracts.
- **Iccrea Bancalmpresa agreement with SACE on the 2i Guarantee product for enterprises**, which gives financial intermediaries access to a guarantee covering up to 80% of the loan granted to an SME for an internationalization or innovation project. Through this instrument, the Iccrea Banking Group disbursed about €6 million in 2017.

In the subsidized lending area, an important role is played by the Subsidy Program Office of Iccrea Bancalmpresa. This unit manages the subsidized finance activities carried out directly by Iccrea Bancalmpresa and indirect financing activities through a service offered to the mutual banks to carry out lending activities. In 2017, about 5,250 Italian companies gained access to credit thanks to the subsidized finance services offered by Iccrea Bancalmpresa:

- **A service for the SME customers of the mutual banks** giving them access to interest rate subsidies under the Sabatini Act. Thanks to this service, in 2017, Iccrea Bancalmpresa received 3,100 applications for credit from the customer companies of the mutual banks. Of these, the Iccrea Bancalmpresa process and the Ministry of Economic Development approved 1,965 applications, with the disbursement of total credit of €470 million to SMEs, of which approximately €40.4 million were represented by interest rate subsidies directly benefitting the borrowers.
- **A service for mutual banks** to gain access to the guarantee instruments provided by the Central Guarantee Fund for bank loans to SMEs. In 2017, Iccrea Bancalmpresa presented about 3,030 applications

to the Central Guarantee Fund on behalf of the mutual banks participating in the public guarantee mechanism. This activity translated into total financing of about €468 million.

- **Direct participation of Iccrea Bancalmpresa** in the Central Guarantee Fund for the financing of small and medium-sized enterprises. During 2017, IBI presented 250 financing transactions directly to the Central Guarantee Fund, for total disbursements of about €118 million.

Support for government

In the area of providing support for government entities, Iccrea Bancalmpresa has for some years been developing the “**public leasing**” financial product to support local government entities (regions, local health authorities and, above all, municipalities) in the form of public-private partnerships to carry out building projects, especially in the health, education, sports and multi-purpose building sectors.

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 the year 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.
- **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.

With regard to the bonds issued by the Group, during the year we renewed the associated issuance program, under which the **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.

The Iccrea Banking Group also places ethical investment products through the asset management company BCC Risparmio & Previdenza. The products are issued by a third-party company that only promotes and manages socially responsible investment funds.

Supporting the third sector

The Iccrea Banking Group has developed specific products for non-profit associations operating in the country in collaboration with the mutual bank network in Italy. In particular:

- **iDEE website**: the Iccrea Banking Group developed and maintains the website for iDEE, the association of women working in the mutual banking industry engaged in enhancing the role of women within the mutual banking movement and developing welfare and life balance initiatives.
- **ARPJ website**: the Iccrea Banking Group developed and maintains the website for ARPJ, a volunteer organization in Rome which seeks to give women, minors and young people in need the opportunity to become protagonists responsible for their future within their own community.

Products with environmental relevance

With regard to the range of banking and credit products linked to eco-sustainable initiatives, Iccrea BancaImpresa has long contributed to the development of power generation from **renewable sources** through project finance and project leasing products aimed at financing projects for the installation of photovoltaic systems, wind farms, biomass or biogas generation plans and small hydroelectric plants (so-called mini hydro). In 2017, some €34 million were disbursed by Iccrea BancaImpresa for the renewables sector.

6.6. 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 2017, no operations involving the excluded sectors were brought to the attention of the Credit Committee.

Iccrea BancaImpresa promotes the responsible management of uncompleted or unsold residential real estate investments in its own portfolio and those of the mutual banks. Under this policy, Iccrea BancaImpresa is involved in completing the construction of dwellings for subsequent placement on the market at controlled rents or lowered sales prices for the benefit of disadvantaged groups identified by the municipalities involved, with the support of specialized companies. This activity provides for the involvement of the **Iccrea BancaImpresa Social Housing Fund**, established for this purpose and launched with Cassa Depositi e Prestiti as majority shareholder and Investire SGR as the management company. To date, the first €25 million have been subscribed in the Fund, of which €10 million (40%) by Iccrea BancaImpresa. Over the next few years, €100 million will be subscribed, with Iccrea BancaImpresa taking a 20% stake.

7. SUPPORTING LOCAL COMMUNITIES

The Iccrea Banking Group uses donations and sponsorships to support activities and initiatives to safeguard and enhance 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.

During the year, the Board of Directors of Iccrea Banca resolved to 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.

During 2016-2017, Iccrea Banca made approximately €480,000 in charitable donations. More specifically, the Bank supported:

- **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, CRI-Gruppo Donatori Sangue, AISM, Ente Nazionale Sordi, Associazione Kiasso e Associazione Sordomuti XIII Municipio. The Bank donated around €318,000 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 Palestine and Ecuador), Lega del Filo d'Oro, ADMO, Legambiente, Federparchi and Fondo Ambiente Italiano.

In addition, Iccrea Banca has earmarked €100,000 over five years (starting in 2016) for the Associazione Amici della Normale di Pisa. This contribution 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 2016-2017, approximately 3,000 people took part in the tournament, with a major positive impact on the local communities in which event took place, thanks to the use of hotels, sports fields and various services by the participants.

Finally, a **crowdfunding** initiative was promoted to raise funds for the recent earthquake, using both banner ads with account details for traditional bank transfers and a specific online platform for credit card donations.

Promoting urban development

With the establishment in 2006 of the Iccrea Banking Group headquarters and about 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 Via Lucrezia Romana in Rome. The project, which was close to completion in 2017, 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 is nearing completion and 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 2017 Iccrea BancaImpresa continued to manage the **JESSICA funds**, a program launched some years ago by the European Union in collaboration with the European Investment Bank to support energy efficiency and sustainable territorial development in Sicily and Campania, with an undoubted positive impact on the quality of life.

In addition, Iccrea BancaImpresa has agreed a number of financing operations for social and healthcare facilities and has acquired additional projects 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 involvement and development of the territory and communities are an integral part of the Iccrea Banking Group mission. The Group organizes **educational activities**, conferences and meetings on issues of common interest and in the field of financial education for local communities, mutual bank shareholders, businesses and cooperatives operating in the area. Training initiatives for certain financial products are also delivered through the digital channel, thanks to the pages on the main social networks dedicated to selected brands of the Iccrea Banking Group, such as Carta BCC and CrediPer.

The Group has organized conferences on micro credit and finance in the energy sector. Some 38 conferences were organized by the Group's Marketing department to examine international operations and the Central Guarantee Fund, with the involvement of 37 mutual banks and a total of 3,846 participants. In collaboration with Assilea, a number of information and training meetings were organized on the 2017 Budget Act in order to inform the business customers of the mutual banks and local accounting organizations of the main measures in that legislation, such as: the Sabatini mechanism, the super depreciation and hyper depreciation measures, and developments in the Industry 4.0 program. In collaboration with Assilea, the Group also organized 25 conferences on the Stability Act, with the involvement of 34 mutual banks and a total of 2,876 participants.

In addition, the Iccrea Banking Group sponsored numerous initiatives on a variety of topics, including:

- **Environment**, through participation in Festambiente, the international festival on ecology organized each year by Legambiente;
- **Culture and territory**, through support for the Apoxiomeno Prize, a prestigious international award given to business, journalism and sports personalities who have contributed to spreading the culture of legality, celebrating the work of law enforcement organizations around the world.

- **Cultural and social issues**, through the sponsorship of the Anthos production company for the film *L'Amore Rubato*, which promotes the fight against gender violence.
- **Scientific, cultural, artistic and technological dissemination**. In 2017 the Group sponsored TEDEX Roma, the cultural event organized in Italy by the international non-profit organization TED.

In the environmental field, Iccrea Banca signed an agreement with Legambiente in 2017 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.

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, during 2017, 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
- ACTL (Associazione per la Cultura e il Tempo Libero) – sportello stage

8. HUMAN RESOURCE MANAGEMENT

8.1. The personnel of the Iccrea Banking Group

Employees 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 its 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.

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 2017, the Group has 2,356 employees, of whom 39% are women. Compared with the previous year, the workforce decreased as a result of 228 employees leaving the company while only 80 new employees joined during the year, with a negative turnover rate of 9.7%. The reduction in the workforce specifically reflected the transfer to the mutual banks of Banca Sviluppo employees and the retirement of 93 workers, who are participating in the Solidarity Fund under a trade union agreement.

Almost all employees are employed on open-ended contracts, while 43 have fixed-term contracts. In addition, during the year, 126 employees worked on part-time contracts. Finally, about 60% of employees are aged between 30 and 50 years.

EMPLOYEES BY GENDER AND EMPLOYMENT CATEGORY *

Employment category	Men	Women	Total
Executives	58	3	61
Managers	686	255	941
Office staff	698	656	1,354
Total	1,442	914	2,356

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

EMPLOYEES BY EMPLOYMENT CATEGORY, GENDER AND AGE GROUP *

Employment category	Men	Women	Total
Executives	58	3	61
<i>under 30</i>	-	-	0
<i>between 30 and 50</i>	17	2	19
<i>over 50</i>	41	1	42
Managers	686	255	941
<i>under 30</i>	0	1	1
<i>between 30 and 50</i>	269	123	392
<i>over 50</i>	417	131	548
Office staff	698	656	1,354
<i>under 30</i>	32	27	59
<i>between 30 and 50</i>	480	475	955
<i>over 50</i>	186	154	340
Total	1,442	914	2,356

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

TOTAL NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT CONTRACT *

Employment category	Men	Women	Total
Fixed-term contract	19	24	43
Open-ended contract	1,423	890	2,313
Total	1,442	914	2,356

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

TOTAL NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER *

Employment category	Men	Women	Total
Full-time	1,433	797	2,230
Part-time	9	117	126
Total	1,442	914	2,356

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

Respect for diversity

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

Group employees can use a dedicated tool or written communication to report any incidents of discrimination. Any complaint of discrimination 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.

8.2. 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 by enhancing the potential of individuals through effective, fair and transparent processes aimed at promoting, recognizing and rewarding professional skills and their development.

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.

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 *

Employment category	2017	2016
Executives	71%	90%
Managers	86%	86%
Office staff	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 S.p.A. and Ventis S.r.l.

AVERAGE REMUNERATION OF WOMEN AS A PROPORTION OF AVERAGE REMUNERATION OF MEN BY EMPLOYMENT CATEGORY

Employment category	2017	2016
Executives	71%	88%
Managers	86%	86%
Office staff	93%	93%

* The figures for average remuneration are those for global annual remuneration (GRA). The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A. and Ventis S.r.l.

The Iccrea Banking Group's remuneration of executives in 2017 shows a disparity between women's and men's salaries. This change was mainly attributable to the departure of a woman in a senior position from the company. Furthermore, there were no changes between GAS and GRA in 2017 following the failure to exceed the hurdles envisaged in the incentive system policy.

For the remaining personnel, the difference between men's and women's salaries also due to the greater impact of part-time contracts: 14% of female employees have a part-time work contract.

8.3. 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. 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 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**, which includes all the training and development initiatives planned and delivered internally by the Parent Company.
- **Individual training**, 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 provide specific indications regarding the training areas and the courses deemed useful for the development of their staff. The Training unit analyzes the survey data and uses this information to develop a training plan that is consistent with the strategies set out by top management.

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 and uses these as a basis for structuring the paths and activities instrumental to their achievement.

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.

In 2017, the Iccrea Banking Group also implemented an **online platform** to manage training activities, providing information on courses, enrollment processes, registration of attendance and monitoring of training activities.

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

Hours of training	Men	Women	Total
Executives	3,747	197	3,944
Managers	24,618	9,239	33,857
Office staff	19,330	19,088	38,418
Total	47,694	28,524	76,218

* The figures are those for training hours provided by the company to its employees. The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A. and Ventis S.r.l.

NUMBER OF EMPLOYEES INVOLVED IN TRAINING ACTIVITIES BY GENDER AND EMPLOYMENT CATEGORY ¹

Employees involved	Men	Women	Total
Executives	65	4	69
Managers	723	261	984
Office staff	728	707	1,435
Total	1,516	972	2,488

* The figures are those for the total number of employees for whom the company provided training courses. The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A. and Ventis S.r.l.

¹ The number of employees receiving training in 2017 is greater than the number of Group employees at December 31, 2017 reported in the table on page 33. This is due to the fact that a number of employees left the Group, including through participation in the Solidarity Fund, before the end of 2017.

AVERAGE NUMBER OF HOURS OF TRAINING BY GENDER AND EMPLOYMENT CATEGORY

Average training hours	Men	Women	Total
Executives	65	66	57¹
Managers	36	36	36
Office staff	28	29	28

* The figures are those for the total number of employees at December 31, 2017 for whom the company provided training courses. The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A. and Ventis S.r.l.

Hours of training by type (2017)



An integral part of the skills development activities of Group employees is the annual **professional evaluation** process. During the year, approximately 70% of employees receive a review of their job performance, with the actual percentage of employees undergoing evaluation in each Group company varying from a minimum of 65% to a maximum of 94%.

NUMBER OF EMPLOYEES WHO RECEIVED PERFORMANCE AND CAREER DEVELOPMENT REVIEWS¹

Employees evaluated	Men	Women	Total
Executives	2	1	3
Managers	446	171	617
Office staff	549	516	1,065
Total	997	688	1,685

* The evaluations received by employees in 2017 regard performance in 2016. The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A. and Ventis S.r.l.

¹ The figures do not include evaluations associated with achievement of annual objectives (MBO).

PERCENTAGE OF EMPLOYEES WHO RECEIVED REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS DURING THE REPORTING PERIOD BY GENDER AND EMPLOYMENT CATEGORY

Employees evaluated	Men	Women	Total
Executives	3%	33%	5%
Managers	62%	67%	66%
Office staff	77%	79%	79%
Total	69%	75%	72%

* The evaluations received by employees in 2017 regard performance in 2016. The figures do not include BCC Beni Immobili S.r.l., FDR Gestione Crediti S.p.A. and Ventis S.r.l.

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.

Norms of behavior 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.

Between 2016 and 2017 the Internal Communication unit organized numerous initiatives to promote and internalize the norms of behavior, including a communication campaign with direct involvement of Iccrea staff, displays at the Rome and Milan offices, a dedicated section on the Group's internal portal and the creation of **Value Stories**, short films focusing on the five values starring Iccrea personnel.

8.4. Caring for the welfare of employees and people care

Since 2013, the Iccrea Banking Group has developed a welfare system, establishing the Industrial Relations and People Care unit. The system has tools 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.

More specifically, since 2014 the Group has allowed its employees to convert all or part of their performance bonus into corporate welfare benefits and services. An integral part of this program is the activation of **flexible benefit** plans, which allow employees to obtain an annual reimbursement for expenses incurred for child care and education services, to use assistance services for elderly relatives and to repay interest on mortgages for the construction, renovation and purchase of primary or secondary homes. Moreover, to simplify the use of flexible benefits by all employees, the Group has implemented the **Easy Welfare** digital platform.

The people care model implemented within the Group offers a structured range of work-life balance solutions that promote flexibility in working hours (leave, part-time work, etc.), sustainable mobility and solidarity among employees through holiday transfer initiatives.

The Group offers its employees an articulated system of facilitations and subsidies, family benefits for public transport passes, special agreements with vendors, scholarships, etc.

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.

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.

As regards work flexibility and solutions to reconcile private and working life, the Group launched an experimental project during the year for the dissemination of **smart working** solutions among its employees. Through the use of flexible forms of work, the Group wants to give workers greater flexibility in choosing the when and where they work to achieve increasingly challenging company objectives.

Finally, the Group also established “**solidarity holidays**” during the year 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 an equal number of days to the solidarity holiday pool.

8.5. 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 the some 2,300 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 and Ventis 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 a Worker Safety Representative, who is involved 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 2017, 30 injuries were recorded, of which the majority were incurred travelling to or from work, with no fatal incidents.

INJURIES AND INJURY RATES *

	Men	Women	Total
Number of injuries	15	15	30
At work	4	5	9
Travelling to and from work	11	10	21
Cases of occupational disease	-	1	1
Days lost to injuries	397	374	772
At work	106	180	286
Travelling to and from work	291	195	486
Injury rate	5.941	11.115	7.743
Lost day rate	0.158	0.278	0.200
Occupational disease rate	-	1.48	0.52

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

Notes on 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 *

Days of absence by type	Men	Women	Total
Illness	8,830	7,668	16,498
Injury	397	374	772
Stress	-	-	-
Absentee rate	2%	3%	3%

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

Notes on calculation of rate:

Absentee rate: calculated as the number of days of absence due to injury, illness, leave for union duties and strikes divided by the number of working days in the year.

8.6. 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, all with the goal of achieving consensus for growth, competitiveness and sustainable employment.

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 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 October, an important agreement on employee work-life balance was signed, with the introduction of smart working measures, solidarity holidays, the company nursery and hourly parental leave. The smart working measures make it easier for employees to reconcile the demands of the workplace with personal and family needs. Employees can work from home, in specially set up company spaces, from other mutual bank premises and other previously identified locations. Flexible work, which places the individual at the center of the relationship, is fostering profound cultural change, strengthening the relationship of trust and mutual accountability between managers and employees, between the company and the worker. Employees whose jobs are appropriate for the smart working system participate on a voluntary basis, and can work from a different location three or four days a week.

Finally, in December, after extended negotiations, an agreement on the establishment of the **Group Trade Union Delegation** was finally signed. It will permit 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. In November, 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 could also be used through the mechanisms provided for in the flexible benefit system, i.e. in the form of reimbursements, for example, of costs childcare or assistance services for elderly/non-self-sufficient family members, or as a payment to employees' supplementary pension fund through the corporate welfare platform.

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 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 and ISO 18000.

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 2017, the Group involved 1,645 suppliers in its procurement processes for goods and services, with 91% of them drawn from suppliers resident in Italy and in the Bank’s main areas of operation.

10. ENVIRONMENT

10.1. 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 governance of real estate projects involving the Group's premises, ensuring their efficient management and the necessary quality of real estate and logistics services.

During 2017, we continued the **restyling and energy efficiency upgrade**, 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 (see the project description in 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".

Progress in limiting greenhouse gas emissions was also achieved thanks to 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 is 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

Informed use of paper

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.

Energy efficiency and reduction of CO₂ emissions

Restyling and energy efficiency upgrade of Lucrezia Romana headquarters complex

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%:

- average transmittance before works 2.32 W/mqK
- average transmittance after works 0.75 W/mqK

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 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.

BIT Energia consortium

The Group is a founding shareholder of BIT, which operates with leading banks to provide the Bank and their clients with the tools they need to meet the challenges posed by the sectors related to the agriculture and food production industries and measures for the rational use of energy and renewable energy sources, making available its specialized expertise in the fields of agriculture, food production and the environment.

The Iccrea Banking Group purchases electricity from the BIT Energia consortium, an energy services company serving the mutual banks and their customers who operate in the fields of energy efficiency, the free energy market and the renewable energy sector

"M'illumino di Meno" initiative

The Iccrea Banking Group participated in the "M'illumino di Meno" initiative, whose theme in 2017 was "Sharing the energy". The event asked Group companies to adopt virtuous energy saving behavior (turning off lights and non-essential equipment, and illuminated signage at offices and branches) and to organize specific initiatives on the theme of sharing, transmitting a significant "mutual" message.

Furthermore, in 2017 the Board of Directors of Iccrea BancaImpresa approved **General Rules for the Environmental Risk Mitigation Process**. This standard, which will soon be implemented at the operational level, 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.

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 83,093 GJ of energy. 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 13,172 GJ. The Group consumed 12,298 GJ of energy during the year for the use of the vehicle fleet (diesel powered). In addition, the Group purchased and consumed 56,182 GJ of electricity during the year, coming entirely from renewable sources with a certification of origin and 1,441 GJ of thermal energy from district heating.

DIRECT ENERGY CONSUMPTION BY SOURCE

	Unit	2017	2016
Heating		13,172	8,509
Natural gas	GJ	13,172	8,509
Vehicle fleet		12,298	-
Diesel*		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.

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

INDIRECT ENERGY CONSUMPTION BY SOURCE

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

Against this energy consumption, the Iccrea Banking Group registered greenhouse gas emissions equivalent to approximately 1,743.07 metric tons of CO₂ equivalent in the year.

GREENHOUSE GAS EMISSIONS

	Unit	2017
Total emissions *		1,743.07
Scope 1 emissions		1,662.42
From heating	metric tons of CO _{2eq}	750.28
From use of vehicle fleet		912.14
Scope 2 emissions		80.65
From district heating**		80.65

* Emissions are given in metric ton 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.

** Emissions from district heating are estimated on the basis of the average emission factors defined by ISPRA for the fuel used to produce thermal energy by the supplier.

OTHER EMISSIONS

	Unit	2017
NOx emissions		1.26
From heating	metric tons	0.40
From use of vehicle fleet		0.61
Sox emissions		0.58
From use of vehicle fleet		0.58

11. METHODOLOGICAL NOTES AND GRI INDICATORS

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 will be 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" ("in compliance" - core option), issued 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 52.

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 page 14 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 2017 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 58.

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, 2017.

If useful for the purposes of the comparison or contextualization of the information, data for 2016 have been included and duly indicated, with the exclusion of certain exceptions, for which only a summary and qualitative comparison with previous years has been provided on the occasion of first-time application of the regulations, as provided for in the Decree.

The data and information refer to all fully consolidated Group companies included in the consolidated financial statements at December 31, 2017, 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 2015/2016. 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.

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**. 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;
- internal prioritization of the topics identified, with the involvement of the main company departments participating in the non-financial reporting process;
- approval of the material topics in conjunction with the approval of this Statement.

The initial phase of materiality analysis and identification of the related indicators also saw the involvement of Federcasse, the national federation of mutual banks, representing the mutual banks, which, being both shareholders and customers of the Iccrea Banking Group, are the Group’s the main external stakeholder.

Contacts

For more information and details on the contents of the Statement, please contact Iccrea Banca's Institutional and International Relations unit 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 Anti-corruption	•		
Development of products and services with environmental and social purposes	Product portfolio *	•		
Development of future markets	**	•		
Protection of privacy and personal information	Customer privacy	•		
Responsible lending	**	•		
Customer satisfaction and quality of service	**	•		
Responsible supply chain management	Procurement practices	•		
Engagement and community development	Indirect economic impacts Local communities	•		
Transparency of information on products and services	Marketing and labeling	•		
Professional training and development	Training and education	•		
Employee wellbeing	Employment Diversity and Equal Opportunity	•		
Workplace health and safety	Occupational health and safety	•		
Management, attraction, development and retention of talent	Training and education	•		
Managing environmental impact of offices and branches	Energy Emissions	•		
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.

12. 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			
<i>GRI standard</i>	<i>Standard description</i>	<i>Page number and notes</i>	<i>Omissions</i>
GRI 102: GENERAL DISCLOSURES			
ORGANIZATIONAL PROFILE			
GRI 102-1	Name of the organization	7	
GRI 102-2	Activities, brands, products, and services	7, 8	
GRI 102-3	Location of headquarters	8	
GRI 102-4	Location of operations	8	
GRI 102-5	Ownership and legal form	13	
GRI 102-6	Markets served	7, 8	
GRI 102-7	Scale of the organization	8	
GRI 102-8	Information on employees and other workers	35, 36	
GRI 102-9	Supply chain	44	
GRI 102-10	Significant changes to the organization and its supply chain	10, 42, 43	
GRI 102-11	Precautionary principle or approach	15	
GRI 102-12	External initiatives	9	
GRI 102-13	Membership of associations	11, 12	
STRATEGY			
GRI 102-14	Statement from senior decision-maker	5, 6	
GRI 102-15	Key impacts, risks, and opportunities	17, 18	
ETHICS AND INTEGRITY			
GRI 102-16	Values, principles, standards, and norms of behavior	8, 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	13, 14	
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	13, 14	
GRI 102-24	Description of nomination and selection processes for the highest governance body and its committees	13	

STAKEHOLDER ENGAGEMENT

GRI 102-40	List of stakeholder groups	19	
GRI 102-41	Percentage of total employees covered by collective bargaining agreements	35. <i>100% of employees are covered by collective bargaining agreements.</i>	
GRI 102-42	The basis for identifying and selecting stakeholders with whom to engage	19	
GRI 102-43	The organization's approach to stakeholder engagement	19, 20, 25, 26	
GRI 102-44	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded	19	

REPORTING PRACTICE

GRI 102-45	Entities included in the consolidated financial statements	49	
GRI 102-46	Defining report content and topic boundaries	14, 50	
GRI 102-47	List of material topics	14	
GRI 102-48	Restatements of information	N.A.	
GRI 102-49	Changes in reporting	N.A.	
GRI 102-50	Reporting period	49	
GRI 102-51	Date of most recent report	N.A.	
GRI 102-52	Reporting cycle	49	
GRI 102-53	Contact point for questions regarding the report	50	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	49	
GRI 102-55	GRI content index	52	
GRI 102-56	External assurance	58	

TOPIC-SPECIFIC DISCLOSURE

<i>GRI standard</i>	<i>Standard description</i>	<i>Page number and notes</i>	<i>Omission</i>
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GRI 200: ECONOMIC PERFORMANCE**GRI 203: INDIRECT ECONOMIC IMPACTS**

GRI 103-1, 103-2, 103-3	Management Approach	28 – 31, 32	
GRI 203-1	Development and impact of significant infrastructure investments and services supported, mainly for public use	29, 30, 32, 33	

GRI 204: PROCUREMENT PRACTICES

GRI 103-1, 103-2, 103-3	Management Approach	44	
GRI 204-1	Proportion of spending on local suppliers	44	

GRI 205: ANTI-CORRUPTION

GRI 103-1, 103-2, 103-3	Management Approach	21 – 23	
GRI 205-1	Operations assessed for risks related to corruption	21, 22	
GRI 205-3	Confirmed incidents of corruption and actions taken	21. <i>No incidents of corruption occurred during the year.</i>	

GRI 206: ANTI-COMPETITIVE BEHAVIOUR

206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and outcomes of legal actions	<i>An appeal is pending before the Lazio Regional Administrative Court against ruling no 25565 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.</i>	
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GRI 300: ENVIRONMENTAL TOPICS

GRI 302: ENERGY

GRI 103-1, 103-2, 103-3	Management Approach	45 – 48	
302-1	Energy consumption within the organization	47	

GRI 305: EMISSIONS

GRI 103-1, 103-2, 103-3	Management Approach	45 - 48	
305-1	Direct (Scope 1) GHG emissions	48	
305-2	Energy indirect (Scope 2) GHG emissions	48	

GRI 400: SOCIAL TOPICS

GRI 401: EMPLOYMENT

GRI 103-1, 103-2, 103-3	Management Approach	35, 40, 41	
GRI 401-1	New employee hires and employee turnover	35	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	40, 41. <i>Group employees on fixed-term contracts receive the same benefits as those hired on open-ended contracts.</i>	

GRI 402: LABOUR/MANAGEMENT RELATIONS

GRI 103-1, 103-2, 103-3	Management Approach	42, 43	
GRI 402-1	Minimum notice periods regarding operational changes	42, 43. <i>Articles 11 bis and 22 of the Federcasse collective bargaining agreement provide for a minimum of two weeks' notice.</i>	

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

GRI 103-1, 103-2, 103-3	Management Approach	41, 42	
GRI 403-1	Workers representation in formal joint management-worker health and safety committees	41. 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	41, 42	Health and safety indicators regard Group employees only. They do not include any external non-Group employees.
GRI 403-4	Health and safety topics covered in formal agreements with trade unions	43	

GRI 404 – TRAINING AND EDUCATION

GRI 103-1, 103-2, 103-3	Management Approach	37 - 40	
GRI 404-1	Average hours of training per year per employee	39	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	37 - 40. 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	39	

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

GRI 103-1, 103-2, 103-3	Management Approach	35 – 37	
GRI 405-1	Diversity of governance bodies and employees	35, 36	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	37	

GRI 406: NON-DISCRIMINATION

GRI 103-1, 103-2, 103-3	Management Approach	35, 36	
GRI 406-1	Incidents of discrimination and corrective actions taken	<i>No incidents of discrimination occurred during the year.</i>	

GRI 413: LOCAL COMMUNITIES

GRI 103-1, 103-2, 103-3	Management Approach	32 -- 34	
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	32 – 34	

GRI 417: MARKETING AND LABELING

GRI 103-1, 103-2, 103-3	Management Approach	25, 26	
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	25, 26	
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	<i>No incidents of non-compliance occurred during the year.</i>	
GRI 417-3	Incidents of non-compliance concerning marketing communications	<i>No incidents of non-compliance occurred during the year.</i>	

GRI 418: CUSTOMER PRIVACY

GRI 103-1, 103-2, 103-3	Management Approach	27, 28	
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	28	

GRI 419: SOCIO-ECONOMIC COMPLIANCE

GRI 419-1	Non-compliance with laws and regulations in the social and economic area	<i>No incidents of non-compliance occurred during the year.</i>	
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GRI G4 Supplement for the financial services sector**PRODUCT PORTFOLIO**

FS-6	Portfolio for business lines by specific region, customer size and sector	24, 25, 28 - 31	
FS-7	Products and services designed to deliver a specific social benefit	28 - 31	
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LOCAL COMMUNITIES

FS-13	Access points in low-populated or economically disadvantaged areas by type	8	
Other material topics			
<i>CUSTOMER SATISFACTION AND SERVICE QUALITY</i>			
GRI 103-1, 103-2, 103-3	Management Approach	25, 26, 28	
<i>RESPONSIBLE LENDING</i>			
GRI 103-1, 103-2, 103-3	Management Approach	31, 46, 47	
<i>DEVELOPMENT OF FUTURE MARKETS</i>			
GRI 103-1, 103-2, 103-3	Management Approach	26, 27	



Iccrea Banca S.p.A.

Consolidated disclosure of non-Financial Information as at
December 31, 2017

Independent auditor's' report in accordance with article 3, par.
10, of Legislative Decree n. 254, dated December 30, 2016 and
with article 5 of Consob Regulation adopted with resolution
n.20267



EY S.p.A.
Via Po, 32
00198 Roma

Tel: +39 06 324751
Fax: +39 06 32475504
ey.com

Independent auditor's report on the Consolidated disclosure of non-Financial Information in accordance with article 3, par. 10, of Legislative Decree n. 254, dated December 30, 2016 and with article 5 of Consob Regulation adopted with resolution n.20267 (Translation from the original Italian text)

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

We have performed a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree n.254, dated December 30, 2016 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267, on the consolidated disclosure of non-financial information of Iccrea Banca S.p.A. and its subsidiaries (hereinafter the "Group" or "Iccrea Banking Group") for the year ended December 31, 2017 in accordance with article 4 of the Decree approved by the Board of Directors on April 6, 2018 (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 Note and GRI indicators" 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.

EY S.p.A.
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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 standard 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:
 - o group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in art. 3 Decree, results achieved and related key performance indicators;
 - o 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 5. 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 of 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 BancaImpresa S.p.A. e BCC Sistemi Informatici S.p.A.), selected based on their activity and contribution to the consolidated performance indicators, 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, 2017 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 24, 2018

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.