

# One Bank One UniCredit

2017

## Integrated Report

Our sustainable value creation

Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016

Banking that matters. |





# Report structure

UniCredit published a Sustainability Report each year from 2000 to 2013. In line with the most recent international developments in corporate reporting, since 2014 the Group has continued to report on sustainability in an Integrated Report (the "Report") under the GRI Guidelines and the IIRC Framework. The aim is to describe the Group's financial and sustainability performance, business model, corporate governance, risk management, compliance, competitive environment, strategy and capitals.

UniCredit has prepared this document in compliance with the requirements of Articles 3 and 4 of Legislative Decree 254/2016, which implements European Directive 2014/95/EU in Italy. In addition, the Report is part of UniCredit's principled effort to further develop its compliance with the European Commission's Guidelines on non-financial reporting and advance understanding of all aspects of its business.

The Report has been approved by the Board of Directors of UniCredit SpA on March 5th, 2018 and has been produced by the Group Sustainability & Foundations function, in collaboration with the Strategy, Business Development and M&A function. In 2017, in line with the requirements of Legislative Decree 254/2016, a specific policy was adopted to define the roles, responsibilities, activities and controls and to coordinate the flow of information between UniCredit's parent company, regions, divisions and legal entities in relation to the process of preparing the Consolidated Non-Financial Statement.

The Report should be considered in its entirety, including its Supplement, which is available in the Sustainability section of our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) and contains a number of essential indicators and underlying quantitative data.

The guidelines adopted for the preparation of the sustainability information included in the 2017 Integrated Report, including the Supplement, are the "G4 Sustainability Reporting Guidelines" and the "Financial Services Sector Disclosures," both issued in May 2013 by the Global Reporting Initiative (GRI). The principles contained in the International <IR> Framework, published in December 2013 by the International Integrated Reporting Council (IIRC), were also used as reporting framework.

Figures and information relating to the Scope 1, Scope 2 and Scope 3 classes of greenhouse gas emissions have been prepared in accordance with "The Greenhouse Gas Protocol: A Corporate, Accounting and Reporting Standard (Revised Edition, 2004)" as well as the "G4 Sustainability Reporting Guidelines."

The information in the Report addresses the issues that were identified as material and their associated indicators, which reflect the main economic, environmental and social impacts of the Group or could have a substantial influence on the views and decisions of its stakeholders. The materiality analysis, updated in 2017, was fundamental to the Report and determined the topics to be reported on, in line with the needs of the stakeholders. Following the analysis of the relevant topics indicated in Article 3 of the Legislative Decree 254/2016, the use of water was not considered significant for the representation in this Consolidated Non-Financial Statement.

The content of this Report refers to the year 2017 and to the activities of UniCredit during the year, unless otherwise stated. Figures relating to previous years are provided for comparison, to enable where possible an assessment of the Group's activities over time.

To determine the reporting boundaries, in 2017, a risk-based analysis of the Group's legal entities consolidated on a line by line basis was carried out by UniCredit SpA. The purpose was to identify the relevant companies and ensure the Report would provide a proper understanding of the Group's activities, development, performance and relevant impacts. This reporting perimeter represents 97% of Group's FTEs. The reporting boundaries include 14 countries where the Group has significant operations: Italy, Germany and Austria in Western Europe, and Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Russia, Serbia, Slovakia and Slovenia in Central and Eastern Europe. This year, data and information relating to Bank Pekao, Pioneer Global Asset Management and their subsidiaries are not included in the reporting boundaries, following the sale of Bank Pekao to Powszechny Zakład Ubezpieczeń SA in June 2017 and of Pioneer to Amundi in July 2017. For figures related to the exposure to renewable energy sector, Yapi Kredi (accounted for by the equity method in the Consolidated Report and Accounts) portfolio has been included pro quota. Community contribution and initiatives in support of Communities included in the "Social and relationship Capital" chapter include data and information related to UniCredit Foundation and UniCredit & Universities Knight of Labor Ugo Foscolo Foundation (the "UniCredit & Universities Foscolo Foundation"), not included in the perimeter of the Consolidated Report and Accounts. The perimeter considered in the paragraph of the Supplement "Compliance - Whistleblowing" includes the legal entities currently monitored and considered relevant by Group Compliance. For figures related to staffing and calculations of the Value Added, the scope of the Report corresponds to the 2017 Consolidated Reports and Accounts, unless otherwise indicated. Any conditions that may limit the scope of the data are clearly disclosed throughout the Report.

To ensure reliability, the Report includes directly measurable quantities and limits the use of estimates as much as possible. Potential estimates are based on the best available information or spot checks. Restatements of previously published figures that have been provided for comparison are clearly indicated as such.

The Report was subject of a limited assurance engagement (according to the criteria set out by the ISAE 3000 Revised principle) by Deloitte & Touche S.p.A., which, at the end of the work performed, released a specific report with regard to the compliance of the information contained in the Consolidated Non-financial Statement prepared by UniCredit as required by the Legislative Decree 254/2016.

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# Chief Executive Officer's message

“We are transforming through decisive actions. Everything we do is designed to make UniCredit a true pan European Winner.”

**Jean Pierre Mustier**  
Chief Executive Officer

## Dear Stakeholders,

I would like to thank you for your ongoing support during our transformation. At UniCredit, we are taking decisive actions to become more competitive and build a strong, sustainable Bank, poised for future growth. We have executed on all our commitments in 2017, including a successful €13bn capital increase and the disposals of Pioneer Investments and Bank Pekao stakes. We concluded FINO Phase 1, with the sale of a €17.7bn portfolio. Everything we do is designed to make UniCredit a true pan European Winner.

Our strategy is to be One Bank, One UniCredit: a simple, successful, pan European commercial bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive client franchise.

This strategy is long-term. What we are doing today to implement Transform 2019 - our strategic plan - is laying the groundwork for the future. It is changing the way we work to anticipate our clients' medium-term evolution, including their use of multiple channels.

Our investments in digital aim to improve the customer experience as we continue to optimise our processes and our cost base. New commercial dynamics are driving how we train and develop our people.

Our management is clear on this vision and their actions are underpinned by a strict long-term incentives structure based on the plan's key performing indicators. All our people are focused on the ongoing execution of Transform 2019. It is their energy, commitment and hard work which allows UniCredit to deliver tangible results.

As presented to investors at the 2017 Capital Markets Day in December, our performance is fully on track and we have confirmed all the Transform 2019 key targets, with a better risk profile and an improved dividend payout.

We have **strengthened our capital position**, resulting in a lower SREP Pillar 2 Requirement and an S&P upgrade to a BBB rating with a stable outlook. We have confirmed our 2019 CET1 ratio target whilst anticipating additional regulatory headwinds during the plan period. Post 2019, the CET1 ratio will remain above 12.5 per cent, thanks to an organic capital generation that will fully absorb the expected regulatory impacts.

In terms of **asset quality**, we signed binding agreements to reduce our stake in FINO to below 20 per cent. A more disciplined risk management strategy and underwriting processes are driving significant improvements in all our asset quality metrics. Finally, as announced, we are improving on our original Group Gross NPEs' target, cutting a further €4.0bn by the end of 2019. The full rundown of the Non Core portfolio, which will occur by end 2025, is entirely self-funded.

In terms of **transforming our operating model**, we have confirmed our overall revenues and cost targets. Our FTE and branch reductions are ahead of schedule and our digital and IT transformation is fully on track.

We continue to **maximise commercial bank value**, with the ongoing transformation resulting in higher productivity. Our activities in Western Europe continue to benefit from the revamped

network with new service models for retail and SME customers as well as a strong multichannel strategy. Cost reductions are progressing according to plan. In two other core divisions, CEE and CIB, we have further strengthened our leadership positions while keeping a strong focus on risk.

Finally, in terms of **adopting a lean but steering centre**, decisions taken at our latest EGM concerning, for example, a simplified share structure, position us as best in class in terms of European corporate governance.

Finally, on behalf of the Board of Directors and the whole Group, I would like to extend a special thanks to Giuseppe Vita, whose successful tenure as the Chairman of UniCredit is coming to a close. Giuseppe's significant contributions over the past six years have been very precious to our development. His vision and support have enabled UniCredit to grow into one of the few truly pan European commercial banks.

Sincerely,

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

# Highlights

UniCredit is a simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive client franchise: 25 million clients.

UniCredit offers local expertise as well as an international one reaching and supporting its clients globally, providing them with unparalleled access to leading banks in its 14 core markets as well as in other 18 countries worldwide. UniCredit European banking network includes Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey.

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

Operating income  
€ 19,619 m

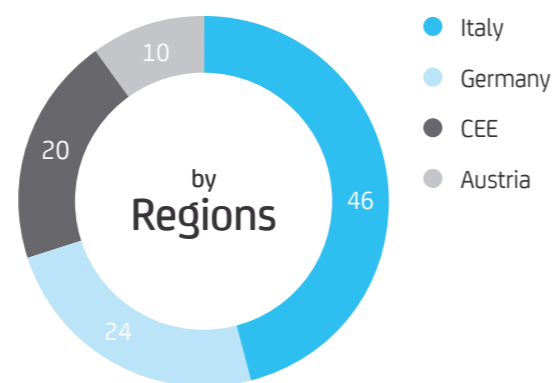
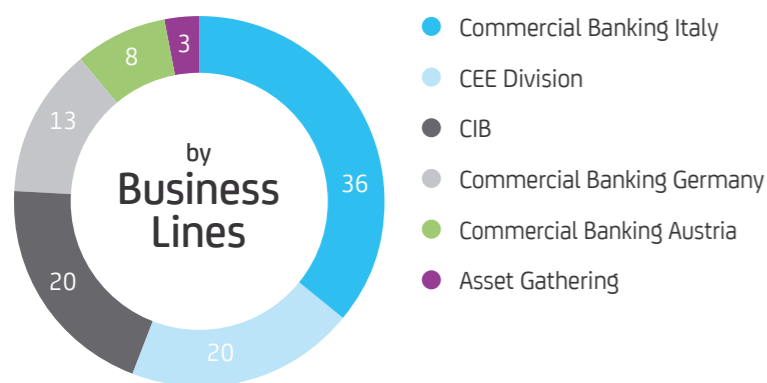
Net profit (loss)  
€ 5,473 m

Shareholders' equity  
€ 59,331 m

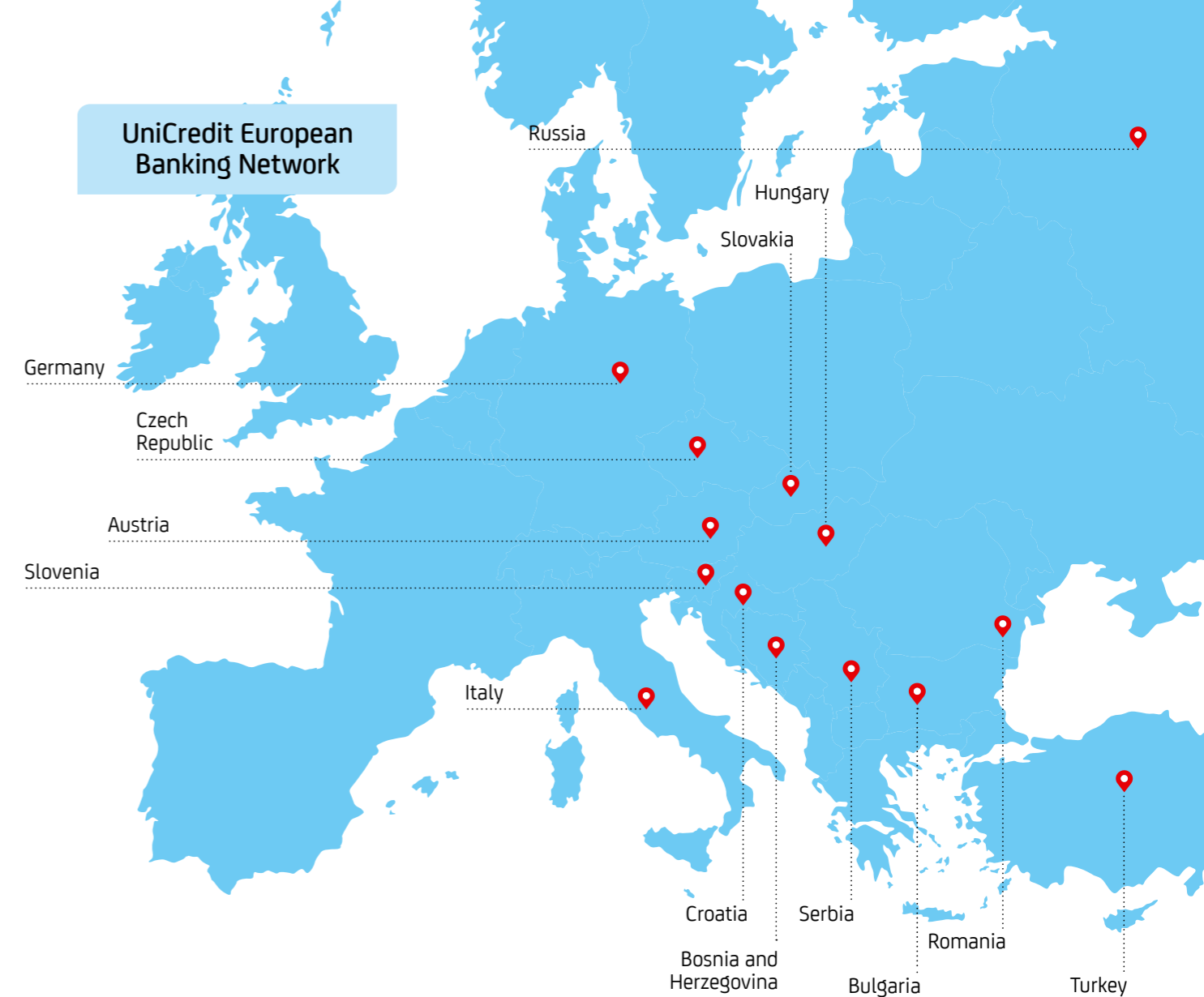
Total assets  
€ 836,790 m

Common Equity Tier 1 ratio\*  
13.60%

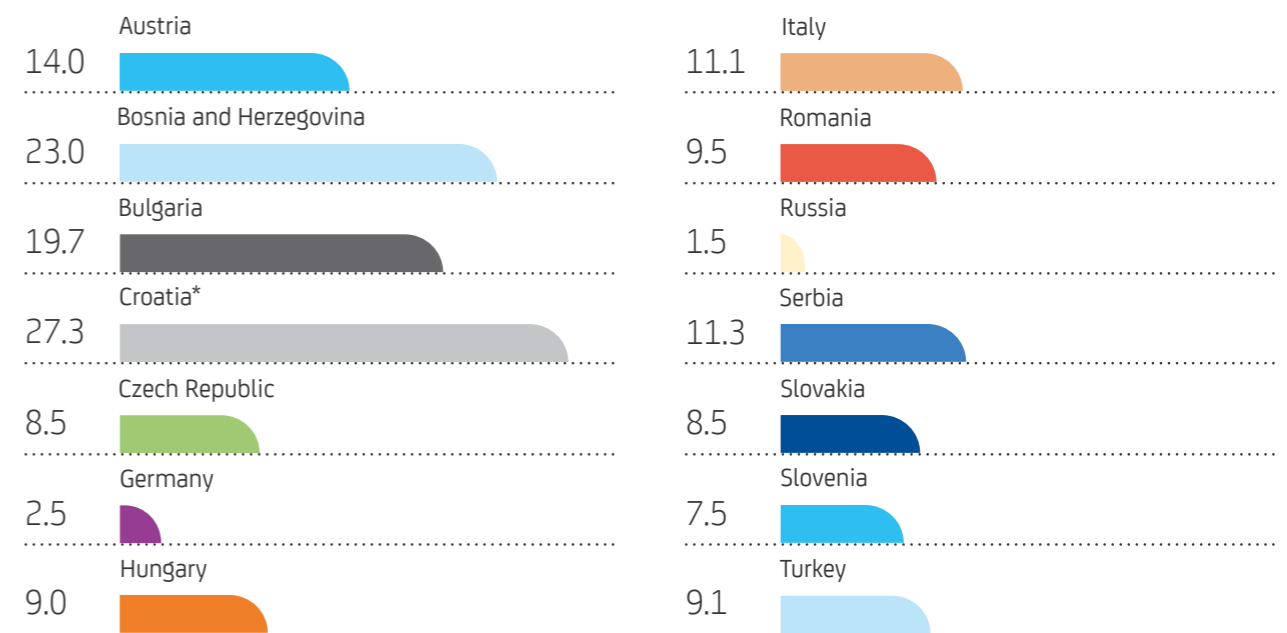
## Revenues<sup>1</sup> (%)



## UniCredit European Banking Network



## Market Shares<sup>2</sup> (%)



1. Data as at December 31, 2017. In accordance with IFRS5, the profit/loss of Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies till the date of the deconsolidation, were recognized in Income Statement under item "Profit (loss) after tax from discontinued operation". Disposals were finalized during 2017.  
\* Fully loaded CET1 ratio.

2. Market Shares in terms of Total Loans as at November 2017.  
\* data as at October 2017.  
Source Company data, National Central Banks.

# Our Purpose and Identity

## Value Creation over time

Main 2017 Results  
Unique culture

## Governance

Governance model  
Board Composition

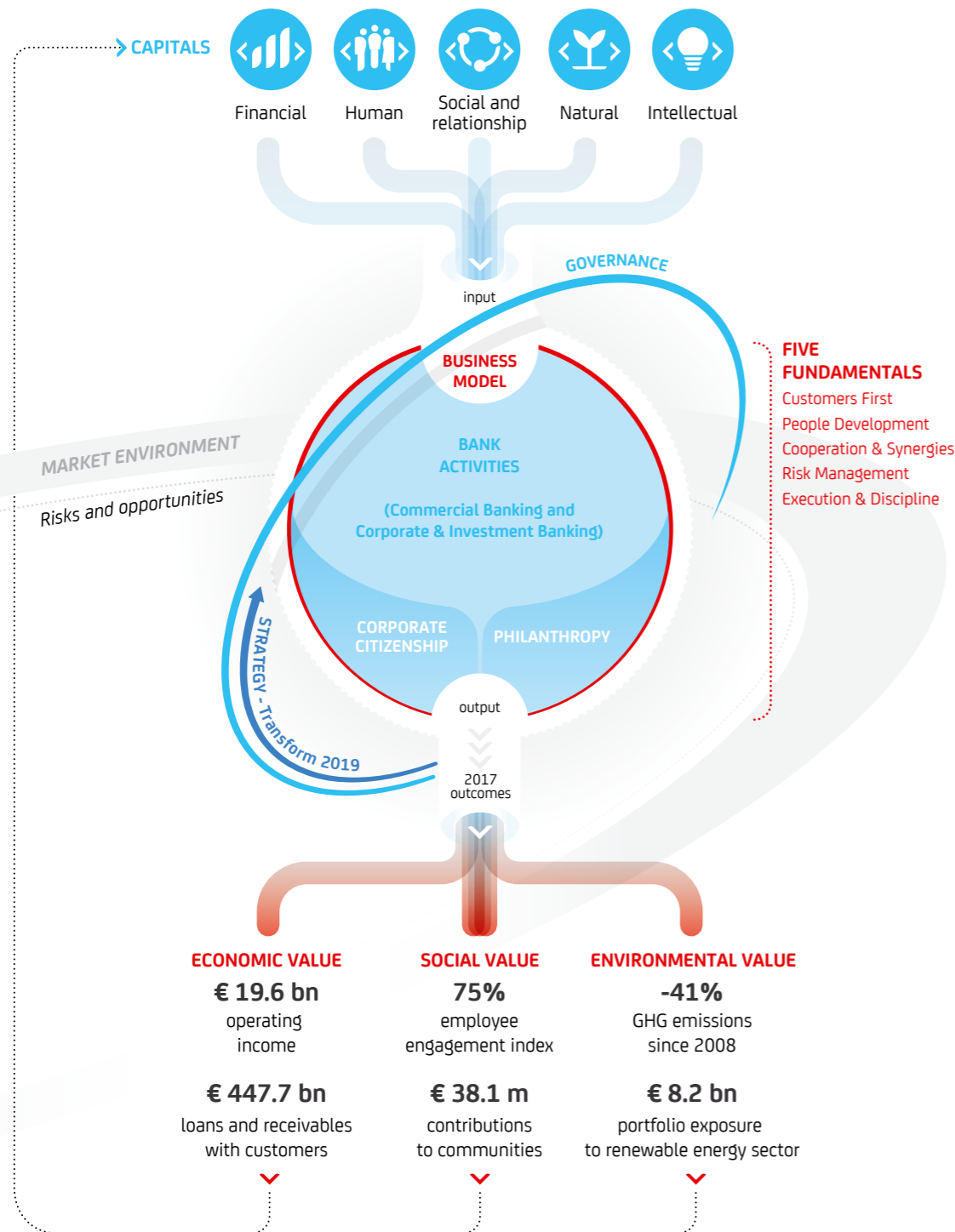
## Risk Management and Compliance

Risk Management  
Compliance culture



# Our Value Creation over time

Our vision is to be One Bank, One UniCredit. We are a simple, successful pan-European commercial bank, with a fully plugged in Corporate & Investment Banking, delivering a unique Western, Central and Eastern European network to our extensive client franchise.



We are realizing our vision by making UniCredit an effective, efficient and profitable Group – one that supports the advancement of local communities, the competitiveness of enterprises and the well-being of individuals.

Our highest priority is to serve our customers the very best we can. To achieve this, we rely on the quality and commitment of our people, as well as on our ability to collaborate effectively and generate synergies as *One Bank, One UniCredit*. We will also take care to accept only the right kinds of risk and to maintain discipline in how we execute our strategy.

The underlying set of resources and relationships that we depend on to create value are known as capitals. Groupwide, we work to responsibly manage our financial capital, human capital, social and relationship capital, natural capital and intellectual capital. This effort is underpinned by the success of our clients and the trust and support we receive from our stakeholders.

Our business model driving synergies and streamlining our operations, in combination with our efficient, informed and client-focused Corporate & Investment Banking division, facilitates the conversion of our capitals into outputs and outcomes that help us achieve our strategic goals and create value for society and the environment. By offering responsible lending, savings, payment and investment products, we enable individuals to improve their quality of life and enhance their financial stability. By providing funding to small, medium and large businesses and financing the development of key sectors, we contribute to economic growth, job creation and innovation. By improving financial literacy, promoting inclusion and gender balance and conserving natural resources, we also contribute to the achievement of the United Nations' Global Goals for Sustainable Development.<sup>1</sup>

At its heart, our business is to help customers and stakeholders manage social and environmental challenges and invest for the future. Their success guarantees the sustainability of our business.

## Building a unique culture to support our value creation

For our Group, establishing a shared culture of *One Bank, One UniCredit* represents an important milestone along the road to sustainability. The integrity and consistency of our values and behavior form the foundation of this endeavor.

Our *Five Fundamentals*<sup>2</sup> are the principles that inform our actions, today and into the future.

Ever since they were first endorsed by our Board of Directors, our System of Values and our Code of Conduct have comprised the core of our Group's organizational culture.

Our Code of Conduct outlines our approach to managing compliance risks and underscores the legal and ethical standards necessary to run our business successfully. At the same time, the code requires us always to protect our clients' interests, mitigate risks, comply with financial regulations, assure market transparency and safeguard confidential data.

To enhance our sustainability as a bank, we are also reinforcing our risk management culture, which is an essential driver of business development.

Accountability for risk is a high priority for every UniCredit employee. To ensure the healthy growth of our business, all colleagues must be aware of the risks inherent in every action they take, every product they create and every deal they originate.

### Our Five Fundamentals



1. Refer to UniCredit Contribution to the Sustainable Development Goals section for more information.  
2. Refer to the 2016 Integrated Report for more information.

UniCredit's system of corporate governance promotes clarity, accountability and the creation of sustainable long-term value.

## Governance model

UniCredit is an Italian listed company, with a traditional management and control system, which assigns specific responsibilities to the Shareholders' Meeting and allows for a clear exchange of views between shareholders and management on fundamental decisions relating to governance. These include appointing and removing directors, appointing members to the Board of Statutory Auditors, granting a mandate for external auditing to an audit firm and approving all associated fees. Such decisions also include the approval of financial statements, the allocation of profits, resolutions on remuneration and incentive policies and practices, and setting criteria to determine compensation to be made in the event of early termination of employment or early retirement from office.<sup>1</sup>

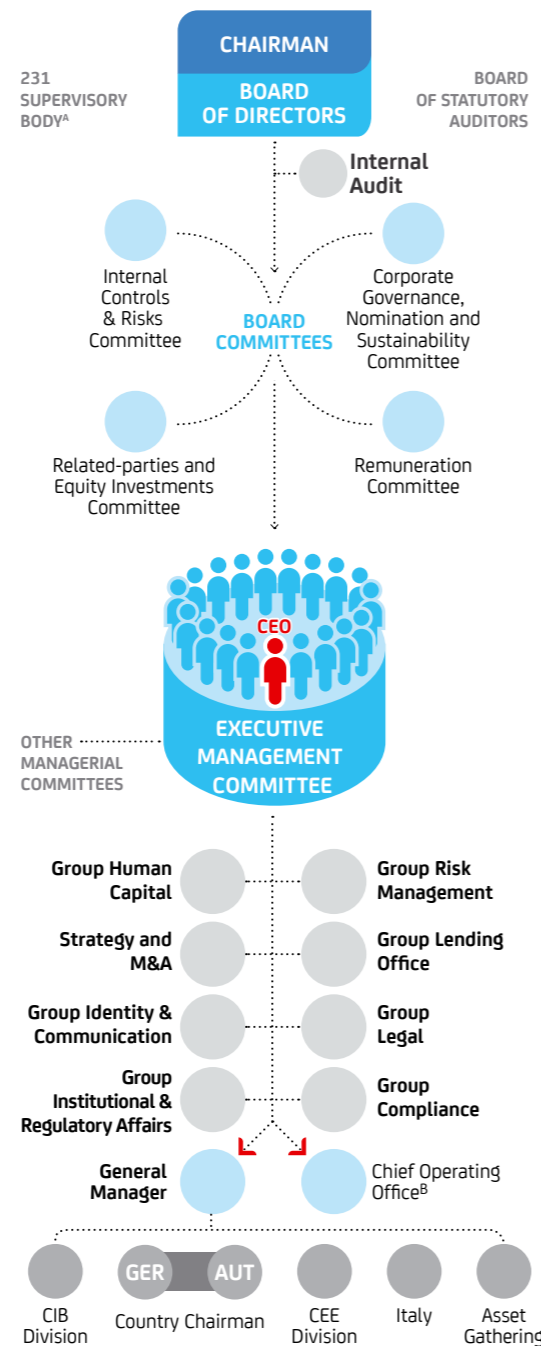
## Internal Control System

An effective and efficient internal controls system is, in fact, a prerequisite for the creation of value in the medium-long term, for safeguarding the quality of the activities, for a correct risk perception and for an appropriate allocation of capital.

As a matter of fact, it establishes the rules, procedures and organizational structures, as well as information flows, that ensure effective management of risks and keep UniCredit's activities in line with its corporate strategies and policies, which are founded on sound, prudent management principles.

UniCredit's Internal Control System relies on control bodies and functions, involving, each one within its respective competence, the Board of Directors, the Internal Controls & Risks Committee, the Chief Executive Officer as officer in charge of the internal controls and risks management system, the Board of Statutory Auditors, as well as the corporate functions, with specific tasks to that regard.

### Organizational and governance structures (as of Dec. 31, 2017)



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

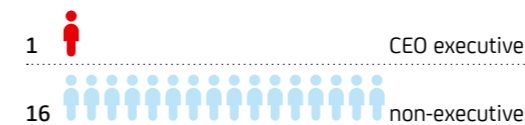
## Board composition

The composition of the Board of Directors of UniCredit SpA currently in office quantitatively and qualitatively corresponds to the theoretical profile approved by the board itself before the appointment of the supervisory body, in compliance with current provisions.

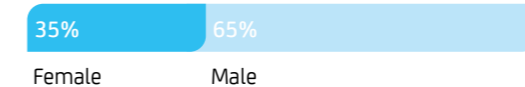
Also in light of the information given by the persons concerned, the requirements concerning professional experience, integrity and independence, gender balance and the maximum number of directorships that Directors may hold have been accounted for.

### Board in numbers

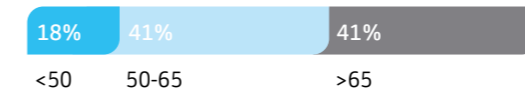
#### Balance of executive and non-executive directors



#### Board gender balance



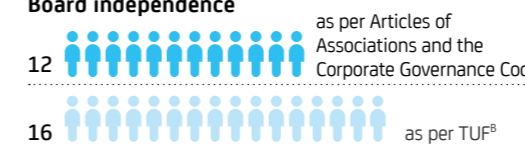
#### Age group



#### Geographical mix



#### Board independence



Average tenure length - 2017: 5.2 years

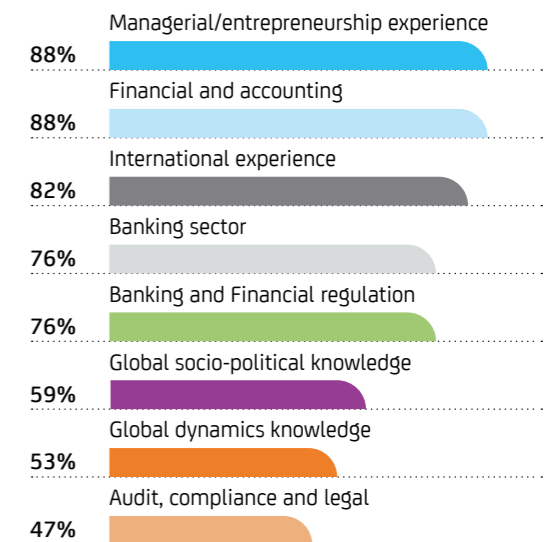
#### Board attendance rate - 2017



A. Includes Austria, France, Germany, England, Poland, United Arab Emirates, United States of America.

B. Legislative Decree No. 58 dated February 24, 1998.

### Board skills and knowledge areas



### FOCUS

#### Corporate Governance actions<sup>2</sup>

In light of the 2018 renewal of its Board of Directors, UniCredit SpA has approved significant changes to the bank's governance to simplify and align it with the best international standards.

These changes included:

- the recommendation to shareholders on the occasion of said renewal to:
  - reduce the number of the Board of Directors members from 17 to 15
  - introduce a maximum number of three mandates
- the reduction from three Vice Chairmen to one Vice Chairman
- the empowerment of the Board of Directors to present its own list of candidates for election of directors
- the approval of an ad hoc procedure to identify candidates for the post of Board of Directors member, including the CEO and the Chairman
- the increase from 1 to 2 of the number of board members appointed from the second list receiving the highest votes.

1. Refer to the annual Report on Corporate Governance and ownership structure and the Group Compensation Policy for more information.

2. Refer to the Governance section on our website (www.unicreditgroup.eu) for more information.



# Risk Management and Compliance

Risk is intrinsic to banking - managing risk is the core of our business. Our strategic plan, *Transform 2019*, emphasizes the mitigation of risk to assure the healthy long-term growth of our business. To remain a sustainable banking institution, we are reinforcing our risk management culture, making risk awareness paramount across our Group.

## Guarantee strong risk management

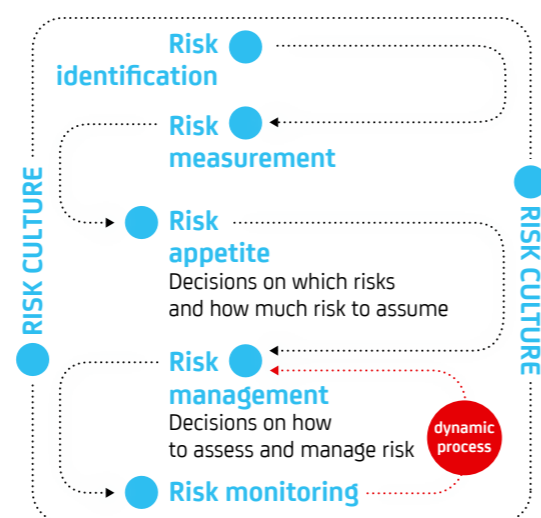
Our strategic plan prioritizes decisive actions that resolve legacy issues, transform the bank, and build on our existing competitive advantages. We are doing this to capture opportunities and secure sustainable levels of profitability for our enterprise. In this effort, Group Risk Management – whose mission is to control Group risks as defined by UniCredit’s Board of Directors – is continuing with its conservative approach to risk. As in recent years, the function is particularly focused on further reinforcing its disciplined approach to new loan originations and the monitoring of loans.

This year, to ensure the effectiveness of risk controls and minimize any conflicts of interest, UniCredit separated risk management from credit-related operational functions. This organizational change, enacted October 1, 2017, delegates distinct responsibilities to the Group Risk Management (GRM) function and to the Group Lending Office (GLO). Dividing responsibilities between GRM and GLO provides more independence and control compared to the operating business functions.

To efficiently manage risks, an organization must be strongly aware of them. UniCredit’s risk management process begins by identifying the risks the bank is potentially exposed to, and then measures those risks.

With that information, our Group decides how much risk it is willing to assume, establishing its Risk Appetite Framework (RAF). UniCredit’s business activities need to remain within risk limits. This is an approach that requires continuous monitoring of UniCredit’s risk profile to mitigate any deviation from its established risk appetite. These actions, which form our risk management method, are guided by a strong approach to risk culture across the Group.

### Our risk methodology



### Identifying and measuring risks

We identify and measure risk with a set of rules, methodologies and policies that are also used to support the Group’s strategic planning processes.

When determining risk, it is critical to assess the macroeconomic and microeconomic contexts in which UniCredit operates. We must account for the continuously evolving regulatory framework while defining our risk appetite and calculating the best trade-offs between risk and return.

Our RAF is aimed at achieving sustainable levels of growth and profitability for our business. This framework, approved by the Board of Directors, establishes our desired risk profile for our short and long-term strategic objectives and our business plan, taking into consideration the expectations of various

internal and external stakeholders. It is therefore embedded in our daily management activities via rules, operational limits and compensation programs. The RAF is directly linked to our incentive system; by setting risk embedded goals for Group executives and colleagues responsible for taking significant risks, it encourages prudent risk-taking across the organization.

Due to constant changes in the regulatory, financial and economic environment, the RAF is subject to a continuous process of improvement. In 2017, it integrated additional indicators to meet new regulatory requirements, better capture the underlying risk in the evolution of our business, achieve the objectives of our strategic plan, and steer our business functions.

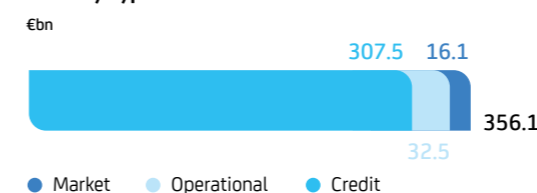
### Managing and monitoring risks

Risks constantly evolve, and must be monitored so they can be properly managed. Whenever our Group updates its RAF, the Risk Management function incorporates it into a set of operational Key Performance Indicators (KPIs) to closely monitor UniCredit’s activities and their encumbered risks. These KPIs support risk management efforts in the application of the most adequate techniques to either tolerate, mitigate, transfer or even eliminate risk.

As a simple pan-European commercial bank, UniCredit’s main risk exposure relates to credit. This is evident in the breakdown of Risk Weighted Assets (RWA). Its **credit risk**, at 86.4 percent, is diversified across geographies and asset classes, while its operational risk RWA and its market risk RWA account for €32.5 billion (9.1 percent) and €16.1 billion (4.5 percent), respectively, of its total RWA.

Aside the Basel Pillar 1 risks, UniCredit faces risks related to liquidity, interest rates, reputation, compliance, the environment, society and other emerging areas.<sup>1</sup>

### RWA by type 2017



1. Refer to the 2016 Integrated Report for more information.  
2. Advanced internal ratings based approach credit risk measurement techniques proposed under Basel II capital adequacy rules for banking institutions.

Over the course of 2017, we have consistently pursued the risk reduction strategy outlined in the *Transform 2019* plan. This involved actions to reduce our exposure to non-performing loans (NPLs), which we decreased by 14 percent in the last year, mainly by completing the *FINO* project.<sup>1</sup> While that initiative deconsolidated a stock of roughly €17 billion in NPLs in July 2017, we also significantly decreased inflows of new NPLs over the past year, reducing them by 25 percent. This was a result of our prudential approach to risk, which we have adopted in recent years to further strengthen our discipline in terms of granting loans and monitoring loan portfolios.

We reinforced this approach in 2017 by finalizing our review and rationalization of the Group Credit Risk Rules Framework, which should further improve the quality of future loan originations and of our credit portfolio, and strengthen our risk management governance.

Moreover, in 2017 we launched a special project, approved by the Board of Directors, to focus on the redevelopment of existing models to measure credit risk. Our aim is to rationalize the landscape of the Internal Ratings-Based (IRB)<sup>2</sup> model and help take into account impending changes to regulatory requirements (i.e., the latest consensus factorization of Basel IV).

Loan classification <sup>A</sup>	Amount as of Dec 31 <sup>st</sup> , 2017	Y/Y change	Coverage ratio
Bad loans	€27,805 m	-13%	65.8%
Unlikely to pay	€19,522 m	-16%	43.5%
Past Due loans	€1,105 m	-20%	39.9%
Performing loans	€428,550 m	+2%	0.5%

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

#### MATERIAL TOPICS



To manage **operational risk**, our Group maintains a series of policies and procedures for its measurement, control and mitigation. In accordance with the UniCredit operational risk framework, we identify and assess the risks inherent to all our material products, activities, processes and systems. This is a regular process of monitoring risk profiles, material risk exposure, and risk mitigation strategies. In line with the strategy of our *Transform 2019* plan to reduce operational risk, in 2017 we established an Information and Communication Technology (ICT) & cyber risk roadmap. This involved holding dedicated workshops to increase risk mitigation skills and awareness, boost analysis and monitoring of external and internal incidents, and establish ICT and cyber risk indicators. These workshops, involving 15 legal entities, can help our Group develop stronger control processes and identify potential areas of weakness. As an outcome of these initiatives, a specific indicator to assess ICT risk based on major ICT security incidents has been defined and included in UniCredit 2018 RAF.

It remains vital to safeguard against **reputational risks**. Since 2015, we have deployed a monitoring system to strongly reinforce the Group's capacity to identify and analyze the salient reputational risks in the financial sector. This system monitors external events that may pose reputational risks and assesses their potential impact on UniCredit by engaging with the internal functions (e.g., Investor Relations, Compliance) that intimately understand the perspectives of our many different stakeholders. This information is integrated with data on internal events to make our risk management process more complete. The Group Operational and Reputational Risk Committee discussions focus on this process on a quarterly basis.

In 2015, we began using our system of governance to reinforce our management of **environmental and social risks**. The Group Environmental and Social Council (GESC)<sup>3</sup> proposes UniCredit's strategy, annual objectives, and activities related to executive implementation of UniCredit's environmental and social initiatives and commitments, addressing potential related risks.

Two Group statements – our Environmental Commitment and our Human Rights Commitment – describe the approach, roles and responsibilities, principles, rules, procedures and systems adopted by UniCredit to prevent and manage environmental, social and human rights impacts and risks in our operations and value chain.

In addition, we have adopted detailed guidance policies for sectors relevant to UniCredit that could pose environmental and social risks.<sup>4</sup> These policies are regularly reviewed and reinforced with various forms of employee training. This training has been developed in partnership with external experts to facilitate consistent Groupwide implementation of these specialized policies.

Roughly 360 colleagues, including relationship managers, risk managers and members of other functions involved in due diligence processes, have participated in this training program in the last three years.

We are currently assessing the feasibility of the implementation of the most recent trends and development in terms of monitoring climate-related risks and their financial impacts on our business model and strategy.

## Reinforcing risk awareness

Our Group has adopted a structured and comprehensive approach to strengthening its risk culture. This approach aims to enhance the mindset, accountability and behavior of all UniCredit employees.

To further raise risk awareness across the Group, we launched a communication campaign focused on the Risk Appetite Framework and published articles on the Group Intranet about risk management activities and achievements.

Over the year, we also revised our risk training offer to make it more easily accessible and scalable to all UniCredit employees. The new offer, available in 2018, provides a comprehensive set of online modules in two different levels, enabling colleagues to deepen their awareness and knowledge of risk according to their different needs. Colleagues will have a view across all risk topics, from the economic and regulatory environment, to primary risks, to the impacts of risk management policies on capital, bank performance and clients.

MATERIAL TOPICS



### FOCUS

#### Our approach to human rights

The UniCredit Human Rights Commitment, drafted in 2011, describes the principles and systems adopted by the Group pertaining to human rights. This text was the first step towards aligning our Group with the UN's Guiding Principles on Business and Human Rights. It is informed by international declarations and conventions, standards, principles, guidelines and recommendations, including The Universal Declaration of Human Rights and the International Labour Organization's Fundamental Human Rights Convention.

Over the past two years, as we have evolved and responded to the expectations of our stakeholders, we updated the UniCredit Human Rights Commitment. The revised document, which is available on the UniCredit website, summarizes the Group's approach to human rights, focusing on stakeholder categories such as employees, customers, suppliers and communities.

In regards to governance, we have clarified how human rights impacts are managed by the governance rules and structures that assign guidance, support and control roles. In regards to impact management, we have explained in

greater detail how UniCredit is addressing both positive and negative human rights impacts within its operations and value chain. In regards to monitoring, we have clarified the various monitoring mechanisms and processes in place within our organization.

• In 2017 more than 6,000 colleagues received human rights training.

Through various working groups and initiatives, we continue to promote constructive dialogue on human rights with our external stakeholders, including customers, investors, rating agencies, peers and civil society organizations.

This includes also our participation at the Thun Group of banks, informal group which regularly discusses how to apply United Nation Guiding Principles on Business and Human Rights (UNGPs). At the beginning of 2017, the Thun Group published its second discussion paper.<sup>5</sup>

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

3. Refer to the 2016 Integrated Report for more information.

4. Refer to the Supplement – Risk Management and Compliance and to the Sustainability section on our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) for more information.

5. Refer to <https://business-humanrights.org/en/thun-group-of-banks-releases-new-discussion-paper-on-implications-of-un-guiding-principles-for-corporate-investment-banks> for more information.

## Strengthen a culture of compliance as a fundamental pillar for the Group

Compliance is essential to the legitimacy of our business and the sustainability of our Group. It is built into UniCredit's values and forms an integral part of our business strategy.

### Reinforcing compliance

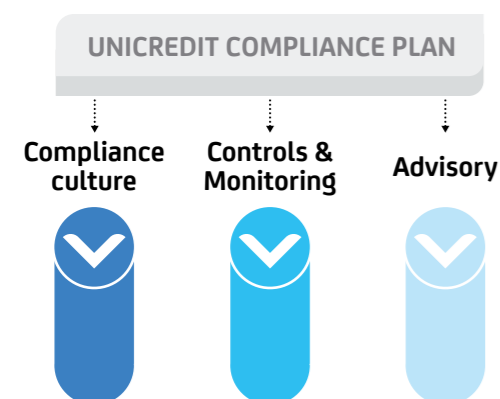
Compliance is inseparable from our Group's business activities. Adherence to laws and regulations is neither an obstacle nor a drag on growth, it is a prerequisite to running a sustainable business.

Regulations are part of our operational environment and we must comply with them while remaining focused on our customers' needs in all of our business areas, in all of the countries where we are present. By adhering to all applicable laws, rules and regulations, UniCredit helps prevent misconduct and reduce the risk of sanctions.

Consistently to our *Transform 2019* strategic plan, the UniCredit Compliance function is focused on enhancing risk discipline and the effectiveness of actions to mitigate noncompliance risks, strengthening common compliance standards and rolling them out across the Group, and addressing regulatory challenges and new emerging risks affecting the Group.

### 2017 Compliance Plan

UniCredit's 2017 Compliance Plan, approved by the Board of Directors, is built upon three strategic pillars:



The plan lays out the guidelines, strategic priorities, and main initiatives to be implemented during 2017 aimed to bolster these pillars at Group level.

#### ✓ Compliance culture

Our Group is focused on building and enforcing a strong and common culture of compliance to endorse and promote risk discipline, integrity, and sustainability with all its stakeholders.

In 2017, we have defined and implemented a *Tone from the Top* program aimed to ensure that our management leaders remain focused on compliance issues, requiring them to periodically remind all Group employees about the expectations for conduct and behaviours at UniCredit.

In addition, the UniCredit Code of Conduct was updated for all countries within the Group. Its principles have been widely disseminated through a number of initiatives, including a Groupwide communication campaign for all colleagues, a dedicated brochure, and mandatory training for all employees, with a final exam. To further raise knowledge and understanding of the Code of Conduct, the Group organized specific events for senior managers recalling its principles, the Group's expectations, and responsibilities of each individual UniCredit employee.

Throughout the year, we facilitated greater understanding of a broad range of compliance issues through regular Groupwide trainings that were preceded by instructional videos. Our *Compliance Academy* offer was robustly strengthened in 2017 by adding two specialized modules on Anti-Financial Crime and Markets & Investments, to its core curriculum. These modules have been designed and developed to address the needs of Compliance colleagues as well as those working in UniCredit's business lines.

We expect these training efforts to be bolstered by our *Compliance Induction* program, which we began in 2017 to formally instruct every new employee about essential compliance issues as they begin working at UniCredit. Meanwhile, to further our managerial training, this year two courses on proper conduct and business ethics, which feature our sustainability framework, were developed for managers. Groupwide, mandatory training focused on conflicts of interests, antitrust, market abuse, Markets in Financial Instruments Directive (MiFID II) and anti-money laundering (AML, with focus on the EU's Fourth Money Laundering Directive – AMLD4).<sup>1</sup>

1. AMLD4, entered into force on June 26, 2015, accords a key role to the principles of risk analysis and corresponding adequate safeguards.

During the year, UniCredit employees received more than 500,000 hours of compliance training.

In 2018, we will continue to invest in increasing the technical skills of senior AML colleagues through the Certified Anti-Money Laundering Specialist (CAMS) certification. We will prioritize a specific Groupwide project to increase proximity between Compliance and all of our other functions, and continue to promote and endorse compliance standards and requirements for all employees.

#### ✓ Controls & Monitoring

In 2017, the Compliance risk assessment methodology was updated to meet industry best practices and international guidelines (e.g., Wolfsberg,<sup>2</sup> Society of Corporate Compliance and Ethics - SCCE<sup>3</sup>). The new methodology, which employs a more quantitative approach and provides a multi-level perspective (e.g., giving the option of having aggregated views for the Group, individual legal entities and business lines), uses benchmarks industry best practices to further enhance our noncompliance risk management. The methodology was applied in a pilot phase to anti money laundering and financial sanctions areas in 2017 and will be progressively applied to other areas from 2018.

Every year risk assessments are reported on a quarterly basis to relevant Group bodies such as the Internal Controls and Risk Committee, the Group Risk & Internal Control Committee, and the Board of Statutory Auditors.

#### ✓ Advisory

The Compliance function performs another vital task: staying abreast with regulatory changes and promptly identifying UniCredit's obligations. Our Compliance function monitors and analyzes

forthcoming regulations and triggers the necessary implementations at different levels of the Group. In 2017, this involved launching special projects to address a number of key regulations and issues, including: General Data Protection Regulation (GDPR), MiFID II, conflicts of interest, Market Abuse (MAR), Regulation Revised Payment Service Directive (PSD2) and AMLD 4.

In 2018, Compliance will continue with these efforts to detect and interpret forthcoming regulations. It will also focus on digitization initiatives to help streamline processes, support the Group business digital strategy, and enhance the function's own work methods through Regtech solutions.<sup>4</sup>

#### FOCUS Anti-corruption

UniCredit has zero tolerance towards acts of corruption and prohibits them in any shape or form, both direct and indirect. UniCredit's approach to this is set out in our Group's Policy on Anti-corruption. It consists of a detailed program implemented by all legal entities. In 2017, among other activities, we updated such policy, launched a whistleblowing campaign, and focused on the program of control of relevant intermediaries.<sup>5</sup>

During the year UniCredit employees received more than 60,000 hours of anti-corruption training.

#### Italian Legislative Decree 231/2001

UniCredit SpA, aware of the importance of a correct application of the principles established by the Italian Legislative Decree 231/01, provides the Italian companies belonging to and directly controlled by the Group with principles, guidelines and the most suitable procedures to be adopted for their established organizational and management model.<sup>5</sup>

2. Wolfsberg, an association of 13 global banks, develops financial industry standards for Anti-Money Laundering (AML), Know Your Customer (KYC) and Counter Terrorist Financing (CTF) policies.

3. SCCE is a non-profit association that provides resources for compliance professionals from various industries.

4. The use of new technologies to solve regulatory and compliance requirements more effectively and efficiently.

5. Refer to the Supplement - Risk Management and Compliance section for more information.

MATERIAL TOPICS



# Our Business Environment

## Business Model in action

Market environment  
Our Distinctive Assets

## Stakeholder Engagement

Relevant topics  
for our stakeholders



# Business Model in action

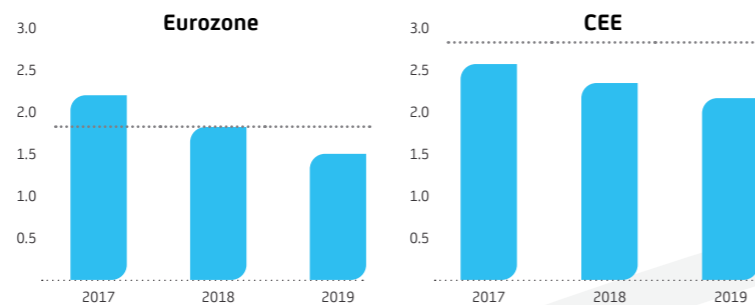
The banking sector is in flux, with regulations, macroeconomic conditions and customer behaviors changing at a rapid pace. UniCredit's Transform 2019 plan has been developed to specifically address these changes. Our simple commercial banking business model and our distinctive assets will enable us to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

## MARKET ENVIRONMENT

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

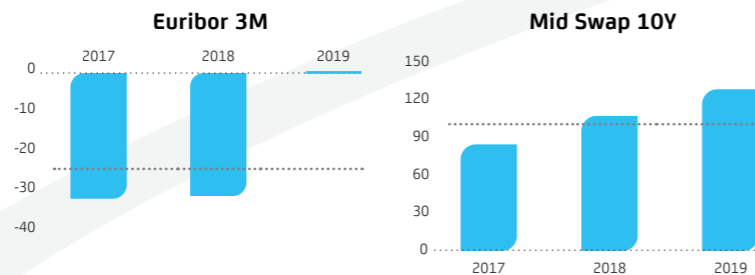
Growth in line with consensus

Real GDP growth y/y and average, %



Lower for longer rates and yield environment

Bps, EoP



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

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

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

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

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

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

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

Global digital snapshot<sup>D</sup>

% of world population



A. UniCredit Group (UCG) house view.

B. Average 2017-2019 calculated on a quarterly basis. For GDP growth source is Consensus Forecast for Eurozone and Focus Economics for CEE.

C. Average 2017-2019 calculated on a quarterly basis. For Euribor 3M source is future from Bloomberg as of 6 December 2017 and for Mid Swap 10Y is forward from Bloomberg as of 6 December 2017.

D. Source: Digital around the world in 2018 report, by We Are Social; growth figures may in part be the result of improved reporting.

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

## OUR DISTINCTIVE ASSETS



**Pan European Commercial Bank**

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

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

**81%** of revenues from Commercial Banking<sup>C</sup>



**Unique Client Franchise**

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

Second largest provider of corporate loans in EU<sup>E</sup>



**Distinctive Factories**

CIB platform fully plugged in

Best in class CIB products provider

**n.1** EMEA<sup>F</sup> Covered bonds;  
 All Covered bonds EUR;  
 SSA bonds in EMEA EUR

MATERIAL TOPICS



## MARKET ENVIRONMENT

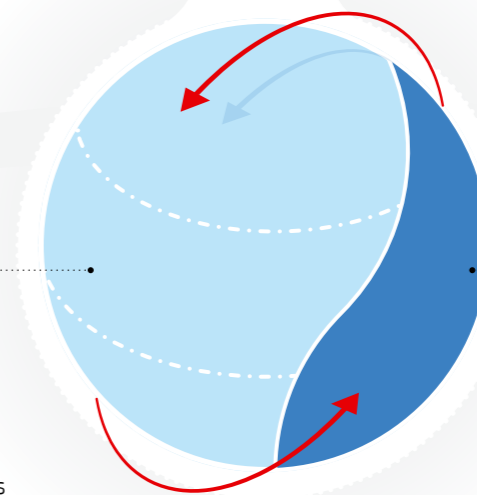
**COMMERCIAL BANKING (CBK)**

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

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

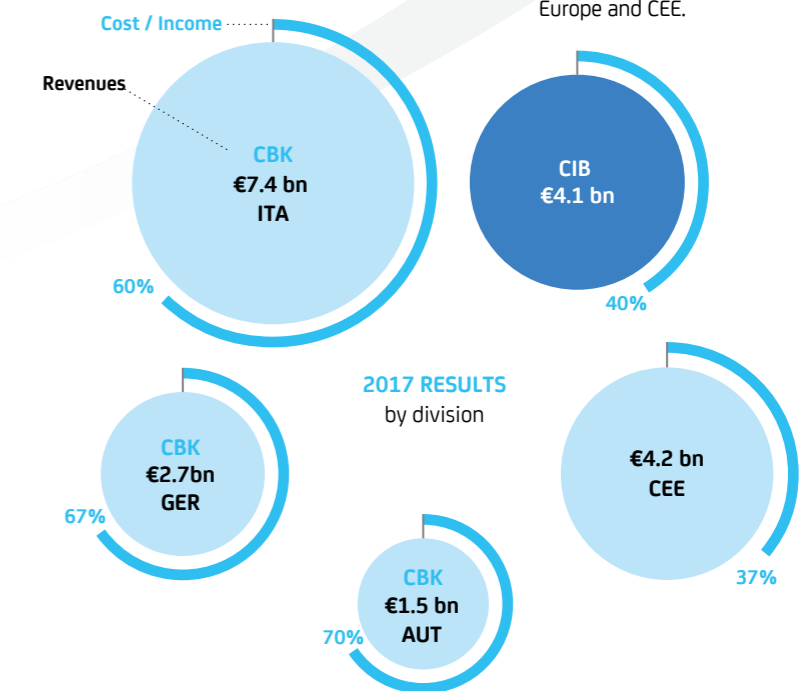
**Private Banking**  
 A 360-degree advisory model, customized investment strategies and access to international markets through specialized advisors.

## BUSINESS MODEL



**CORPORATE & INVESTMENT BANKING (CIB)**

Traditional corporate and transaction banking services, along with full-fledged structured finance, capital markets and investment products, as a strategic long-term partner that meets clients' specific needs and delivers access to Western Europe and CEE.



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

B. Data as of 9M2017, for Austria domestic assets as of 2015 on local GAAP (source OeNB), for Germany only private banks.

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

D. Data as of 9M2017, includes 100% clients in Turkey, excludes Fineco.

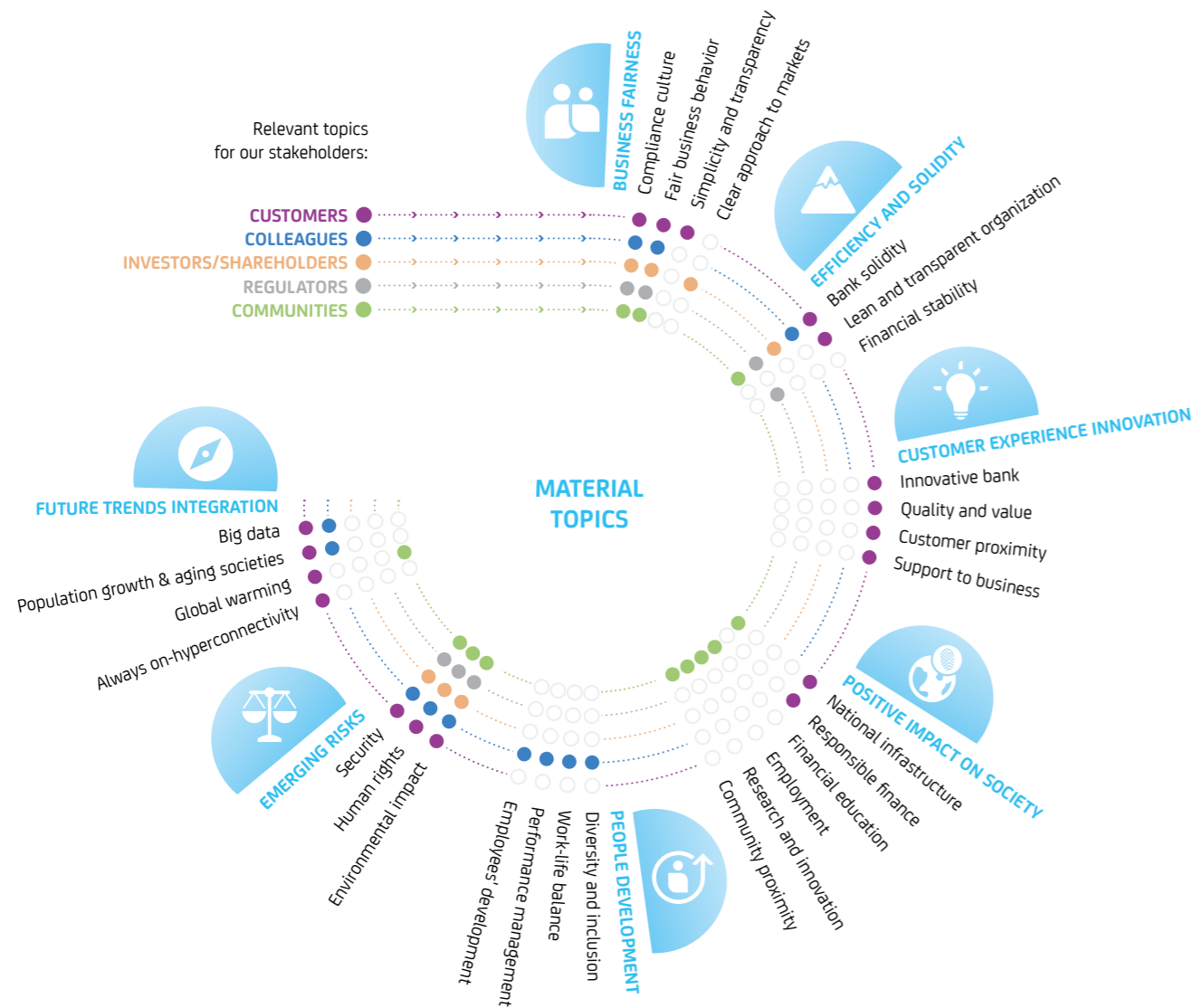
E. Data as of 9M 2017; peers include: BNP Paribas, Deutsche Bank, Intesa Sanpaolo, Santander, Société Générale.

F. Source: Dealogic; data from league tables as of 2017; all positions by volume.

# Stakeholder Engagement

In our work to closely monitor the interests and expectations of our stakeholders, we periodically produce a materiality matrix that highlights their priorities and how we are addressing them. The materiality matrix graphically represents a vital aspect of UniCredit's business – stakeholder engagement.

It helps us consider every stakeholder interest and expectation in our strategic decisions. Over the years, we have developed many different tools to engage with our stakeholders and better understand our relationships with them.



see page S. 32  
for further info

Since 2010, UniCredit has periodically assembled a materiality matrix that assesses the main interests and expectations of the Group's stakeholders.

To produce the materiality matrix, we:

- categorize and prioritize our stakeholders
- identify relevant issues
- prioritize the identified issues
- assess internal consensus on these issues.<sup>1</sup>

UniCredit's listening activities engage the Group's many stakeholders on an ongoing basis. By closely monitoring the needs and opinions of every stakeholder, we can devise better targeted strategies while steadily improving our decision-making, product offerings and service efficiency. The table below lists the ad hoc dialogue tools that our Group has developed to collect stakeholder feedback. Among these tools, the new opinion leader survey provides valuable insights about which systemic trends could present risks or opportunities to the banking sector over the next 10 years.

## Dialogue tools with Stakeholders

CUSTOMERS	COLLEAGUES	INVESTORS/SHAREHOLDERS	REGULATORS
Customer satisfaction assessment	People Survey of professional engagement	Quarterly webcasts and conference calls to present results	One-on-one and group meetings, calls
Brand reputation assessment	Internal clients' perceptions of headquarters services	One-on-one and group meetings, calls	
Mystery shopping	Group Intranet Portal	Shareholders' meeting	
Instant feedback	Departmental online communities		
Focus group, workshops, seminars			

see page S. 35  
for further info

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

This regular survey of opinion leaders enables us to quantify key macroeconomic changes.

Another new listening initiative was our first environmental, social and corporate governance roadshow held in 2016. Through the roadshow, we gathered valuable feedback from our major investors about the effectiveness of our approach to sustainability.

By incorporating these and other inputs into our analysis, we believe that the materiality matrix will continue to assist UniCredit's senior management in strategic decisions that create long-term value.

## MATERIAL TOPICS



1. Refer to the 2016 Integrated Report for more information.

# Our strategy

## Strategic Plan

Integration of Strategic Pillars and Capitals

Strategic Pillars

Main 2017 Initiatives and Results

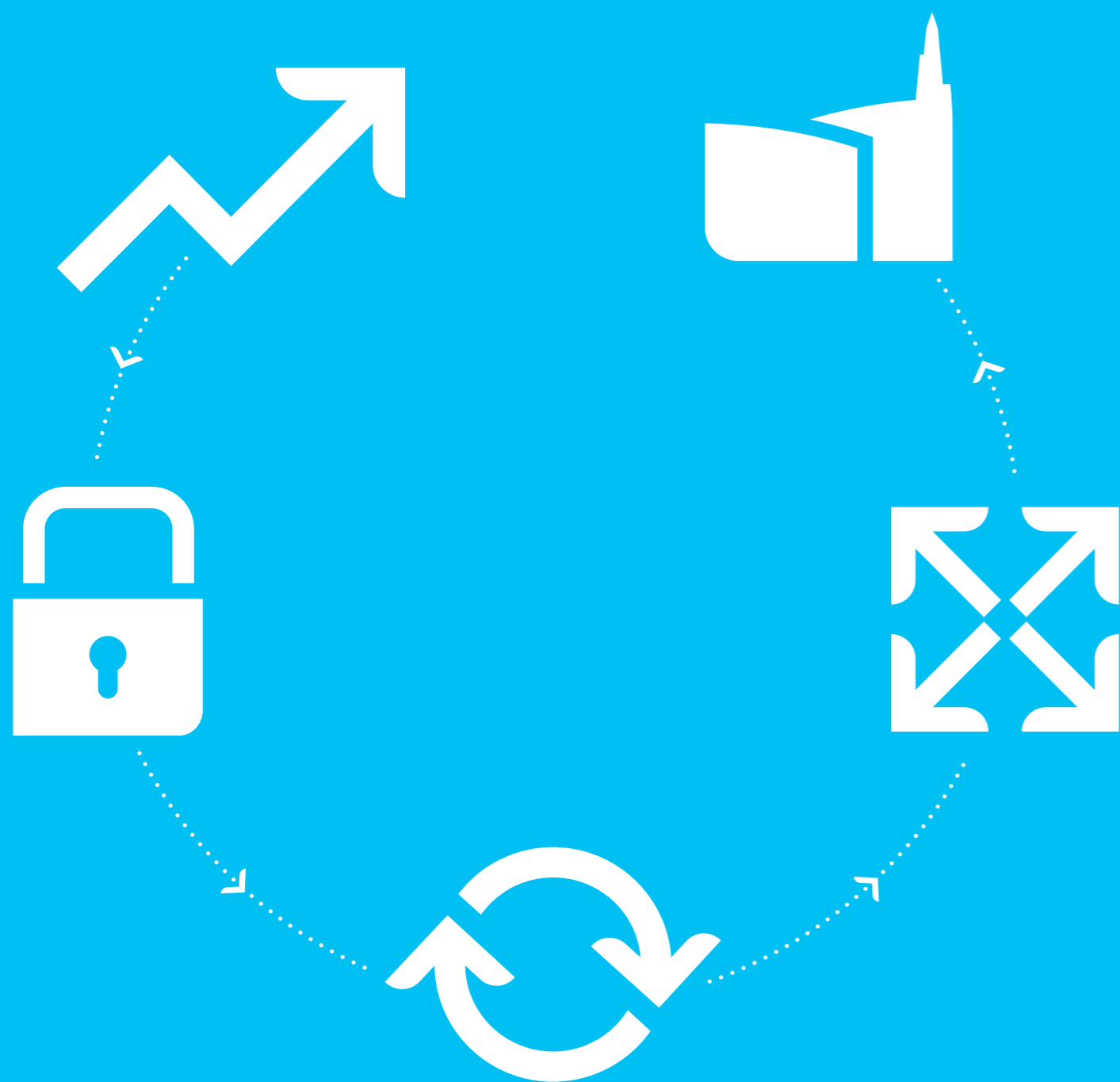
Targets 2019

## Capitals

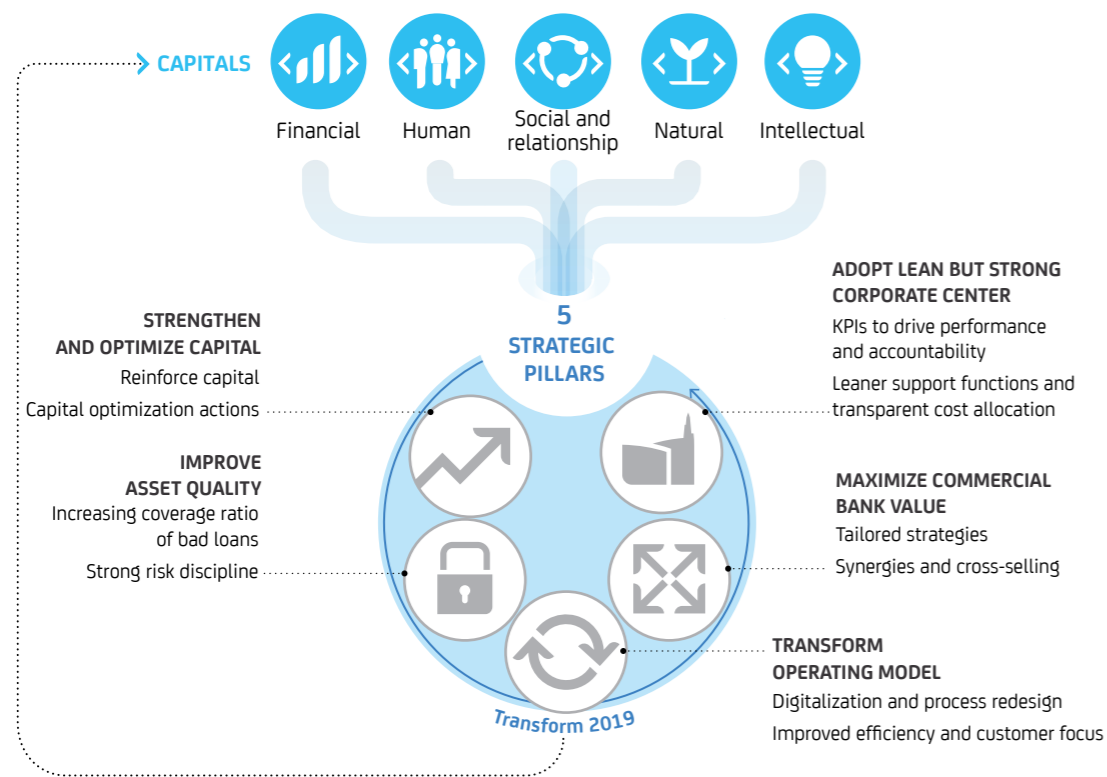
Stocks of Capitals

Main 2017 Initiatives and Results

Community Impact



Our vision is to be One Bank, One UniCredit: a simple, successful pan-European Commercial bank with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive client franchise. In December 2016, after an in-depth strategic review, we presented our strategic plan, *Transform 2019* to ensure we create maximum value for all our stakeholders. We have already taken decisive action on a number of legacy issues and the plan is fully on track, yielding tangible results underpinned by group-wide business momentum in 2017.



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

In December 2016, after an in-depth strategic review, we released our strategic plan, *Transform 2019*.<sup>1</sup> Our tangible results show that our transformative actions are already paying off.

*One Bank, One UniCredit* is the long-term vision for our Group. As such, our transformation will not conclude in 2019. Our actions today must anticipate the medium-term evolution of our clients, new commercial

dynamics will determine how we train and develop our employees and how we steadily optimize our cost base while maintaining a balanced risk profile.

As we work to implement this plan, we will continue to reinforce and make careful use of the capitals<sup>2</sup> available to us, with due consideration for the ways in which they are interconnected.

This chapter describes the 5 pillars that are the basis of *Transform 2019* and provides an update of the plan's progress.<sup>3</sup>

- 2019 key targets confirmed:
  - RoTE target >9 percent
  - Fully loaded CET1 ratio<sup>4</sup> >12.5 percent
  - Full year 2019 dividend payout increased from 20 percent to 30 percent
  - Self-funded full rundown of non core by 2025.

1. Refer to the 2016 Integrated Report for more information.  
2. Capitals are sources of value and relationships that are affected or transformed by the activities and outputs of our organization.  
3. Refer to the Capital Markets Day 2017 section on our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) for more information.  
4. CET1 ratio measures a bank's core equity capital in proportion to its total risk-weighted assets and is used to assess its financial strength.



## Strengthen and optimize capital

In 2017, we carried out several of the decisive actions outlined in the *Transform 2019* plan. At the beginning of the year, we successfully completed a €13 billion capital increase and sold Bank Pekao and Pioneer. Thanks to our decisive actions, we confirm the fully-loaded CET1 ratio target will be above 12.5 percent in 2019, and increased the estimated dividend payout ratio for 2019 from 20 percent to 30 percent, to be paid in 2020.

Our strong capital position is enabling us to better anticipate additional regulatory headwinds in 2018

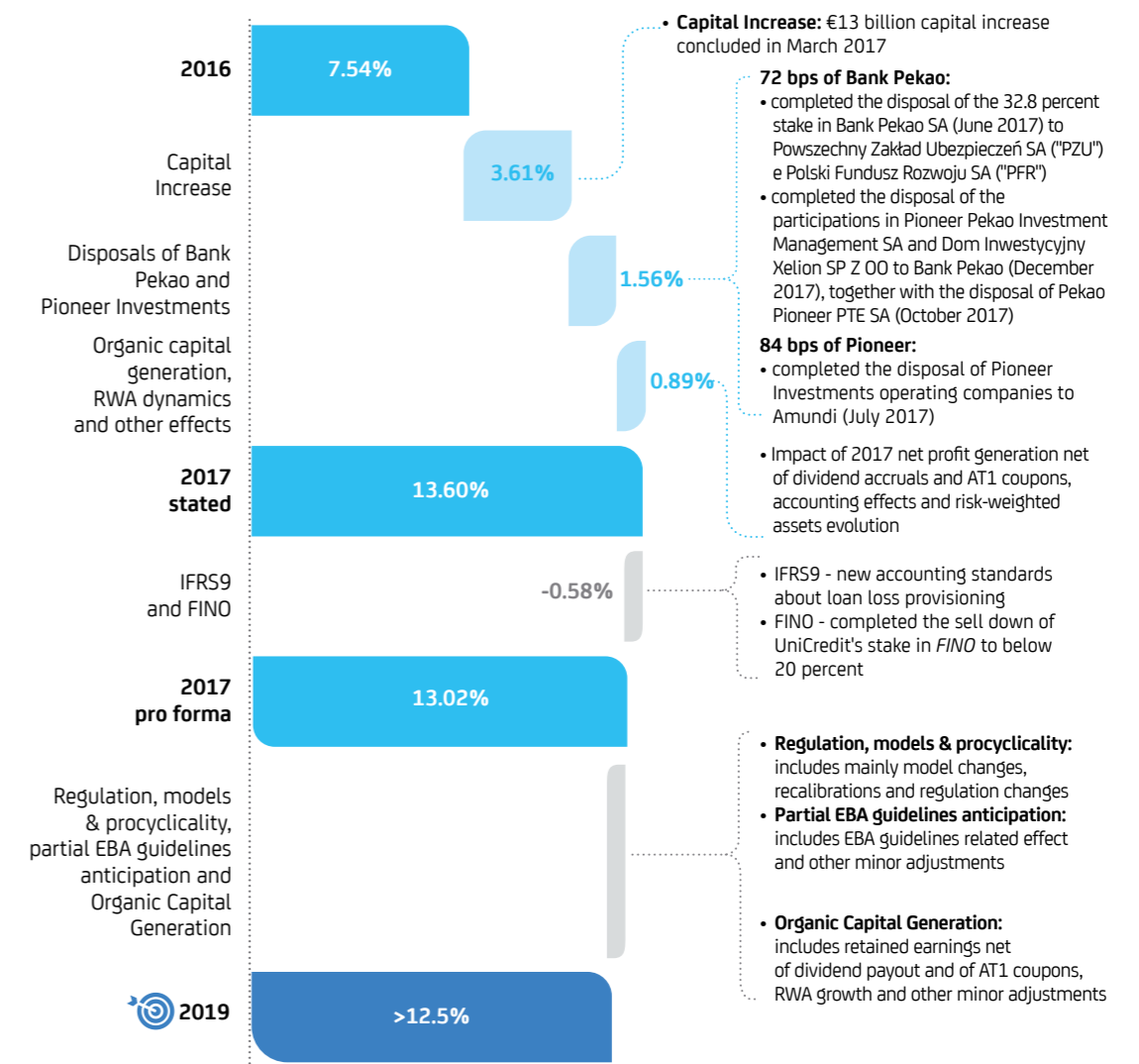
and 2019. The final version of Basel IV, released on December 7, 2017, is somewhat more favorable than was expected.<sup>5</sup> Setting an implementation date of January 1, 2022, Basel IV requires a five-year phase-in period for the so called output floor only.<sup>6</sup>

Up to 2019 and beyond, our strong capital position gives us the means and resources to focus on growing our business and developing additional client activity in the medium-term.

MATERIAL TOPICS



### Fully loaded CET1 ratio evolution



5. The Basel Committee on Banking Supervision's regulatory capital framework, Basel IV aims to reduce the variability of capital consumption in the banking sector by limiting the application scope of internal models for credit and operational risks.  
6. Output floor: minimum capital level calculated according to Standardised approach requirement (i.e. new standardised + IRB capital requirement >= 72.5% capital requirement considering the full portfolio under standardised treatment).





## Improve asset quality

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

UniCredit has taken decisive actions to improve the quality of its assets and continue to de-risk its balance sheet. All relevant Group asset quality metrics have materially improved in the last 12 months, thanks to ongoing disposals, disciplined loan origination and strict risk management.

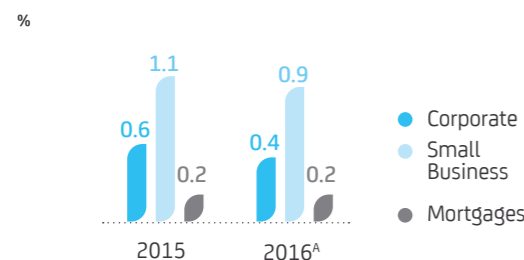
### Enforcing risk discipline

Our commitment to risk discipline is upheld by two critical measures: our strict underwriting policy and the constant monitoring of our portfolio.

We believe strong risk discipline is key to ensuring the quality of our loan portfolio; in this effort, our business and risk management functions are closely cooperating, jointly reviewing the quality of new loans and our existing credit portfolio. This steers our business development activities toward high-quality exposures and helps to promptly identify areas where risk mitigation actions are needed.

Our origination of new loans is strictly controlled through the increased centralization and automation of our credit processes. Our business functions, which are our first line of defense against poor-quality loans, are equally vital to maintaining the quality of our existing credit portfolio. In addition, automated early warning signals help us to proactively intervene in potentially critical positions and catch severely deteriorating loans earlier.

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



A. 2016 new lending volumes until November 2016.

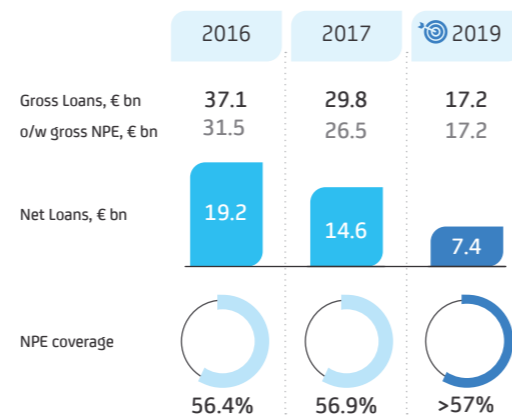
7. Refer to the 2016 Integrated Report for more information.

## Deleveraging our stock of NPEs

In 2013, UniCredit set up a separate segment of Italian loans: our non-core, which has a risk-return profile that is not compatible with the Group's plan to reduce its exposure and free up capital for business development and value creation initiatives.<sup>7</sup>

As part of our Non-Performing Exposure (NPE) deleveraging plan, in 2017 we reduced Gross NPEs by 14 percent compared to 2016 year-end, down to €48.4 billion. Group gross NPE disposals progressed during the year and reached €4.4 billion in the period, of which €2.4 billion in the non-core. The rundown of the non-core progressed with gross loans down to €29.8 billion (-€7.3 billion in the year) on track to reach *Transform 2019* target of €17.2 billion. In addition, we target the entirely self-funded run down of our non core exposure by 2025.

### Non core evolution



Among the decisive actions taken, *FINO*<sup>7</sup> is the two-phased de-risking project we announced during 2016 Capital Markets Day. We successfully closed Phase 1 of *FINO* in July, selling €17.7 billion of gross bad loans to securitization vehicles, with a majority interest in these vehicles then being sold to two investors. This landmark deal was the largest-ever bilateral Non-Performing Loan (NPL) transaction ever completed in Europe.

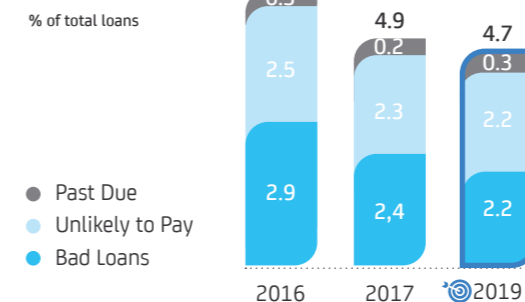
*FINO* phase 2 transaction was successfully closed in January 2018, completing the sell down of UniCredit's stake in *FINO* to below 20 percent. The necessary documentation is being finalised in accordance with regulation and procedures.

## Improving NPE targets

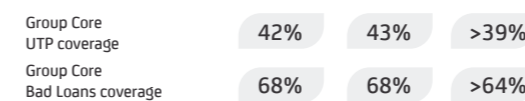
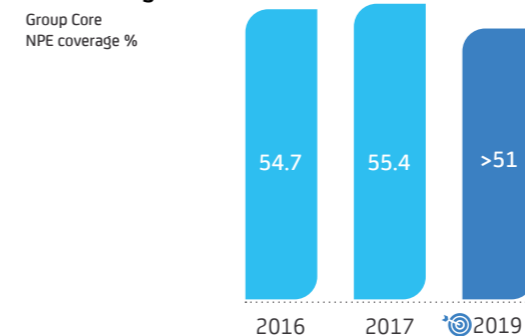
Reducing NPEs and improving their management is a key priority of *Transform 2019*. The plan calls for decisive and proactive actions on legacy issues, in addition to targeting gross NPEs of €44.3 billion at the Group level.

The Group increased that ambition by a further €4 billion by the end of 2019, bringing the NPE target down to €40.3 billion. Through sound origination, tight monitoring and an active recovery strategy, including disposals in Central and Eastern Europe (CEE), €2 billion of the new target will come from the Group-core. The other €2 billion will come from an accelerated rundown of non-core loans.

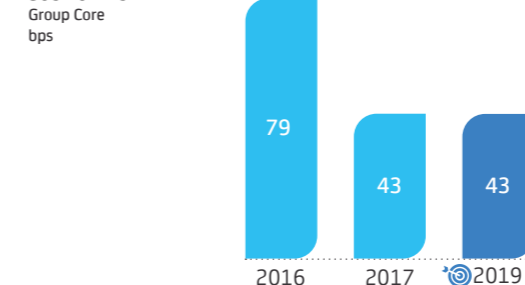
### Group Core Gross NPE ratio<sup>A</sup>



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



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



A. Numbers might not add due to rounding reasons.



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

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

We are continuing to optimize our operating model, from IT simplification to procurement and real estate, to ensure efficiencies over time. As we embark on this transformation journey, necessary IT investments will be complemented by strong attention to cost, project selection, and project execution.

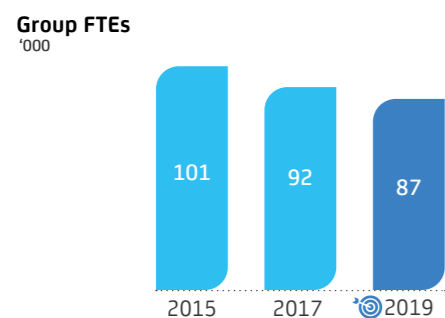
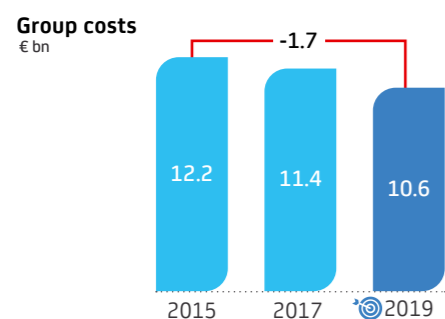
One of our top priorities is to facilitate the bank's transformation by redesigning our end-to-end processes. This will support our customers' growing use of digital channels and further improve their experience when interacting with us. At the same time, we are also using our digitization as an opportunity to rethink our processes and achieve greater operational efficiency with a lower, sustainable cost base.

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

Overall, implementing a lower, more sustainable cost structure will generate €1.7 billion in net annual recurring cost savings as of 2019, a key part of which will come from staff expenses (70 percent). We are ahead of the *Transform 2019* schedule on net Full Time Equivalent (FTE) reductions, with 6,300 units decrease in 2017. This allows us to reach 64 percent of our total target already in 2017. We achieved this while also making targeted hirings to ensure the right mix of skills and experience are distributed throughout the Group. Our FTE reduction program is being responsibly managed with due consideration for all local business requirements and laws.

MATERIAL TOPICS





We are a simple, successful, pan-European commercial bank with a fully plugged in Corporate & Investment Banking (CIB) that delivers a unique Western, Central and Eastern European network to our extensive client franchise of individuals and companies; to further drive the transformation of our operating model and maximize the value of our commercial bank, we are committed to:

- transforming our Western European<sup>8</sup> commercial banking operations to improve focus on customers and create a sustainable, lower-cost structure
- further strengthening our leadership position in CEE
- capturing more cross-selling opportunities through an efficient CIB Division that is fully plugged into commercial banking
- maximizing revenue synergies and sharing of best practices across business lines and countries.

### Transforming our Western European commercial banking operations

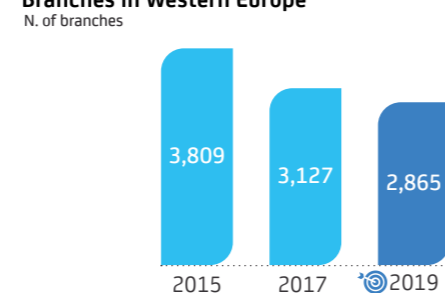
In Italy, Germany and Austria, our core countries in Western Europe, we have worked to further **enhance our customer focus** while deploying a more efficient, innovative and digital service model with a sustainable, lower-cost structure.

The increasing use of technology is changing consumer behavior and expectations. Thanks to digital innovation, the number of interactions between customers and banks is rapidly increasing. Consequently, we are designing services to provide seamless multichannel experiences; this

will meet customers' increasingly sophisticated requirements and enhance our customer focus. These developments are making UniCredit into a leaner, more efficient organization.

The transformation of our distribution model and sales channels is intended to make our bank more accessible and efficient. While we are optimizing our footprint by concentrating our presence where our clients are, our network is also adopting new formats that make use of a higher degree of automation (e.g., smart/cashless branches in Italy) and are fully integrated with our remote and digital channels.

#### Branches in Western Europe



A good example of this process can be seen in Italy, where over the past 12 months we have put in place new service models for our affluent and small business segments, where some 70 percent of the customers are served by both a dedicated relationship manager and remote services. In addition, our dedicated end-to-end delivery unit (E2E), which works on re-designing our products and processes, has already delivered tangible results. The unit, which was created at the beginning of 2017, aims to simplify the operating processes of more than 20 key products. Since its launch in March, the unit has been working at full speed; to date, 140 colleagues have logged roughly 14,500 working days in the effort to generate innovative product ideas.

The positive results generated by the E2E delivery unit include the reduction from four to one of the number of applications used by our relationship managers to open a bank account. For customer satisfaction, the unit has developed our new 100 percent self-service card management process, which is available 24/7 on UniCredit's internet and mobile banking platforms.

In Germany, we have launched a new service model for small medium enterprise (SME) customers. Designed to improve customer experiences, the model offers digital solutions and high-quality

advisory services, including support from specialists and experts in areas such as real estate and asset management. In addition, this new model has enhanced our focus on retail lending.

By enhancing our IT architecture, we are becoming more lean and efficient, while improving the quality of services and experiences delivered to customers.

IT and digital technologies are a linchpin of our transformation. We have adopted a pragmatic approach in these areas, opting to focus on initiatives that enhance customer experiences while investing in opportunities with high potential for success. The IT investments allocated for *Transform 2019* have been increased by approximately €100 million, to €1.7 billion.

We have launched new multi-country platforms that provide online and mobile banking services for both retail and business customers, and we are working on innovative mobile interfaces, such as wallet apps. In Italy, we were the first bank to launch payments via Apple Pay and the first bank to introduce Alipay to the local market.

In addition, we are working to further improve the quality of our advisory services, providing our network with advanced tools to support their interactions with customers.

In Italy, we are continuing to deploy our multichannel strategy, redesigning the format of our branches. We are creating full-service branches, smart branches and cashless branches to help foster the adoption of digital technologies.

Our new simple yet engaging and secure global internet banking platform, as well as the instant mobile payments experience we offer through our wallet solution, are paying off. This work has strongly increased the number of people who use our internet and mobile banking platforms.

Remote sales have doubled since 2015, now accounting for almost 19 percent of all sales; 34 percent growth in remote sales in the past 12 months.

Further we have incorporated new digital processes, such as digital signatures and the SMS/token signature. This has enabled us to digitalize 7.4 million contracts, amounting to 37 percent of all contracts signed in 2017. We also made more

products available within our *Credit Revolution* program. Jointly led by business and risk functions, this program is designed to simplify credit processes and products and rationalize our IT architecture and platforms. Products provided in this program include pre-approved lending solutions.

Automated transactions have grown consistently and now represent 91.7 percent of total transactions.

The increase in remote sales is largely driven by responsible pre-approved lending solutions and bancassurance product sales. Currently, we are focusing our attention on increasing the number of products available through our digital platform. In 2017, Commercial Banking Italy rolled out a new client segmentation model to match different corporate clients' needs and maximize cross-selling opportunities. This helps us to serve every form of enterprise, with a "four plus two" approach to client segments and a dedicated service model for each, extending and applying best practices from within our organization.

Starting from the above mentioned "four", the new client segments are:

- Large corporates (mid-caps in Europe, large-caps for Italy), mainly served by the CIB/Commercial Banking product platform, which focuses on specialization in a competitive cost-to-serve environment
- Small businesses with a return on allocated capital in excess of 15 percent, mainly served by a progressive extension of the retail model, but supported with remote advisory for basic banking needs and dedicated business centers
- Mid corporates, which are offered leading solutions from our small business segment, leveraging our remote and internet banking services
- Top corporates, which are served with a more sophisticated and targeted approach, combined with dedicated analysis of specific industry needs across their supply chains.

All of these segments are integrated with the "two" sector-focused segments: real estate and public sector.

In parallel, we are developing a new digital infrastructure to support this new client segmentation model.

First, we have developed *B.Link*, a proprietary CRM tool which leverages the Group's large trove of data to help relationship managers provide real time answers to client needs. *B.Link* is a digital workbench with, among other

MATERIAL TOPICS



8. Western Europe includes Commercial Banking in Italy, Germany and Austria.

applications, portfolio overviews, risk monitoring tools, action planners and pitch libraries. Its advanced commercial targeting capabilities enable us to effectively deploy our approach to customer segmentation by enhancing our interactions with product factories and facilitating cross selling. Designed for the digital era, *B.Link* is smartphone-friendly, allowing a relationship manager to use the app to contact product specialists. This increases our overall commercial efficiency.

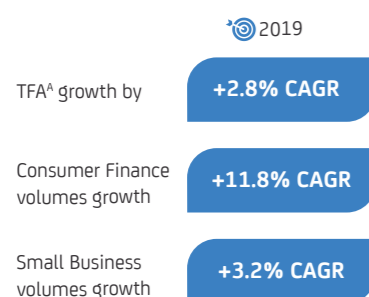
Next, we have adapted the front-end of our online banking operations to better fit each customer segment. We have launched a new integrated portal for larger corporate and CIB customers who request complex products, specialization and quick responses, and are developing a simple online banking portal for SMEs. This SME portal will be introduced in 2018, together with a suite of value-adding services.

Lastly, we are making progress in our efforts to industrialize mid- and back-office functions through the retraining of staff and further digitization. This will make us more productive and ultimately improve the customer experience.

We have also taken steps to accelerate growth by introducing **products and services with higher levels of risk-adjusted profitability**.

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

#### Key 2019 Targets (vs. 2015)



A. Total Financial Assets, excluding market performance and including Fineco.

The transformation of our commercial banking operations in Western Europe also implies an updated focus on risk-adjusted profitability.

Accordingly, UniCredit is promoting commercial offers related to asset gathering in all geographies, through the launch of special initiatives for all client segments. Our 2017 agreement to sell Pioneer Investments to Amundi presents our Group with the opportunity to access a wider product catalogue.

In Italy, on the asset gathering side, we have increased assets under management (AuM), thanks also to an expanded product offering following our partnership with Amundi. This performance allowed the bank to increase the weight of AuM products in clients' portfolios, who benefit from an outstanding risk management and investment diversification.

Regarding our advisory services, Fineco is our multichannel bank with a cutting edge advisory model. By leveraging its best-in-class internal IT culture, Fineco is able to allocate assets with an algorithmic/quantitative approach. In this way, its network can dedicate more time to managing relationships with clients, and better understand their needs and how they evolve over time, thereby increasing the quality of services and the customer experience.

Asset Under Management (AuM) Net Sales in Commercial Banking (CBK) Italy reached €11 billion in 2017, three times higher than 2016; Net sales of Fineco amounting to €6 billion, up by 18 percent year on year.

We are also changing our approach to consumer finance; with progressive use of pre-approved lending plafonds and remote channels, we can be more proactive with our clients, employing an approach supported by quicker response-rates.

Meanwhile, commercial initiatives were rolled out for foreign subsidiaries of Italian customers, fully leveraging our global footprint to increase our new international accounts by 11 percent.<sup>9</sup>

9. New accounts as of November 2017 compared with the same period of 2016.

## Further strengthening our leadership position in CEE

UniCredit's Central and Eastern Europe franchise is the largest and most diversified in the region. We provide strong local coverage, with more than 1,800 retail branches<sup>10</sup> across 11 countries, and are one of the region's leading corporate banks.

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

CEE will carry on this focus on organic growth, leveraging client acquisition and value propositions for multi-country corporate customers. The revenues trend in CEE is proceeding in line with targets, and our customer base in the region continues to grow towards our target of 2.6 million new clients in 2019. Moreover, our cost income is at 36.9 percent, a very strong sign of our well-established cost savings culture, and we are further enhancing our risk discipline, reducing our gross NPE ratio from 9.9 percent at the end of 2016 to 7.9 percent at the end of 2017.

#### Key targets



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

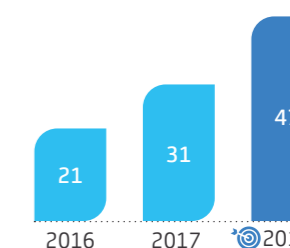
10. Including Yapi Kredi (YKB) in Turkey.

The region's innovation, exemplified by the strong growth of its digital customer base, makes it the perfect testing ground for new digital and IT solutions. A number of important transformation programs have been launched in CEE, particularly in areas related to innovation and digitalization, which have been rolled out across the Group.

Solid growth of digital users at ~45 percent, well on track vs. 2019 target of 51 percent.

#### Active mobile banking users, CEE

Penetration, %



We remain focused on maximizing synergies across the Group. Cross-border activity is growing, thanks to an increasing number of international customers. As of December, CEE customers active in more than one country where our Group is present had grown by 12 percent from the previous year.

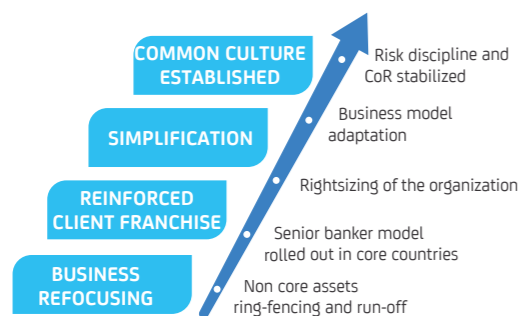
In addition, we have further developed our data analytics capabilities and our advisory tools to support relationship managers in their work. For example, our new global transaction banking (GTB) *Spider* tool was launched in 2017 to rapidly process large amounts of data and provide a deeper understanding of corporate customers' behavior in relation to global transaction products in order to provide our customers with a best in class and tailored service.

MATERIAL TOPICS



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

Over the past few years, our CIB Division has been significantly reshaped and simplified to establish a common culture and strong risk discipline.



Thanks to this effort, CIB is now fully plugged in our Commercial Banking Division and is an established leader in our core geographies, serving multinational corporates and key financial institutions, delivering services to corporate and public sector clients and offering investment solutions for 25 million retail and private banking clients.

Our next step is to consolidate and improve CIB's market-leading position by building on our strengths and further expanding our leadership into areas such as global transaction banking and debt finance. To achieve this, we will leverage our international network and clients while ramping up our market capabilities for the benefit of our corporate and financial institution clients. So far, such actions have already enabled 75 percent of CIB's total revenues to be client-driven, and we aim to increase that figure to 84 percent by 2019.

We are also working to enhance Group synergies by strengthening cross-selling. Our joint venture between CIB Division and Commercial Banking Italy, which was also discussed in the 2016 Integrated Report, integrates our traditional corporate customers offerings with a wider range of products and services that enable them to take advantage of structural changes in the financial markets. This client-centric approach benefits from direct senior management involvement, fully coordinated commercial activities, and an aligned incentive system. Its customized service model

provides our customers access to high-value-added products and services, enabling them to access capital markets and advisory for financial risk and liquidity management.

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

There is a considerable foundation to build on, as CIB leading position among European financial institutions is recognized in multiple league tables.

- n.1 by number of transactions both in EMEA Bonds in EUR and Combined EMEA Bonds and Loans in EUR
- n.1 in Syndicated Loans in EUR in Italy, Germany, Austria and CEE as well as in EMEA Covered Bonds<sup>11</sup>
- n.2 in Combined EMEA Bonds and Loans in EUR
- n.2 in EMEA Bonds in EUR.

Moreover, it is recognized as a leading player in Europe, as confirmed by several awards it received in 2017, such as Best Global Trade Finance Provider for All Services, Products/Payments and Overall Executions (Euromoney Trade Finance Survey 2018).

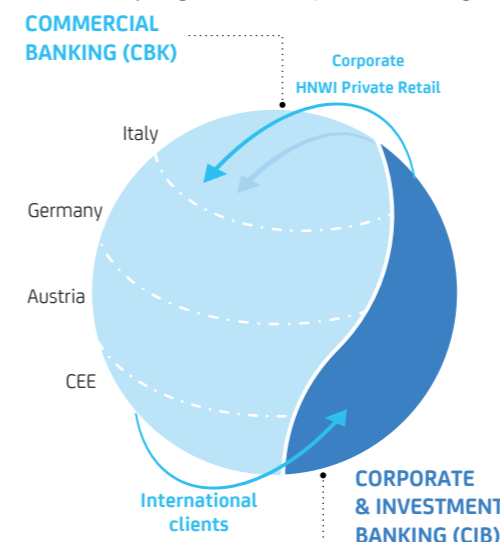
### Maximizing synergies across the Group

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

With the objective of maximizing synergies across the Group, we have deployed several different business initiatives.

As previously discussed, we have greatly increased cooperation between CIB and Commercial Banking to capture more cross-selling opportunities. In this approach, we introduced dedicated cross-selling committees in all Group geographies. These committees involve key representatives from both the Commercial Banking and CIB activities. To further boost this effort, we have introduced cross-selling targets within the key performance indicators (KPIs) of our managers.

### Maximize synergies and best practice sharing



Another opportunity for greater synergies is available in the service we offer to international customers, in the form of cross-border support. We are working to increase the cross-border business generated by CIB and international corporate banking clients across our 14 European core markets and across our international network. To support this opportunity, our newly opened branch in Abu Dhabi is equipped to serve more than 1,000 European companies operating in the Middle East region.

We have identified a third opportunity for synergies – between our corporate, high net worth individual / private and retail services – and have implemented initiatives in every country to maximize cooperation and share best practices in this area.

Groupwide, we continue to work on the optimization of our product and investment platform, which will enable us to generate more synergies among business segments. All of these opportunities for greater cooperation across the Group are fostered through our *Best Practice Sharing*<sup>12</sup> Program, both between divisions and countries.

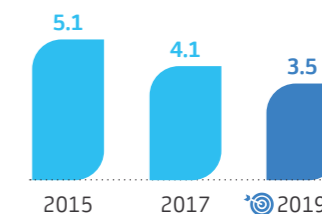


## Adopt lean but strong corporate center

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

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

Weight of Group Corporate Center on total costs, %



In July 2016, UniCredit decided to strengthen the role of the General Manager, expanding responsibilities to cover all business activities. This includes, among other items, our CIB and CEE divisions as well as all operations in Italy, Germany, Austria. This represents an important step toward expanding UniCredit's client offering and maximizing cross-selling and value creation across the entire Group. It will also better enable us to implement our digital strategy and make changes to the bank's service model. This is part of an overall transformation in which IT simplification, back office streamlining and real estate optimization are changing the DNA of our culture, costs and structure.

With a simplified organization and a strong management team, we are fully committed to implement *Transform 2019*. We have established a strong governance and monitoring framework to enable us to achieve our targets and objectives, overseeing 18 Groupwide projects based on three core platforms.

MATERIAL TOPICS



11. Source: Dealogic, as of 5 Jan 2018. Period 1 Jan – 31 Dec 2017; rankings by volume unless otherwise stated.

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

These platforms are:

- the IT demand platform, which is ensuring discipline and the optimization of IT investments while supporting our transformation by allocating resources to the most impactful initiatives
- the finance platform, which is serving as the authoritative source for all revenue and cost figures, enabling us to consistently track progress toward our strategic plan targets. It is also ensuring that overall performance management is based on our steering managerial KPIs
- the human resources platform, which is tracking progress toward our targets and drive forward people engagement, talent development and training activities.

Regular monitoring of the implementation of our transformation programs is carried out at weekly or monthly steering committee meetings focused on the status of specific work streams with pillar sponsors, program owners and, when required, CEO and General Manager. There are also regular monthly Transformation Jour Fixe involving the CEO, the General Manager and the sponsors of the five pillars and program owners to update on the plan developments. These measures promote accountability and help drive the Group's transformation forward.

- 11 Transformation Jour Fixe in 2017
- roughly 180 Steering Committees, covering all pillars.

Managerial KPIs, which are uniformly applied across the Group, are fully aligned with our overall Group Risk Appetite Framework and tightly linked to our incentive scheme. These KPIs have been disseminated to every division and business line.

### Effective execution and governance of the transformation program

KPIs	Rationale
<b>Value Creation</b>	
ROAC	Business profitability including all P&L items
<b>Risk &amp; capital governance</b>	
CET1 ratio fully loaded	Focus on capital strength
New business EL <sup>A</sup>	Quality of new business
Performing stock EL <sup>A</sup>	Risk dynamics of performing credit portfolio
Gross NPE	Development of non-performing credit portfolio
Loan and deposit volumes	Liquidity position
<b>Industrial drivers and clients</b>	
Opex	Cost-efficiency developments vs. targets
Cross-selling	Cross-selling effectiveness across business lines and countries
Net new clients	New client origination

A. EL stands for Expected Loss.

### Divisional KPIs

	Revenues € bn	Cost / income %	Cost of risk bps	RWA <sup>A</sup> € bn	Branches <sup>B</sup> n.
<b>CBK ITA</b>					
2016	7.4	61.5	147	79	3,054
2017	7.4	59.9	69	86	2,663
2019	7.5	52.6	58	105	2,400
<b>CBK GER</b>					
2016	2.5	77.0	-5	36	341
2017	2.7	67.3	13	34	341
2019	2.5	67.0	15	36	341
<b>CBK AUT</b>					
2016	1.6	75.4	7	24	141
2017	1.6	70.0	-7	21	123
2019	1.6	63.3	16	23	124
<b>CEE</b>					
2016	4.2	35.9	134	91	1,801 <sup>C</sup>
2017	4.2	36.9	95	86	1,693 <sup>C</sup>
2019	4.4	36.9	102	99	1,693 <sup>C</sup>
<b>CIB</b>					
2016	4.2	40.9	53	75	-
2017	4.1	40.0	22	76	-
2019	3.9	40.2	21	87	-

A. Excluding intercompany and repos.  
B. Retail only - excluded minor premises, corporate and private banking.  
C. Including Turkey at 100 percent.

MATERIAL TOPICS



# Financial Capital

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

## OUR STOCKS OF CAPITAL



## COMMUNITY IMPACTS

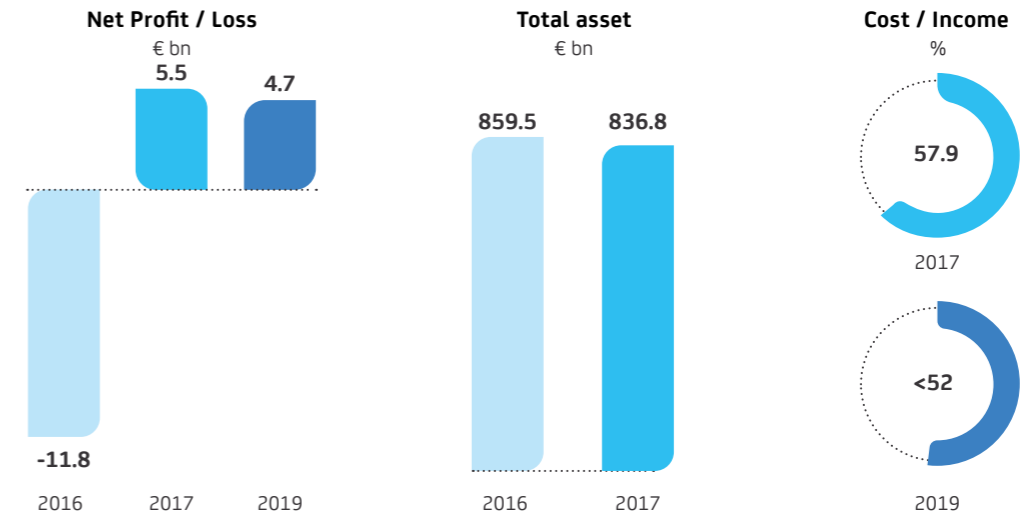


### PRIORITIES 2018

- Continue to improve asset quality
- Cost discipline and efficiency measures to reduce cost income ratio and transform business processes

1. Financial data corresponds to information in our 2017 Consolidated Reports and Accounts. When not applicable, management data is used. For additional information on Group results, refer to the 2017 Consolidated Reports and Accounts and to the Presentation on 2017 preliminary results available on the investors section of the Group website. Refer to the Strategic Plan section for more information.

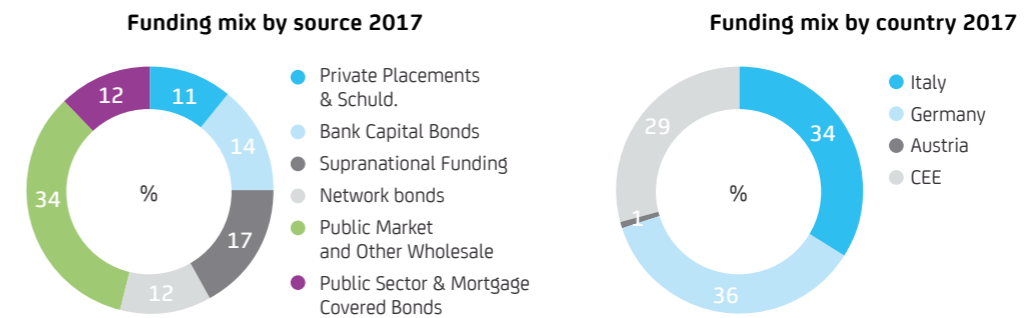
## Solid Equity Position



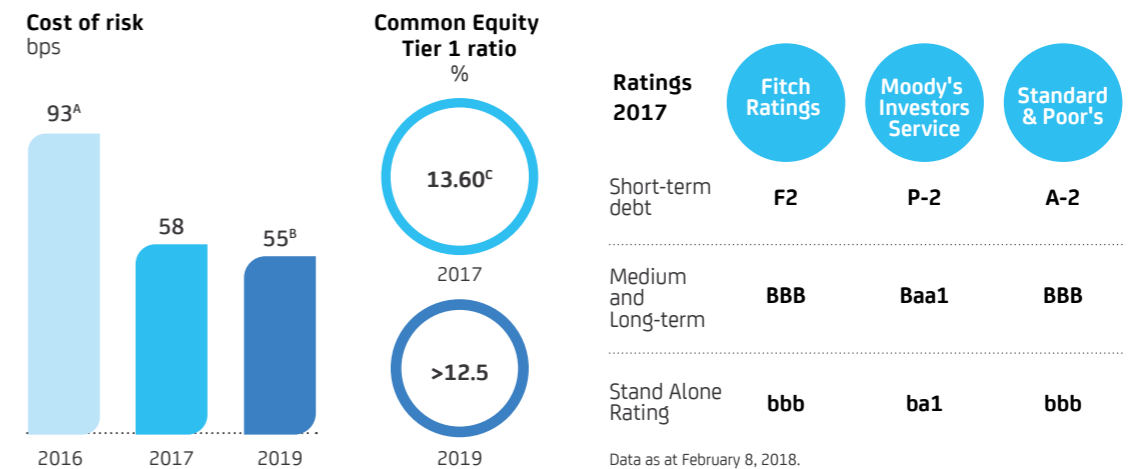
MATERIAL TOPICS



## Balanced funding mix



## Long-term financial stability



A. Cost of risk adjusted for -€8.1 bn non recurring LLP in 4Q16, related to Transform 2019.

B. Original target for 2019 was 49 bps. Delta given by line adjustments for accounting changes on: NPEs time value accounting, NPEs accrued interest, reclassification of customers loans.

C. Fully loaded CET 1 ratio, 13.02 percent pro forma of IFRS9 and FINO.

We support our colleagues throughout their professional lives by listening to their needs, valuing their skills, implementing training programs and development plans, and promoting diversity, inclusion and work-life balance.

## OUR STOCKS OF CAPITAL



### RESULTS

- 75% engagement index
- ~24 training hours per capita
- **Joint Declaration on Work-Life Balance** signed with the European Works Council

### COMMUNITY IMPACTS



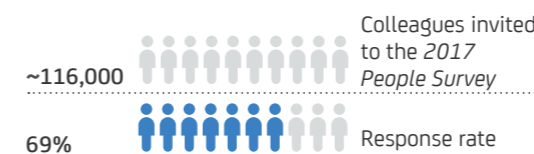
### PRIORITIES 2018

- Further promotion of a positive working environment for colleagues, supporting work-life balance
- Enhancement of diversity and inclusion initiatives

## Engage colleagues

We listen to our people, and we work to thoroughly communicate our Group strategy, performance and results to them, in recognition of the crucial role they play in all of our activities.

### Listening to our people



### Engagement index



The results of our *People Survey*, a recurring listening initiative carried out by UniCredit since 2003, exhibit the engagement of our employees in our enterprise. The 2017 survey, held in November, measured our overall engagement at 75 percent, the same as the previous year. This indicates that our people are aligned with UniCredit's goals and values, and that there is a high level of acceptance of the changes associated with the Group's ongoing transformation.

### Communicating our strategy and involving our people in it

In 2017, we focused our internal communication efforts on conveying results and key performance indicators (KPIs) related to the execution of our strategic plan. Our goal was to inform our colleagues about our progress and foster pride and a sense of belonging. Relevant content on our Group intranet included videos from our CEO and other senior managers. These received up to 48,800 page views, and the results from instant polls confirmed the readers' substantial interest in this topic.

Senior management has also participated extensively in the effort to explain and disseminate the plan's key achievements and messages Groupwide.

1. Refer to the Supplement – Human Capital section for more information.

Over the course of 2017, they participated in meetings with their first line of managers to initiate the process of sharing this information with the rest of the employee population.

Furthermore, our CEO and other senior managers informed employee representatives about the status of the strategic plan's implementation during the biannual meetings with the UniCredit European Works Council. These meetings provided an occasion to address topics of particular interest to employees and to engage in a constructive social dialogue.<sup>1</sup>

We also determined it was important to recruit engaged colleagues to act as ambassadors, who could explain our Group's transformation journey. So, we established a community of 500 transformation agents in the Italian commercial network, in direct communication with leaders to promote change and mobilize action towards our strategic plan targets.

## Enhance competences

We are committed to being a company where people can fully deploy their skills, abilities and personal assets. We invest in attracting, managing and developing talent and seek to be an employer of choice.

### Recruiting talent

To guarantee sustainable support for the transformation and digitization of the Group, we continue to invest in the best available talent in our markets.

A global policy is in place to regulate the selection process for all types of jobs at the Group, from entry level to executive. This ensures a single, clearly structured hiring process. In every case when a vacant position needs to be filled, an external recruiting process is activated only when it is impossible to fill it using internal resources.

• We continue to offer opportunities for personalized development to recent university graduates: in 2017, through our *Impact International Graduate Program*, we hired 56 promising recent graduates of eight different nationalities and an average age of 25.

MATERIAL TOPICS





## Managing performance

The *UniCredit Competency Model* describes the behaviors, based on our *Five Fundamentals*,<sup>2</sup> expected from all of UniCredit's people. All our employees receive a performance review from their manager, which assesses their performance and skills and identifies learning and development opportunities.

Career development decisions and compensation allocations are based on structured processes for non-executives, executives and executive-track colleagues alike. They are based on several key principles: accountability and empowerment of managers to make decisions about their people, rewarding merit and performance, clearly differentiated appraisals, appropriate rewards and career development opportunities, increasing transparency and fostering a culture of constructive feedback.

We also have a strong leadership pipeline for executives at our Group, as a way to ensure UniCredit's long-term sustainability. In 2017, as part of our effort to strengthen the *One Bank, One UniCredit* mindset, we identified a pool of potential successors for each executive level, on the basis of clear, inclusive and transparent criteria, such as: performance and potential evaluation; championing one or more of our *Five Fundamentals*; relevant technical and functional skills; readiness; cross-functional and international experience.

## Developing people

We design initiatives that address the professional growth needs of colleagues and ensure they can support UniCredit's transformation objectives.

For current and future Group leaders, the *Leadership Curriculum* provides a global dedicated learning environment to advance their leadership skills and their ability to play key roles in our business transformation. In 2017, we partnered with top-tier business schools to offer these leadership programs to 520 colleagues from 17 different countries.

To enhance the way talent is identified and nurtured within the Group, in 2017 we designed a new program that deploys a data-driven, meritocratic and transparent approach.

The *Future in Talent* program is designed to identify promising employees and to accelerate their growth with learning and development opportunities. Its first exploratory phase was completed in Italy in December, and 370 colleagues were identified. The program will be rolled out at the Group level in 2018.

In 2017, we offered professional growth in specific competence and business lines, using the modular and flexible format of our functional academies in fields such as Risk, Compliance, HR and Audit.<sup>3</sup>

In addition, training opportunities specific to local business needs in each country and division were provided throughout our Group.

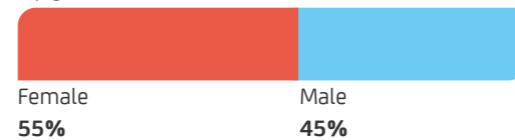
A total of roughly 24 training hours per capita in 2017 testifies to our investment in professional skills development.

## Value diversity and inclusion

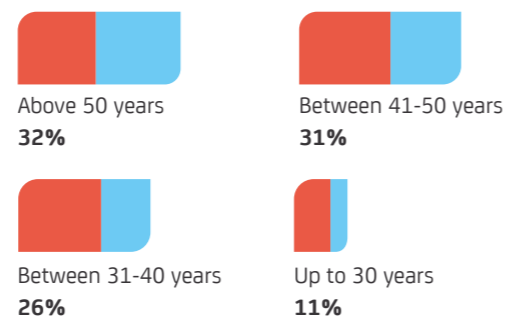
We have a richly diverse workforce, and we are committed to an inclusive working environment where all of the talent, skills, experiences and perspectives of our people can be fully expressed.

### Our workforce

#### By gender



#### By age



## Promoting gender balance

Our Group remains committed to achieving more gender balance in our leadership.

UniCredit's workforce is 55 percent female. In 2017, the execution of our strategic plan, which decreased the overall employee population and divested several companies that have high rates of female employees (such as Bank Pekao), resulted in a decrease of women across different managerial levels in the Group.

Since 2013, we have maintained a Global Policy on Gender Equality.

Our approach is based on four main pillars: clear governance and accountability, with ownership decentralized to business leaders; measurement that makes it possible to monitor progress; training, to increase awareness; and dedicated processes that support our leadership pipeline.

The policy sets out principles and guidelines to ensure a level playing field where all employees, regardless of gender, can realize their full potential. Our gender equality guidelines apply to company processes and practices in the areas of recruitment and internal appointments, professional development, remuneration, work-life balance, information and education. The policy also outlines the roles and responsibilities for its application, and requires the regular tabulation of a dashboard of KPIs measuring gender diversity in our Group.

UniCredit is committed to equality in pay regardless of gender, consistent with the policy and the Group Compensation Policy.

Senior management monitors the annual progress of UniCredit's *Gender Balance Program* and the indicators related to its effectiveness, such as the presence of women across different levels of the company and gender pay gap.

At both global and local levels, UniCredit is encouraging initiatives and best practices to balance the situation where needed.

In 2017, we continued to carry out awareness-building activities on this topic at all levels of the organization.

### FOCUS

#### Improving work-life balance

We are committed to promoting work-life balance and inclusion in order to achieve an engaging work environment and be an ideal place to work.

In November 2017, our Group signed a Joint Declaration on Work-Life Balance<sup>4</sup> with the European Works Council. The declaration defines global guidelines and principles to promote work-life balance initiatives across the Group, with an eye to continuous innovation and the development of current best practices. It establishes a basis for concrete implementation in all countries, in keeping with the respective national legal requirements and labor conditions.

A number of common drivers and actions have been identified to inspire initiatives in specific countries, encouraging social dialogue on the main aspects of the declaration. These include: flexible working solutions, measures to maximize the quality and effectiveness of time spent at work, and measures to improve colleagues' well-being.

The key features of the declaration build on the principles of respect, equal opportunities and non-discrimination, already addressed in previous joint declarations.<sup>5</sup>

2. Refer to the 2016 Integrated Report for more information.  
3. Refer to the Risk Management and Compliance chapter for more information.

4. Refer to Joint Declaration on Work-Life Balance on our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) for more information.  
5. Refer to the Supplement – Human Capital section for more information.



# Social and relationship Capital

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

## OUR STOCKS OF CAPITAL



## RESULTS

- More than 400,000 feedbacks provided by stakeholders
- €38.1 million contributions to communities

## COMMUNITY IMPACTS



## PRIORITIES 2018

- Fine tuning of methodologies to interpret customer's feedback and improve customer experience
- Further enhancement of our social impact capabilities

## Our approach to social and relationship capital

The viability of our enterprise depends on our ability to sustain strong relationships with customers and the wider community. In our approach, we aim to improve how people live and enterprises operate, creating value by identifying new business opportunities and providing significant competitive advantages.

UniCredit's products and services are designed to support the well-being and competitiveness of the countries where we work. To ensure success, we measure the benefits we have generated for third parties at either the individual or the country level.<sup>1</sup>

Often, we are able to generate direct benefits. This is evident in our assessments of local infrastructure, housing quality, venture capital availability, individual level of education, financial availability and ease of access to loans. We also contribute to job creation, increase the ability to retain and attract talent, and improve living standards by fostering the competitiveness of companies. These benefits demonstrate we have an essential role in sustainable development.

## Country Priorities

High ● Medium ● Low ●

Indicator	ITA	GER	AUT	CEE <sup>A</sup>
Ease of access to loans	●	●	●	●
Availability of financial services	●	●	●	●
Venture capital availability	●	●	●	●
Employment rate of people 20-64 years	●	●	●	●
People suffering poor housing conditions	●	●	●	●
Quality of overall infrastructure	●	●	●	●
Percentage of young people not in education, employment, or training (NEET)	●	●	●	●
Percentage of people participating in formal or non-formal education	●	●	●	●

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

MATERIAL TOPICS



## Our investments to develop our Social and relationship Capital



1. Refer to UniCredit Evolution Economy methodology for more information (<https://www.unicreditgroup.eu/en/a-sustainable-bank/evolution-economy.html>).

## Invest in long-term stakeholder relationships

Engaging with stakeholders is essential to building trust and making well-informed decisions that create value for all.

Our top priority is to serve our customers the very best we can. Customers are our lifeblood, the reason our Group exists.

### Engaging with our customers

We engage with our customers in different ways with the object to increase their overall levels of satisfaction. Through this ongoing outreach effort, we are working to provide them with exceptional service.

In 2017, we drew on years of insights and as per our last years' declared priority we worked to produce UniCredit's *Benchmarking Study*, which provides an objective view of how our customers and prospects perceive UniCredit's local banks and their relationships with these banks. This study developed the *Customer First Index (CFI)*,<sup>2</sup> a key performance indicator (KPI) that calculates customers' overall satisfaction with the bank and assesses what they prefer about UniCredit versus other banks.

This KPI provides:

- a clear and comparable view of customer and brand experiences across countries and segments
- a balanced comparison of customer perceptions of UniCredit and its competitors, obtained through research that is in line with the practices of Fast Moving Consumer Goods (FMCG) companies
- a clear view of our customers that we can respond to rapidly.

In addition, UniCredit utilizes big data and artificial intelligence to obtain solicited and unsolicited opinions from customers. This includes:

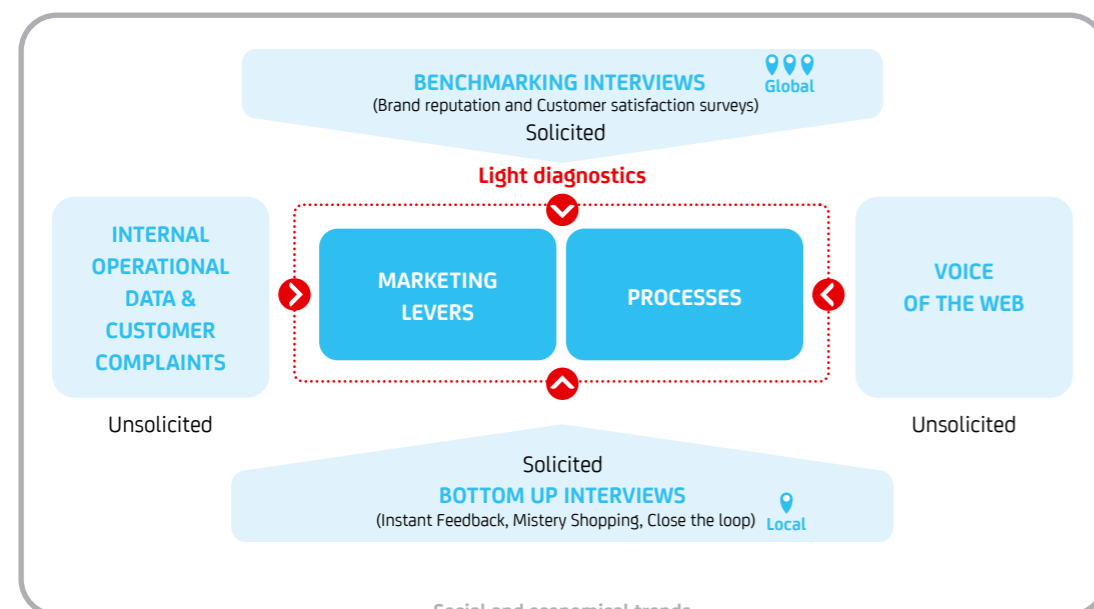
- instant feedback - Each local UniCredit entity has developed its own procedures for gathering feedback after key customer interaction
- online monitoring - UniCredit has a procedure for identifying and assessing what is being said about the Group on social media and elsewhere on the internet.

Groupwide, our complaint management systems enable us to identify sources of customer concern and promptly resolve them to their satisfaction.

In 2017 in Italy we decided to revamp the card delivery process, drastically improving efficiency and precision of delivery. Two months into the implementation of the new process, we had soon recorded a sharp reduction of the rate of non delivery of cards.

In 2016 this represented a critical point where we recorded an increased number of claims and requests for assistance related to delays and unreceived cards.

### Group stakeholder integrated listening



2. Refer to the Supplement - Social and relationship Capital section for more information.

In Austria this year, in response to more than 25,000 customers complaints received during 2016 about technical issues that were hampering the use of the self-service devices present in all branches, relevant departments immediately cooperated to address the matter. Their solution was to involve 150 branch colleagues in dedicated training sessions and hold bi-weekly meetings with IT colleagues to track improvement of the systems. This allowed, during 2017, to have a reduction of complaints on this issue of 25 percent.

In Croatia, we continued to improve our service in 2017 by replacing 78 ATMs that were the source of the majority of complaints by various businesses. Customer feedback also helped us to continue to optimize our internet (*e-zaba*) and mobile (*m-zaba*) banking services. By issuing updates for *e-zaba*, we ensured companies could smoothly use it with new browser and Java software releases while also enabling individual users to carry out convenient FX payments and withdraw funds.

#### FOCUS Social Caring

Customers can directly interact with us using not only traditional channels, but also social networks such as Twitter and Facebook. In order to understand and anticipate customers' needs and respond to them with customized answers, we offer a social caring service in the majority of the countries where we are present: customers can post comments or send private messages to request information or assistance, and, through direct forwarding of their interactions to our customer care offices, we ensure a high speed of response. This also helps us by providing a prompt assessment of how customers perceive our offers and services and a greater insight into specific issues that can support our business.

- 2017 highlights in Italy:
  - about 460,000 fans on Facebook and over 26,000 followers on Twitter
  - over 29,000 managed requests on the 2 channels
  - 100 percent of questions answered
  - average response time of one and a half hour (Facebook channel).

3. One-on-one and group meetings, conference and video conference calls and meetings with rating agencies (39), buy-side (530) and sell-side (22) investors.

### Interacting with stakeholder groups

We are committed to consulting with our key stakeholders – including investors, regulators and local consumer associations – through a variety of communication channels. We communicate through our corporate websites, annual reports and social media platforms; we participate in meetings, forums and other events; we carry out numerous consultations and surveys.

In 2017, this engagement included 591 meetings<sup>3</sup> and 62 roadshow days with more than 1,800 institutional, retail and socially responsible investors.

One of our largest events took place on December 12, Capital Markets Day, when our Group CEO and top managers presented the targets and achievements of the *Transform 2019* strategic plan.

Our engagement with **regulators** extended throughout the year, at the national, European and international levels. This dialogue, primarily involving the provision of feedback on proposed regulatory changes that would impact our business, places us in a better position to leverage existing and future opportunities for growth. As in 2016, we continued to work with regulators and supervisors on the Basel IV package, seeking the implementation of less restrictive requirements that would ensure, to the extent possible, a level playing field across jurisdictions for all financial institutions.

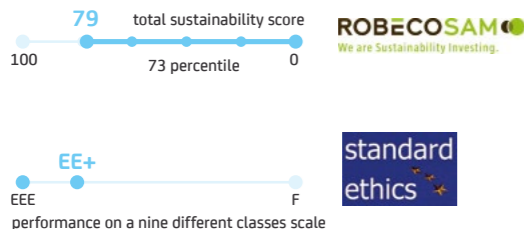
UniCredit's engagement with the European Central Bank (ECB) and other European institutions in 2017 mostly concerned the Group's legacy NPLs. After a short consultation period, the ECB published its guidance to banks on NPLs; several proposals on policies dealing with inadequate NPL provisioning are still being discussed. In these discussions with regulators and supervisors, we aim to mitigate the impact of proposed measures on our customers.

MATERIAL TOPICS



In response to increasing requests by investors for greater transparency, more stakeholder engagement and stronger sustainability management, we are maintaining an ongoing interaction with sustainability **rating agencies**.

**UniCredit sustainability ratings 2017**



**Management B (Climate Change)**



As a Group operating in 14 countries, we must understand the broad differences between our stakeholders. To expand our knowledge, we constantly perform studies in cooperation with local **consumer associations**. This is why this year in Italy we renewed the longstanding partnership *Noi&UniCredit* with 12 consumer associations. Moreover, we collaborated with the Unione Nazionale Consumatori on a survey of consumer sentiment in Italy; the survey focused on consumer knowledge of and interest in banking and finance. After conducting more than 700 online interviews, the survey confirmed that respondents are still interested in gaining more financial education and deeper knowledge of our bank and its products, particularly in regards to savings and investments (79 percent of respondents).

**Invest in social and economic development**

We do our best to support the growth of our communities, finding new ways to serve our individual and corporate customers. In addition to our traditional banking activities, we implement corporate citizenship and philanthropic initiatives that support financial and social inclusion.

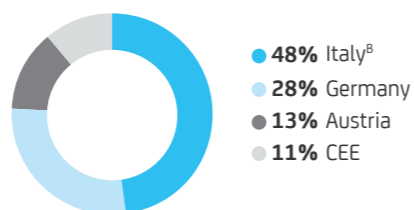
In 2017, we contributed roughly €38.1 million<sup>4</sup> to communities. Through our strong local presence, we also engaged colleagues in these community

4. 2017 data are based on internal cost management data sources. Roughly €36.8 of total contributions Groupwide are measured by the London Benchmarking Group model (LBG), in addition to the value of employees' time, in-kind resources and management costs referring to Italy, Germany and Austria only. Aside from contributions tracked using the LBG model, total contributions to communities include an additional roughly €1.3 million for business initiatives that foster mainly economic development in our territories.

initiatives and attracted about €1.8 million in additional support for the initiatives from third parties.

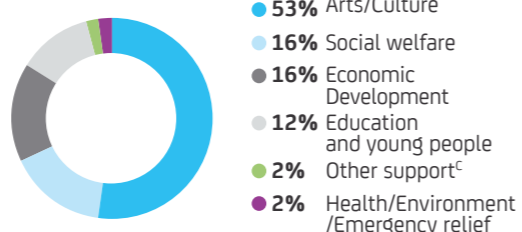
**Percentage of community contributions**

**By geography, 2017<sup>A</sup>**  
100% = €29.9 million



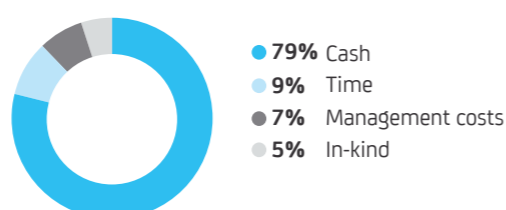
A. Data refers to cash contributions only.  
B. Includes also UniCredit Foundation and UniCredit & Universities Foscolo Foundation.

**By focus, 2017<sup>A</sup>**  
100%<sup>B</sup> = €38.1 million



A. Includes Group cash contributions and – for Italy, Germany and Austria only – time, in-kind resources and management costs. Management costs are attributed proportionally based on contributions by focus.  
B. Numbers might not add due to rounding reasons.  
C. "Other support" refers to activities that cannot be classified.

**By type, 2017<sup>A</sup>**  
100% = €38.1 million



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

As partners in the Italian Alliance for Sustainable Development (Alleanza Italiana per lo Sviluppo Sostenibile, or ASviS), an Italian network dedicated to sustainable development, we contributed to organizing the first Sustainable Development Festival. The festival, consisting of more than 200 events throughout the country, saw the participation of over 160 civil society organizations and 60 Italian universities in panels, workshops and discussions.

Their participation drew attention to the 17 Sustainable Development Goals and helped raise awareness of the United Nations' 2030 Agenda.

**Fostering financial inclusion**

UniCredit works to promote stronger economic participation. We believe that by making it easier for people to access financing, we can help reduce poverty and stimulate community progress.

We offer a broad range of customized solutions to enable individuals and businesses to gain ready access to financial products and services – whether for personal projects or important business activities. At the same time, we are strongly committed to helping citizens and entrepreneurs improve their personal financial skills so they can overcome the financial challenges they face and we can help making a positive impact on the financial stability and prosperity of the communities we serve. Following are a few examples of the solutions we offer in our countries.

**YOUTH**

**Italy:** more than 4,000 *Carta Flexia* credit cards with a 40 percent discount on the annual fee were offered to customers aged 18 to 30  
**Germany:** more than 9,000 customers under 26 took advantage of the free-of-charge *StartKonto*  
**Bosnia and Herzegovina:** the new *Modula* package account was launched in October; more than 3,000 young people benefited from a completely free bank account.

**ELDERLY**

**Bosnia and Herzegovina:** 195 customers over 65 took advantage of the new *Modula* package, customizing it to their needs and preferences  
**Bulgaria:** over 3,800 pensioners benefited from the *Golden Age* loan; through its quick and easy application process, around €4.6 million were made available in 2017.

**LOW-INCOME INDIVIDUALS AND FAMILIES**

In order to comply to the EU Directive 2014/92 on basic payment accounts, UniCredit's offer includes accounts free of charge or at a reasonable fee, that allow advantageous conditions for vulnerable customers.

5. Young people, the elderly, families, small and medium enterprises (SMEs).  
6. Participants include individuals and companies.

**DISABLED**

**Austria:** more than 120 shuttle rides to branches were provided to mobility impaired customers.

We also continued to engage in a range of financial education programs in 2017, targeting several demographics.<sup>5</sup>

• About 78,000 participants<sup>6</sup> involved in financial education training sessions in 2017.

**Face-to-face training sessions** were held throughout the year. In Italy, our *In-Formati* program involved roughly 36,000 participants (individuals and companies) in almost 1,000 training sessions, focused on banking and financial topics such as new business creation, digital payments and logics behind creditworthiness. Of these, about 13,000 students took part in *#cashlessgeneration2*, a financial education path supporting the alternating of school and work realized in collaboration with Associazione Difesa Orientamento Consumatori (Adoc), partner of the *Noi&UniCredit* program and focused on topics as payments and video communication.

Our financial education workshops also continued in Germany, where since the beginning of the initiative in 2013, about 3,400 participants have attended 176 sessions to gain basic financial knowledge and help them search for their first jobs. We continued to support German startups and young entrepreneurs through the *BayStartup* program, which offered training to roughly 7,000 participants in 74 workshops in the 2017 edition.

We offered financial education programs to Austrian youths in the last school year. In Austrian schools, we held 377 workshops in partnership with the Austrian National Museum of Social and Economic Affairs. These workshops taught almost 7,000 teenage students how to manage their money responsibly.

In March and April, 43 branches in Croatia hosted 3,500 students in 70 special workshops on how to save money for the future.

Making use of new technologies, our financial education programs were also conducted via **digital channels**.

Within the offer to companies in Italy, about 2,400 entrepreneurs have been involved in training initiatives. Of these, around 2,200 took part in the new *UniCreditTalk*, discussions between banks, experts and entrepreneurs, evolution of the web



seminars realized in the last years as part of the *Go International!* program. The 2 talks realized in 2017 have been an opportunity to discuss new challenges raised by digital revolution, their impact on organizational and business models and on export management processes. However, during the year *Go International!* continued with its traditional offer of seminars for entrepreneurs and export managers, focusing on topics such as export management, new technologies and digitization.

In 2017, our educational portal *euro.de* in Germany registered almost 29,000 visitors interested in financial basic knowledge as payment transactions, borrowing, retirement planning or real estate finance.

## Encouraging social inclusion

Continuing from previous years, in 2017 we worked to improve the social welfare of our territories. Our efforts included the promotion of fundraising activities, support for social enterprises and support for the dissemination of culture in all its forms, in the belief that this works as an engine of social and economic development.

### FUNDRAISING ACTIVITIES

#### Employees

**Gift Matching Program<sup>7</sup>:** in the 15<sup>th</sup> edition of this UniCredit Foundation initiative, over 8,400 donations made by colleagues involved; around €2 million donated; more than 330 non-profit organizations projects supported

**Earthquake in central Italy:** this year, we continued to provide aid to people affected by the devastating 2016 earthquake in central Italy. Through an online auction of pieces from the UniCredit art collection, we raised more than €70,000 in donations from colleagues to the areas of Italy that are still recovering from the natural disaster

#### Customers

**Universo Non Profit:** 1,784 *Conto Donazioni* accounts raised about €1.7 million; 1,459 organizations present on the platform, *ilMioDono.it*; over €171,000 raised for 599 of those organizations

**UniCredit Card E:** over €1.5 million collected via around 245,000 cards in circulation.

7. Refer to the 2017 UniCredit Foundation Report for more information.  
8. Data refer to UniCredit Foundation.  
9. Refer to the UniCredit & Universities Foscolo Foundation website ([www.unicreditanduniversities.eu](http://www.unicreditanduniversities.eu)) for more information.

### SOCIAL ENTERPRISES

#### 2017 activities<sup>8</sup>

- more than €1.5 million investments
- programs running in 6 countries in cooperation with 21 partners from non-profit sector

#### 2017 results<sup>8</sup>

- over €1 million provided through 54 grants for social enterprise projects
- roughly 1,900 training and mentorship hours provided
- 41 businesses started or accelerated, mainly in the agro-food, services and environment sectors
- 141 jobs created.

### CULTURAL SUPPORT

#### Supporting talent

Every year, the UniCredit & Universities Foscolo Foundation<sup>9</sup> offers scholarships, fellowships and grants to talented students and researchers. UniCredit has contributed over €12.3 million since 2009 to the foundation's programs, supporting about 600 beneficiaries. Along with last years' initiatives, the *UniCredit International Internship Program* offered 30 undergraduates a three-month internship at UniCredit offices outside of their home countries

#### Promoting cultural initiatives

Through our long-standing partnership with the Filarmonica della Scala, in 2017 we supported a range of inclusive initiatives Open Filarmonica, that enrich the season at Teatro alla Scala and the international tours:

- *Sound Music!*: more than 1,000 young students engaged in musical workshops at school and attended 2 final performances at the UniCredit Pavilion; a third performance was dedicated to children and families of Milan
- *Concerto per Milano*: the annual free concert in Milan's Piazza del Duomo was attended by around 15,000 people
- *Prove Aperte*: in a cooperative program with the UniCredit Foundation, 5 open rehearsals at the Teatro alla Scala were attended by more than 9,700 people. The net proceeds of nearly €120,000 were donated to local non-profit organizations that provide support for underprivileged youths in the Milan suburb.

In October, the UniCredit Pavilion hosted the third edition of the Festival Internazionale del Documentario – Visioni dal Mondo, Immagini dalla Realtà, which featured 28 documentaries on current issues such as immigration, domestic violence, eating disorders, war, the environment and cybersecurity. The three-day event was attended by 3,000 people.

## Supporting competitiveness and contributing to community growth

Interacting continuously with the operating environment and community at large offers indisputable benefits to a company and its stakeholders. It makes it possible to understand the urgent needs of communities and meet them with appropriate initiatives. For UniCredit, this kind of interaction enables to develop products and services that serve stakeholders and encourage a balanced, collaborative approach to well-being, prosperity and growth. Our Group remains focused on understanding the daily needs of stakeholders and meeting them effectively, while also helping solve urgent national challenges.

In Italy our **networking initiative Territorial Advisory Boards** provide advice related to UniCredit's seven Italian regions. Appointed by UniCredit's Board of Directors, the *Territorial Advisory Boards* provide inputs and feedback to the top management and regional managers, helping them define their business strategies and development plans in their respective regions and to strengthen UniCredit's local reputation.

Another initiative, *Forum dei Territori* organizes annual meetings between our senior managers and our main local stakeholders so they can discuss priorities and projects that have been selected and designed by the *Territorial Advisory Board*. Seven of these events were held in 2017 and welcomed around 1,400 participants.

Moreover, in Italy, *Forum delle Economie* hosts workshops that focus on a specific economic sector of interest to UniCredit's managers and main stakeholders so they can discuss trends and potential opportunities to cooperate within that area. These meetings, are intended to strengthen the bank's position in the chosen sector.

At UniCredit's *Italian Investment Conference*, we provide listed companies with the opportunity to meet members of the international financial community. Each year, more than 160 international institutional investors take part in the conference because it allows them to more closely evaluate Italian listed companies. Over time, the event has become the main cross-sector conference in Italy for the Equity Capital Market. In 2017, the entire conference – including key note speeches, round tables and workshops – was held at UniCredit headquarters in Milan. The two-day event builds stronger personal relationships between clients and senior bankers, global account managers and those responsible for various business areas.

### 2017 edition key numbers:

- 1,129 one-on-one and Group meetings held
- 135 delegates representing 55 listed companies
- 81 percent of the companies participated with at least one C-level delegate
- 161 fund managers from 14 different countries.

In Bulgaria, *SME Corner* continued to serve as a unique B2B initiative that provides specially designed spaces where small and medium enterprises (SMEs) and corporate clients can display their products and services. In 2017, about 140 clients have displayed their goods/services in the initiative, including 10 corporate customers.

When we identify business opportunities, we directly support their financial viability and actively cooperate with national, international and European institutions to make sure SMEs receive the available **public funds** that have been earmarked for them. Our Group's long-established expertise in handling state- and EU-supported programs provides customers with a boost in a number of areas.

In March 2016, the European Central Bank announced a new series of targeted longer-term refinancing operations (TLTRO II) to reinforce its accommodative monetary policy stance and foster new lending to the real economy. In March 2017, our Group made use of this measure, approving a new drawdown of €15.5 billion. This led us to grant about €1.9 billion in new credit lines from our loan stock of over €7.5 billion.

In 2017, UniCredit made significant use of the Fondo Centrale di Garanzia in Italy, to facilitate low-risk state-guaranteed loans for about €2.5 billion. More than €1.2 billion of these funds were made available to the corporate segment. Using the fund's special microcredit section UniCredit facilitated loans for about €4 million to SMEs, independent professionals, and new entrepreneurs with new ideas, skills and talents.

The Fondo di Garanzia's tranché cover, Bond del Mezzogiorno, was used by UniCredit in 2017 to provide more than 130 loans amounting to over €26 million in guaranteed financing.

Beni Strumentali Nuova Sabatini enables UniCredit to support new investment in Italian companies by helping them obtain subsidies through the Ministry of Economic Development for the purchase of capital goods. This facilitation process has been extended until all available resources has been disbursed. In 2017, UniCredit used it to provide over €142 million to 650 companies.



Moreover, we provided about €1 billion of European Investment Bank funding to Italian companies and we launched the new Minibond<sup>10</sup> product, attracting the interest of Corporate Companies for total emissions of €15 million.

In Germany, a dedicated specialist unit supports relationship managers so they can find the ideal promotional lending program, grants and guarantees for each customer's financing need. In September, the specialist unit began a new initiative concerning digitization/innovation loan programs, informing relationship managers regarding possible solutions for their customers and incentivizing them to apply. Through the specialist unit, this year a stock of over €8.7 billion of promotional loans has been administered, while more than €2.7 billion in new credit lines has been generated.

In Austria, we have been working with a number of organizations to help customers gain access to credit initiatives. In cooperation with the Austrian Promotion Agency, we are providing grants from the European Regional Development Fund (ERDF) for sustainable investments in innovative SMEs. From 2014 to 2020, this fund has allocated an amount of €165 million for Austrian SMEs.

Our Central Eastern European (CEE) Division remains particularly committed to advisory for EU Funds opportunities. In Bulgaria, for example, through major financial instruments (JEREMIE, EMPF, RSI, InnovFin, National Guarantee Fund), we supported more than 2,500 companies in 2017, easing their access to financing. In Croatia, we have extended cooperation with a consultancy company for another 3 years (2017-2019) in order to help clients identify which tenders they are eligible for. This service involves offering free one-off consultation, providing financial support, and supplying a range of tailor-made products designed to comply with EU tendering requirements.

In Hungary, in cooperation with advisory partners, we provide customers complex services that facilitate their access to public funds. These services include external communication of tender calls and related services via newsletters, pre-financing and co-financing of investment projects, as well as transactional banking connected to EU funds. Moreover, through the European Investment Fund's InnovFin SME Guarantee Facility, introduced in 2016, we are providing further working capital and investment financing to eligible SME and mid-cap customers. In 2017 we provided new credit line for around €29.6 million with a total stock of about €87 million.<sup>11</sup>

### FOCUS Social Impact Banking

In our commitment to a fairer and more inclusive society, we have launched *Social Impact Banking*, our project that identifies, finances, and promotes individuals, micro-enterprises and initiatives that have a positive social impact. Through Social Impact Banking, we provide credit, share our financial and business know-how with communities, and build partnerships with organizations that share our values, such as social and trade associations, foundations and public institutions. This also benefits our Group: it will build on UniCredit's experience in supporting social initiatives, sharpening their ability to measure their impact and enabling us to create stronger ties with communities.

#### Our approach

We work hand-in-hand with our partners to build a solid support network that can magnify the impact of their initiatives. Since our people play a key role in this process, the Group has supported the creation of *UniGens*, a volunteer association of former UniCredit employees who will provide training, mentoring and expertise to worthy micro and social enterprises, students and individuals at risk of social exclusion. *Social Impact Banking* began in Italy at the end of 2017 and will be extended in the next future to the other countries where our Group is present. It encompasses several coordinated programs:

#### Impact financing

We provide subsidized loans and competitively priced products and services to both for-profit and not-for-profit entities that are meeting social needs, such as strengthening and promoting inclusion. The program, which measures the social impact achieved by these entities, is designed to support social innovation as a driver of positive change. We will share success stories from this project and promote new partnerships and networks that broaden impact financing. Moreover, the social impact of enterprises will be measured and possibly rewarded through a pay for success mechanism.

#### Microcredit

We support the launch and growth of small businesses that are often excluded from access to traditional banking products and services. Through microcredit programs, we identify, select and finance projects that help foster inclusion and broaden employment. Thanks to a network of volunteers – former UniCredit employees – we offer advice to support these companies as they grow and develop.

#### Financial education and inclusion

We promote financial literacy as a way to support small scale businesses and social enterprises as they begin operating, focusing on sustaining the inclusion of young people and vulnerable groups. As part of the Italian Ministry of Education, Universities and Research's *Alternanza Scuola Lavoro* initiative, we have launched in the schools a training program to increase financial awareness and encourage entrepreneurial spirit.

We believe that participants in the real economy need assistance in comprehending the composition and structure of their sectors, in gaining experience abroad, and in expanding their ability to innovate. These abilities are vital to competing in increasingly competitive markets.

UniCredit has a long tradition of helping people find solutions in the sectors that serve as the backbones of the countries where we work. We are increasing the competitiveness of these sectors by providing advice and concrete products that improve productivity, efficiency and growth prospects.



### A 2017 snapshot of sector-specific support provided by our Group

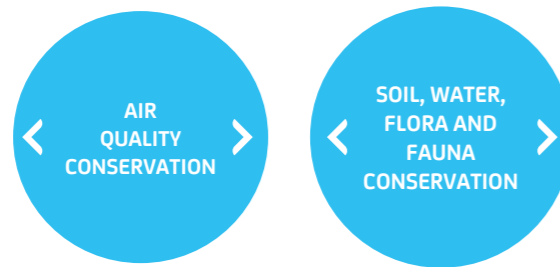
Sector (COUNTRY)	Tailored solutions
<b>Startups</b> AT, IT, BS, HU, DE, HR	<ul style="list-style-type: none"> <li>&gt; <b>Italy</b> <ul style="list-style-type: none"> <li>acceleration program running since 2009 to identify, train and support Italy's most innovative startups and SME's</li> <li>selected 41 companies from a pool of 797 applicants to receive support in four sectors: clean tech, digital, innovative made in Italy, and life science</li> <li>more than €7 million (and €20 million since 2015) contributed to promising companies by stakeholders (venture capital funds, institutional investors, angel investors).</li> </ul> </li> <li>&gt; <b>Germany</b> <ul style="list-style-type: none"> <li>initiative in which experienced businesswomen on the Women's Council and our bank's startup experts work with female entrepreneurs for six months to help them navigate the process of funding their own companies</li> <li>for its fifth edition, over 140 applications were vetted to select the most innovative business ideas</li> <li>6 winners were chosen by a jury to receive a six-month mentorship from members of the Women's Council.</li> </ul> </li> </ul>
<b>Travel and tourism</b> IT, HR	<ul style="list-style-type: none"> <li>&gt; <b>Italy</b> <ul style="list-style-type: none"> <li>supporting the economic development of Italian SMEs in the tourism sector with dedicated services and products</li> <li>more than €627 million in credit has been extended to clients operating in this sector for a total amount of over €1.7 billion from the beginning of the initiative, April 2015</li> <li>achievements: top quality network building for targeted entrepreneurs; increase in competitiveness for SMEs; education in business for enterprises; reinforcement of communication/information sharing among economic stakeholders.</li> </ul> </li> </ul>
<b>Real estate</b> DE, AT	<ul style="list-style-type: none"> <li>&gt; <b>Austria</b> <ul style="list-style-type: none"> <li>subsidization from non-profit associations keeps housing costs relatively low, potential remedy for housing inequality</li> <li>this initiative demands highly specialized knowledge to accelerate the development of social housing</li> <li>new loans for social housing totaled over €202 million.</li> </ul> </li> </ul>
<b>Agriculture</b> IT, DE, HR, RU	<ul style="list-style-type: none"> <li>&gt; <b>Russia</b> <ul style="list-style-type: none"> <li>state subsidizing of agriculture and agro-industrial sector via banking system</li> <li>received nomination to be one of the systemically important banks taking part in this program</li> <li>subsidized lending for working capital finance and investment projects at rate beneficial</li> <li>made approximately €30 million in loans to 20 borrowers.</li> </ul> </li> </ul>
<b>Infrastructure</b> DE, HR, RS, BG	<ul style="list-style-type: none"> <li>&gt; <b>Italy</b> <ul style="list-style-type: none"> <li>advisory (with long-term solutions via bank market and capital markets) and debt provider (as the Italian leader in the project finance market)</li> <li>transactions for large scale installations in various sectors such as oil and gas, transportation, and infrastructure</li> <li>financing the construction of a new capital installation, or the refinancing of an existing installation</li> <li>financed 11 projects, for a total credit lines of €454 million.</li> </ul> </li> </ul>
<b>Non-profit</b> IT	<ul style="list-style-type: none"> <li>&gt; <b>Italy</b> <ul style="list-style-type: none"> <li>dedicated service model offers specialized financial products and services to non-profit organizations – including a special credit rating process – benefitting roughly 36,000 clients (including about 3,200 new clients)</li> <li>new loans of roughly €106 million were made.</li> </ul> </li> </ul>

10. Bonds issued by listed or unlisted companies. Issues are distinct from an ISIN code and allow companies to raise funds from investors in exchange for credit ratings.  
 11. The amounts of the new credit lines and the stock refer to the total portfolio managed with public funds.

# Natural Capital

Earth's natural resources and the countless services that are drawn from them make human life possible. The bank's activities have an impact on natural capital that must be monitored and limited.

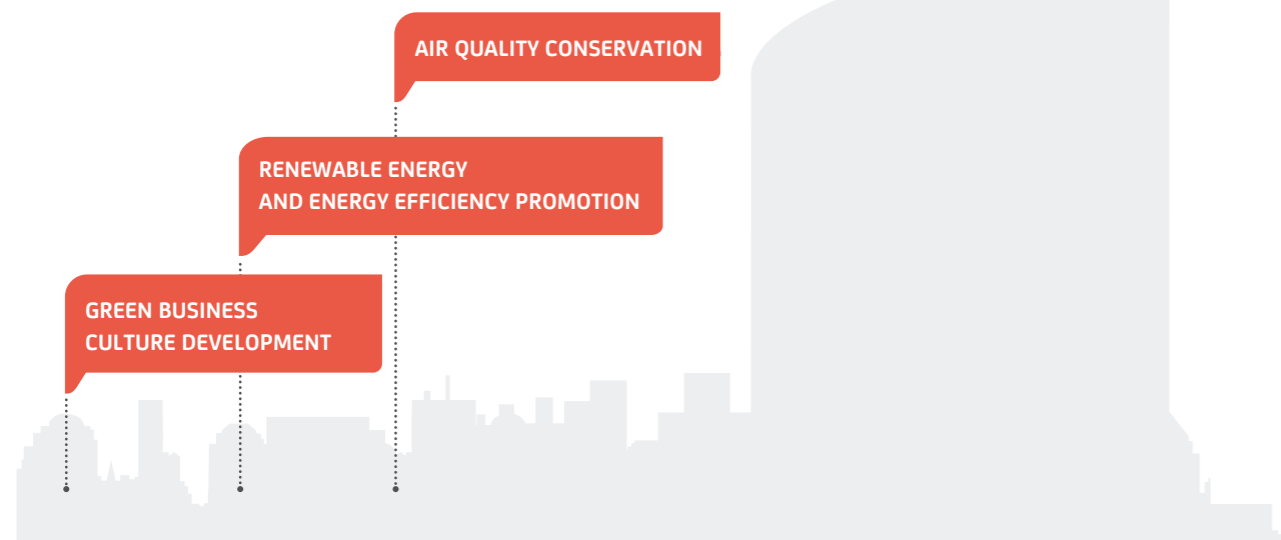
## OUR STOCKS OF CAPITAL



## RESULTS

- €8.2 billion exposure to the renewable energy sector
- -41% in Scope 1 and 2 emissions since the base year
- >€270 million energy efficiency loans to individuals

## COMMUNITY IMPACTS



## PRIORITIES 2018

- Continued reduction of GHG emissions
- Promotion of green sensitive practices in the workplace

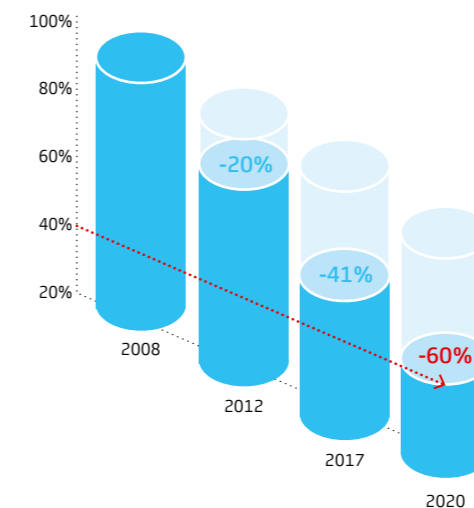
## Execute an effective environmental strategy

UniCredit's solid system of governance guides its behavior to conserve natural capital, coherently with its commitment to prevent and mitigate any environmental impact of our operations and lending<sup>1</sup> activities, as set forth in our Environmental Policy.<sup>2</sup> The Group established the policy in 2000 and updated it in 2012. Several UniCredit legal entities use environmental management systems to provide an operational framework for the implementation of the policy. As we implement this environmental strategy, our Group holds ISO 14001 certification through UniCredit Bank Austria AG, UniCredit Bank AG and UniCredit Bank Czech Republic and Slovakia, as. Furthermore, UniCredit SpA is registered under EMAS Regulation.

## Reduce our environmental impacts

The UniCredit climate strategy calls for a major reduction in our operational emissions of greenhouse gases. Our medium-term target is to reduce our carbon emissions by 60 percent by 2020, and our long-term target is a reduction of 80 percent by 2030. In 2017, we achieved an overall reduction of 41 percent versus our 2008 Scope 1 and 2 emissions. We accomplished this by enhancing energy efficiency, by finding smarter ways to use our workspaces, and by increasing the digitization of our banking operations.

### GHG emissions trend



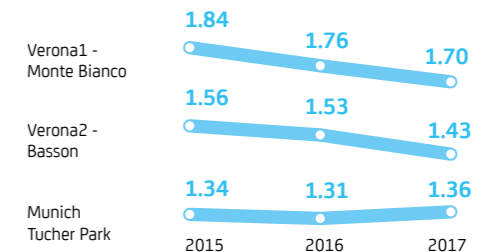
## Enhancing energy efficiency

At the forefront of our initiatives to reduce energy consumption, we are making UniCredit's premises more energy-efficient. This begins with energy audits, which we are conducting above and beyond legal compliance requirements. So far, we have audited the energy efficiency of 43 large UniCredit buildings and 30 branches, by identifying and correcting several anomalies and devising energy-efficiency measures. Among the various methods used to monitor UniCredit's energy consumption, we have installed centralized, remote-controlled energy measurement systems in more than 1,000 branches. These controls, which we began installing in 2007, enable optimized timing and limits for branch temperature control systems.

We continue to utilize new technologies to reduce the environmental footprint of our operations. In 2017, we further reduced our office space in Western Europe by nearly 120,000 square meters and closed 409 retail branches in the same perimeter. This effort to reduce our footprint, part of the UniCredit *Transform 2019* plan, will result in a total reduction of 332,000 square meters of office space and the closing of 944 retail branches, by the end of 2019.

We continue to invest in making our data centers more energy-efficient. Although they are subject to annual increases in use for IT-related activities, their cooling systems, new uninterruptible power supplies (UPSs) and overall engineering are designed to avoid any increase in energy consumption even as they meet heavier demand. In 2017, the recorded power consumption at our two data centers in Verona was 24 million kWh and 15 million kWh, respectively, which puts the performance of our new UPSs at the top of the efficiency curve. In effect, we registered a flat rate of power consumption in 2017 versus 2016, while the projected increase, based solely on the higher IT load, would otherwise have been around 1.7 million kWh. The saving was due to our energy-efficiency measures, as the new UPSs reduce energy leakage. This is reflected in the Italian data centers' power usage effectiveness (PUE) ratios,<sup>3</sup> which were reduced further in 2017, as shown below.

### PUE ratios



1. Refer to the Risk Management and Compliance Chapter and to the 2016 Integrated Report for more information.  
2. Refer to [https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/environment-suppliers/environmental-management-system/UniCredit-Environmental-Policy\\_last.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/environment-suppliers/environmental-management-system/UniCredit-Environmental-Policy_last.pdf) for more information.  
3. The ratio of total power used by the data center to the power used for IT processing.

### MATERIAL TOPICS



By the end of 2019, we will complete the migration of our data from less efficient small data centers to our most efficient facilities. This consolidation will bring an estimated saving of 23 percent in energy consumption as of 2019.

UniCredit believes the use of **renewable energy** is vital to tackling global climate change. We do our part by procuring the vast majority of our electricity from renewable sources for our networks. In 2017, nearly all of the electricity that we used in Italy, Germany and Austria came from renewable energy sources: 96 percent in Italy, 100 percent in Germany and 94 percent in Austria. At the Group level, this accounted for 78 percent of the total electricity consumption.

**FOCUS**  
**Mobility management**

Groupwide, we continue to promote smart solutions that enable remote meetings. Desktop video communication tools are available for all branch managers and, in some countries, such as Austria and Russia, for all staff. Every employee at UniCredit headquarters has access to video conference facilities, and state-of-the-art video technology has been widely adopted for online meetings. Our Group travel policy encourages the use of public transport and, since 2016, the Group has prohibited non-customer-related travel for one week each month. In Germany, this measure has been taken one step further, with the prohibition of all non-customer-related travel.

According to our data, the widespread adoption of flexible working solutions in Italy has saved in excess of 350,000 km in employee commuter travel over the first three quarters of 2017.<sup>4</sup> In 2017, employees in Austria collectively bicycled over 100,000 km to and from work under a bank initiative promoting commuting by bicycle or public transport rather than car or motorcycle.

**Cutting consumption**

By reducing our consumption of materials, we can increase the sustainability of our Group. The use of paper can be limited by means of greater use of technology.

In this context, we are working to further position our Group as a data-driven bank. In 2017, we implemented more new technologies, including *Omnichannel Cockpit*, a tool that uses big data to improve the efficiency of business analysis related to customer clusters and our network's footprint. The launch of *Omnichannel Cockpit* is enabling us to decommission obsolete internal databases and create a common working platform to record branch transactions and digital products. It will further increase energy efficiency by reducing mobility, reporting needs and paper consumption.

Our *Centralized Document Dematerialization (CDD)* project in Italy aims to make the handling of branch documents more efficient and secure by developing a management process based on a new IT platform. The project is based on scanning and digitally storing contract documents and transaction confirmations to create a highly automated data system. This process began with a pilot phase in January 2017. It is now in place for all branch finance documents (e.g., deposit forms and government bonds purchases). In 2017, the CDD securely stored nearly 4 million documents. It is forecast to extend to a number of other documents by the end of 2018, including those related to current accounts. The CDD is further supported by *FirmaMia*<sup>5</sup>, which our customers can now use to digitally sign their routine in-branch transactions and contracts.

**FirmaMia 2017**

7.4 million contracts digitally signed  
445 tons of paper saved  
12.3 million in-branch digital transactions

**Sourcing responsibly**

UniCredit's procurement model adheres to the precepts of sustainability. Suppliers must meet certain minimum sustainability requirements and are selected according to the standards of the International Labour Organization relating to fundamental human rights, child labor, freedom of association, working conditions, equal pay, health, safety and business ethics. Suppliers must also comply with the standards set forth in our Environmental Policy. In addition to sourcing

4. Refer to the Human Capital chapter of the 2016 Integrated Report for more information on flexible working.  
5. Refer to the 2015 Integrated Report for more information.

environmentally certified products, we prefer to use providers with an Environmental Magement System (EMS) certified under EMAS and ISO 14001 standards.

UniCredit Bank Austria's Procurement Policy, which makes it mandatory to purchase electricity from renewable sources, is a prime example of how UniCredit's commitment to responsible action and sustainable practices includes its suppliers. Another example of this commitment can be seen in Italy, where we have completed audits of 19 external service providers since 2015 to ensure they comply with applicable laws, understand the environmental impacts of their activities, and take all necessary steps to satisfy UniCredit's approach to environmental management.

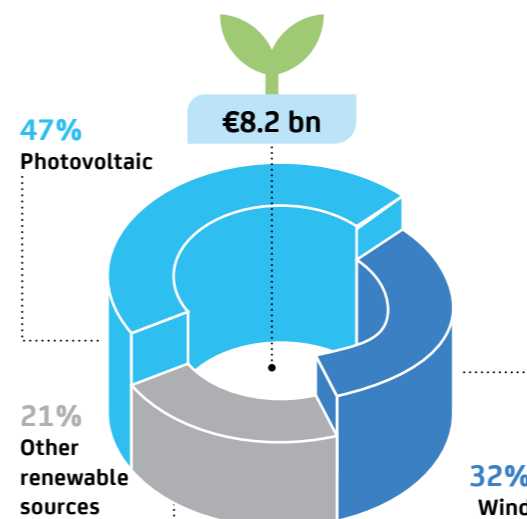
**Promote business that supports natural capital**

At UniCredit, we are always open to business opportunities that arise from the need to address environmental challenges.

**Supporting renewable energy sources**

We continue to invest in renewable energy sources. As of December 2017, our portfolio of renewable energy projects was valued at €8.2 billion.<sup>6</sup> Overall, the largest portion of our financing for renewable projects goes to photovoltaic plants, with a share of 47 percent. Wind energy comprises 32 percent of the portfolio, with other renewable energy sources making up the remaining 21 percent.

**Renewable energy portfolio, 2017**



6. Expressed in terms of Exposure at Default (EAD); the perimeter includes roughly €1 billion attributable to Yapi Kredi.  
7. Refer to <http://www.wwf.it/mediterraneanew.cfm> for more information.

**Promoting green bonds**

UniCredit, the first-ever lead manager of a green bond issuance, continues to invest in these instruments. We joined the European Investment Bank in the 10 year celebration of its Climate Awareness Bond, hosting the event in Italy. In 2017, we served as joint bookrunner or joint arranger of 11 issues for a total placement of over €7 billion. Over the year, we also saw growing demand for green loans, and UniCredit served as lead arranger for 2 deals totaling an issued amount of €104 million.

**Financing energy efficiency**

We also continue to partner with multilateral development banks and government-subsidized lenders such as KfW, a German development bank, to promote energy efficiency. In 2017, our loans to SMEs through these institutions' programs amounted to over €1.3 billion. Additionally, we provided over €270 million in energy-efficiency loans to individuals in 2017. UniCredit's commitment to EU energy-efficiency targets is also demonstrated by its engagement with industry initiatives like the green tagging working group promoted by UNEP Inquiry and by Climate Strategy & Partners, and the EeMap project promoted by the European Covered Bond Council. Both initiatives promote solutions that enhance green mortgages and other ad hoc instruments that channel funding toward greater energy efficiency in residential buildings. This is a key means to successfully achieving Europe's targets.

In 2017, UniCredit traded over 730 million tons of CO<sub>2</sub>e valued almost €4.5 billion in the EU ETS market.

**FOCUS**  
**Working with WWF**

We continued to support WWF initiatives by donating nearly €520,000 to the WWF Italy Oasis System in 2017. These donations were part of a sponsorship that, since its inception, has raised more than €2.3 million for WWF. UniCredit provided further support to WWF in 2017 for the launch of their Campagna #GenerAzioneMare.<sup>7</sup>



# Intellectual Capital

We are investing in our information and communications technology (ICT) systems, our internal processes and our ability to innovate in order to transform UniCredit's operating model and provide a better customer experience.

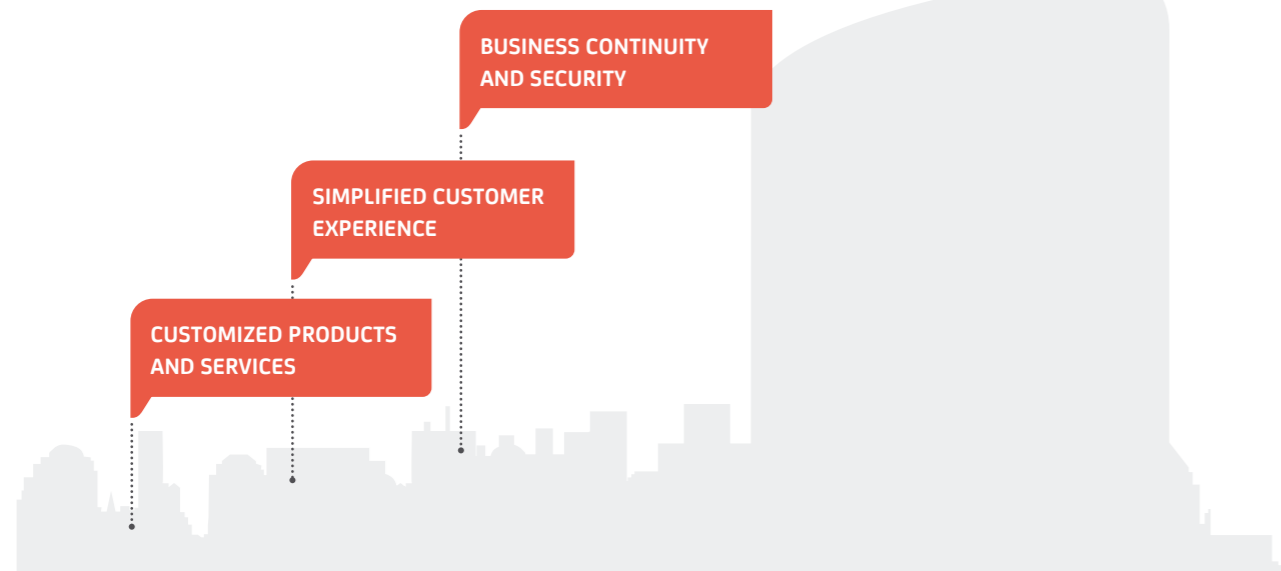
## OUR STOCKS OF CAPITAL



## RESULTS

- ~84% of 2019 target for decommissioning of ICT systems achieved
- Groupwide *Best Practice Sharing* program in place

## COMMUNITY IMPACTS



## PRIORITIES 2018

- Further ICT optimization to support our transformation
- Increased process automation and digitization for the benefit of our customers

## Ensure secure and effective ICT systems

We remain focused on strengthening UniCredit's information and communications technology (ICT) to enable the digital transformation of the Group.

### Simplifying and upgrading our ICT

In 2017, we invested in a wide range of initiatives to support the evolution of our business and the modernization of our systems – from redesigning our ICT factory to updating our technology.

The extensive reorganization of our ICT global factory has improved its agility and enabled it to better meet the needs of our business. Over the year, we replaced the majority of the ICT factory's leadership team and these appointments have increased the diversity of its leadership in terms of gender (5 out of 17 positions are now held by females) and national origin (5 nationalities). In addition, we reduced layers of management and simplified the organization to make it more responsive.

The ICT factory's redesign also involved technological updates, which achieved cost efficiencies and increased its readiness to meet the challenges of the digital era.

**The decommissioning of systems progressed well, with more than 920 applications eliminated as of 2017, or about 84 percent of the 2019 target, with some global applications replacing previous local applications.**

Moreover, we made progress in our efforts to rationalize and simplify ICT infrastructure, reducing roughly 10 percent of our mainframe technology and roughly 5 percent of our open systems technology.

### Enhancing ICT security

A substantial proportion of UniCredit's ICT investments are made to strengthen our ICT security management so that we can better protect the Group's customers and business. To that end, roughly 300 of our full-time employees are allocated to ICT security activities and operations.

Our ICT security strategy takes into account several factors - including external threat trends, internal

assessment results and regulatory requirements - in order to continuously assess our ICT security status. Based on these factors, we have developed a multi-year plan for ICT security that helps review our framework of related policies across the Group.<sup>1</sup>

In 2017, our ICT security initiatives were focused on protecting UniCredit's assets from any vulnerabilities. Despite a security breach at UniCredit in Italy, no data that could be used to gain access to customer accounts or make unauthorized transactions was affected.<sup>2</sup> We took immediate action to close the breach and put in place a crash program to address identified vulnerabilities.

At the same time, we continued to invest in ICT security awareness-raising among our employees. Videos were regularly posted on the Group intranet to promote compliant and safe behaviors, reaching roughly 48,000 page views. To make this awareness campaign more effective, in 2017 we also invested in two phishing attack simulations that involved roughly 13,000 Group colleagues each.

## Optimize processes

Thanks to increasing automation and digitization, we continue to streamline processes and improve efficiency for the benefit of our customers.

In 2017, we kicked off our first robotic process automation pilot projects in Italy and Germany. With these projects, we are beginning to automate our current account, credit and data management processes.<sup>3</sup> So far three pilot projects have been successfully completed; we intend to leverage the results to enable greater efficiency in our non-automated tasks.

We also continued to deploy tech solutions such as optical character recognition, smart workflows and digital signature to make our work more efficient Groupwide. These enabled further simplification and digitization of our commercial banking processes, delivering significant benefits in 2017. Process improvements include:

- the recognition rate in legitimation reached 94 percent (vs initial target of 80 percent) in Germany
- legal and fiscal investigation times were reduced by roughly 50 percent in Italy
- payment investigation times were reduced by 43 percent in Italy.

## MATERIAL TOPICS



1. Refer to the 2016 Integrated Report for more information on our ICT security governance and framework of policies.  
2. Refer to UniCredit press release from July 26, 2017 for more information.  
3. Refer to the Strategic Plan section for more information on current account processes.



## Foster our ability to innovate

We continue to seek innovative solutions that make our products and services work better for our clients.

Our research and development efforts focus on creating cutting-edge solutions for our business, in collaboration with academic and industrial partners. In 2017, these efforts resulted in the creation of a single borderless liquidity pool which our clients will be able to access through a novel internal currency trading platform. This service will be progressively available across a number of Central and Eastern European (CEE) countries where we operate, starting from Russia.

Our Group also continues to scout and invest in fintech companies to obtain more innovative solutions. Since its inception, *UniCredit EVO*<sup>4</sup> has thoroughly reviewed roughly 300 fintech startups, identifying roughly 40 promising companies, and investing in two of them in 2017. These two companies offer solutions that will improve cash flow management for our SME clients and use artificial intelligence and data analysis to reduce cyber risk in various areas.

### FOCUS Best Practice Sharing program

Our *Best Practice Sharing* program facilitates the spread of successful innovative solutions for products and processes across our Group's different markets. This program is enabling us to maximize synergies across the Group and better serve customers.

Based on positive results from the launch of the *Best Practice Sharing* program in CEE countries in 2016, it was subsequently extended to Italy, Germany and Austria. In 2017, we also established a Group best practice forum, where representatives of every division and country present their best solutions to roll out across UniCredit.

*BEST (Boost Every Single Talent)* is an example of the best practices that are being shared across the Group. This new program, which aims to drive sustainable business performance in commercial banking, provides incentives and training to improve knowledge and technical and managerial skills among network colleagues. After it achieved positive results in Bulgaria, *BEST* was successfully rolled out in Italy in 2017.

### Digital initiatives supporting our transformation<sup>A</sup>

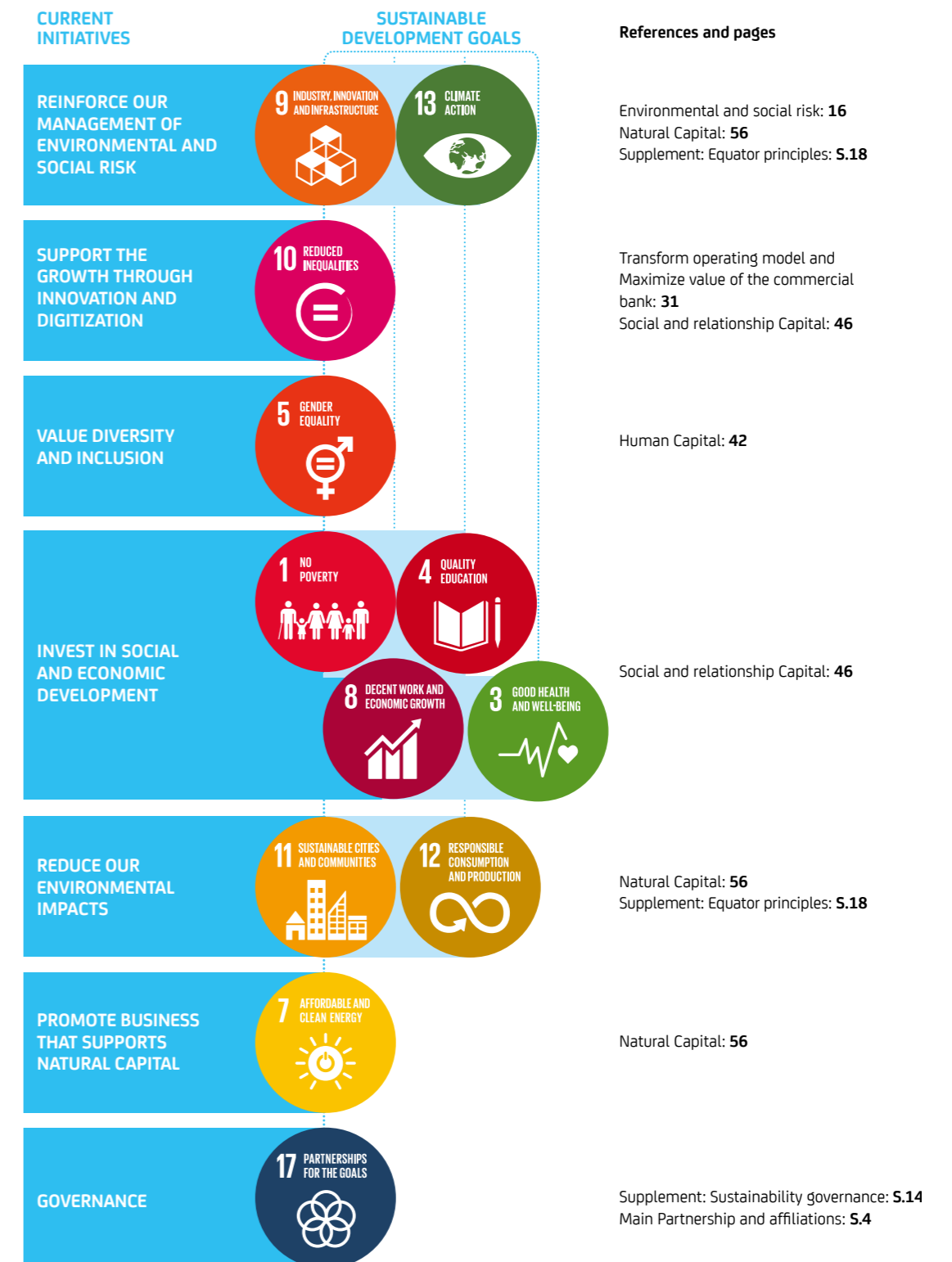
Areas of digital development	Ongoing initiatives
Digital and multichannel experience	<ul style="list-style-type: none"> <li>New global online and mobile banking platforms</li> <li>Innovative retail payment solutions</li> </ul>
Advisory services	<ul style="list-style-type: none"> <li>New advanced digital and analytical tools in support of advisors</li> </ul>
Process optimization	<ul style="list-style-type: none"> <li>End-to-end process redesign and digitization</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>Pre-scored credit lines</li> <li>Focus on cyber-security</li> </ul>

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

4. Refer to the 2016 Integrated Report for more information.

# UniCredit Contribution to the Sustainable Development Goals

Our most significant initiatives contribute to development, promote well-being, help conserve the environment, and are in line with the United Nations Global Goals for Sustainable Development.<sup>1</sup>



1. The selection of initiatives and Sustainable Development Goals are non-exhaustive.

# GRI Content Index and UN Global Compact

The following table presents the GRI Content Index with reference to the “In Accordance-core” option, as foreseen by the GRI-G4 Guidelines. Any omissions are reported as notes to the individual indicators, if required.

## General standard disclosures

Indicators	References	Notes and pages	
<b>Strategy and analysis</b>			
G4-1	Statement from the CEO	2017 Integrated Report	4-5
G4-2	Key impacts, risks, and opportunities	2017 Integrated Report	4-5, 11, 14-17, 22, 24, 54, 62; S.16-S.20
<b>Organizational profile</b>			
G4-3	Name of the Organization		UniCredit SpA
G4-4	Primary brands, products, and/or services	2017 Integrated Report 2017 Consolidated Reports and Accounts	22-23
G4-5	Location of the Organization's headquarters		Piazza Gae Aulenti 3 - Tower A - 20154 Milano
G4-6	Countries where the Organization operates	2017 Integrated Report	6-7
G4-7	Nature of ownership and legal form	2017 Integrated Report 2017 Consolidated Reports and Accounts 2017 Report on Corporate Governance and Ownership Structure	12-13
G4-8	Markets served	2017 Integrated Report	6-7, 28-39
G4-9	Scale of the Organization	2017 Integrated Report	6-7, 22-23, 41; S.36
G4-10	Workforce characteristics	2017 Integrated Report	S.36-S.37, S.40; Data referring to external workers are currently unavailable.
G4-11	Employees covered by collective bargaining agreements	2017 Integrated Report	S.42
G4-12	Organization's supply chain	2017 Integrated Report	22-23, 58-59
G4-13	Changes in Organization's size, structure, ownership or its supply chain	2017 Integrated Report 2017 Consolidated Reports and Accounts	2
G4-14	Precautionary principle	2017 Integrated Report	16; S.16-S.20
G4-15	Externally developed charters, principles or initiatives to which the Organization subscribes/endorse	2017 Integrated Report	17, 47, 57-59, 63; S.10, S.16-S.20, S.26; Evolution Economy: <a href="https://www.unicreditgroup.eu/en/a-sustainable-bank/evolution-economy.html">https://www.unicreditgroup.eu/en/a-sustainable-bank/evolution-economy.html</a>
G4-16	Membership in associations or organizations	2017 Integrated Report	S.4-S.7
<b>Identified material aspects and boundaries</b>			
G4-17	Entities included in the Integrated Report	2017 Integrated Report 2017 Consolidated Reports and Accounts	2 <sup>A</sup>
G4-18	Reporting principles for defining Integrated Report content	2017 Integrated Report	2, 24-25; S.32-S.35
G4-19	Material aspects identified in defining Integrated Report content	2017 Integrated Report	24-25; S.32-S.35
G4-20	Material aspects within the Organization	2017 Integrated Report	24-25; S.32-S.35

A. The following legal entities have been included in the reporting perimeter: UniCredit SpA, AD UniCredit Bank, Card Complete Service Bank AG, FincoBank SpA, Food & More GmbH, Ooo Unicredit Leasing, Schoellerbank Aktiengesellschaft, UniCredit Bank ad Banja Luka, UniCredit Bank AG, UniCredit Bank Austria AG, UniCredit Bank Czech Republic and Slovakia, as, UniCredit Bank Czech Republic and Slovakia, as, UniCredit Bank dd, UniCredit Bank Hungary Zrt, UniCredit Bank SA, UniCredit Bank Serbia Jsc, UniCredit Banka Slovenija dd, UniCredit Bulbank AD, UniCredit Business Integrated Solutions Austria GmbH (with its activities in Austria, Poland, and Romania), UniCredit Business Integrated Solutions SCpa (with its activities in Italy, Germany, Czech Republic, Hungary, Poland, Romania, and Slovakia), UniCredit Consumer Financing EAD, UniCredit Consumer Financing IFN SA, UniCredit Direct Services GmbH, UniCredit Leasing (Austria) GmbH, UniCredit Leasing Corporation IFN SA, UniCredit Leasing Croatia doo za Leasing, UniCredit Leasing CZ as, UniCredit Leasing doo, UniCredit Leasing EAD, UniCredit Leasing Fleet Management Srl, UniCredit Leasing GmbH, UniCredit Leasing Hungary Zrt, UniCredit Leasing Slovakia as, UniCredit Leasing SpA, UniCredit Leasing, leasing, doo, Zagrebačka Banka DD.

Indicators	References	Notes and pages	
G4-21	Material aspects outside the Organization	2017 Integrated Report	24-25; S.32-S.35
G4-22	Restatements of information provided in earlier Reports	2017 Integrated Report	2; S.36, S.49, S.54
G4-23	Significant changes from previous reporting periods in scope and aspect boundaries	2017 Integrated Report	2; S.36, S.54
<b>Stakeholder engagement</b>			
G4-24	Stakeholder groups engaged by the Organization	2017 Integrated Report	24-25; S.32-S.35
G4-25	Identification and selection of stakeholders to engage	2017 Integrated Report	24-25; S.32-S.35
G4-26	Organization's approach to stakeholder engagement	2017 Integrated Report	24-25, 48-50; S.32-S.35, S.51-S.52
G4-27	Key topics collected through stakeholder engagement	2017 Integrated Report	24-25; S.32-S.35, S.51-S.52
<b>Report profile</b>			
G4-28	Reporting period	2017 Integrated Report	2
G4-29	Date of the last Report	2017 Integrated Report	2
G4-30	Reporting cycle	2017 Integrated Report	2
G4-31	Contact point for questions regarding the Report	2017 Integrated Report	Inside back cover
G4-32	GRI Content Index	2017 Integrated Report	64-71, 73-75
G4-33	External assurance	2017 Integrated Report	2, 73-75
<b>Governance</b>			
G4-34	Governance structure	2017 Integrated Report 2017 Report on Corporate Governance and Ownership Structure	12-13; S.10-S.15
G4-35	Delegating authority for economic, environmental and social topics	2017 Integrated Report	12, 16; S.14
G4-36	Positions with responsibility for economic, environmental and social topics	2017 Integrated Report	12, 16; S.14
G4-37	Consultation between stakeholders and the highest governance body on economic, environmental and social topics	2017 Integrated Report	24-25, 47-49; S.14
G4-38	Composition of highest governance body and its committees	2017 Integrated Report 2017 Report on Corporate Governance and Ownership Structure	13
G4-39	Executive powers of the Chairman	2017 Integrated Report 2017 Report on Corporate Governance and Ownership Structure	13
G4-40	Qualification and expertise of highest governance bodies	2017 Integrated Report 2017 Report on Corporate Governance and Ownership Structure	13
G4-41	Processes to avoid conflicts of interest	2017 Integrated Report 2017 Report on Corporate Governance and Ownership Structure	S.29
G4-42	Highest governance bodies and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	2017 Integrated Report	12, 16; S.14
G4-43	Measures taken to develop and enhance the highest governance bodies' collective knowledge of economic, environmental and social topics	2017 Integrated Report	S.13

Indicators	References	Notes and pages
G4-44 Evaluation of the Board of Directors' performance	2017 Integrated Report 2017 Report on Corporate Governance and Ownership Structure	S.13
G4-45 Highest governance bodies' role in the identification and management of economic, environmental and social impacts, risks, and opportunities	2017 Integrated Report  2017 Report on Corporate Governance and Ownership Structure	12, 16; S.14, S.17-S.18
G4-46 Highest governance bodies' role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	2017 Integrated Report  2017 Report on Corporate Governance and Ownership Structure	12, 14-16; S.14, S.16-S.17
G4-47 Frequency of the highest governance bodies' review of economic, environmental and social impacts, risks, and opportunities	2017 Integrated Report  2017 Report on Corporate Governance and Ownership Structure	12, 14-16; S.14, S.16-S.17
G4-48 Highest committee or position that formally reviews and approves the Organization's Integrated Report	2017 Integrated Report	2
G4-49 Communicating critical concerns to the highest governance bodies	2017 Integrated Report  2017 Report on Corporate Governance and Ownership Structure	12, 47; S.30-S.31, S.41
G4-51 Remuneration policies for highest governance bodies and senior executives	2017 Integrated Report  2017 Report on Corporate Governance and Ownership Structure	S.15; Group Compensation Policy
G4-52 Principles for determining remuneration	2017 Integrated Report  2017 Report on Corporate Governance and Ownership Structure	S.15; Group Compensation Policy
G4-53 How stakeholders' views are sought and taken into account regarding remuneration	2017 Integrated Report  2017 Report on Corporate Governance and Ownership Structure	S.15; Group Compensation Policy
<b>Ethics and integrity</b>		
G4-56 Organization's values, principles, standards and norms of behavior	2017 Integrated Report	10-11, 18-19; S.10
G4-57 Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	2017 Integrated Report	S.30-S.31
G4-58 Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	2017 Integrated Report	S.25, S.30-S.31

**Specific standard disclosures**

DMA and indicators	References	Notes and pages
<b>Category: Economic</b>		
<b>Material aspect: economic performance</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	6-7, 10, 56, 59; S.2-S.3, S.16-S.18
G4-EC1 Direct economic value generated and distributed	2017 Integrated Report	S.2-S.3

DMA and indicators	References	Notes and pages
G4-EC2 Financial implications, risks and opportunities for the organization's activities due to climate change	2017 Integrated Report	10, 16, 56, 59; S.16-S.20
G4-EC3 Coverage of the Organization's defined benefit plan obligations	2017 Integrated Report  2017 Consolidated Reports and Accounts	S.44
G4-EC4 Financial assistance received from Government	2017 Integrated Report	S.41
<b>Material aspect: indirect economic impacts</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	47, 50-55; S.18-S.20
G4-EC7 Development and impact of infrastructure investments and services supported	2017 Integrated Report	47, 50-55; S.18-S.20
G4-EC8 Significant indirect economic impacts	2017 Integrated Report	47, 50-55
<b>Category: Environmental</b>		
<b>Material aspect: materials</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	58-59
G4-EN1 Materials used by weight or volume	2017 Integrated Report	S.55; In 2017, the total copy paper consumption amounted to roughly 4,405,000 kg.
<b>Material aspect: energy</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	57-58
G4-EN3 Energy consumption within the Organization	2017 Integrated Report	S.55; In 2017, direct energy consumption amounted to roughly 571,000 GJ. The main fuels used were natural gas (about 95 percent), followed by crude oil and petroleum products (about 5 percent). Indirect energy consumption amounted to roughly 2,433,000 GJ of which district heating accounted for about 18 percent and electricity for about 82 percent. Electricity consumption included self-produced energy from photovoltaic plants in Italy and Austria, whereas in Germany approximately 24,000 GJ of self-produced energy from renewable sources was sold.
G4-EN5 Energy intensity	2017 Integrated Report	57; S.55; Pro-capita data is calculated using the energy sources reported in the G4-EN3 indicator.
G4-EN6 Reduction of energy consumption	2017 Integrated Report	57-58; S.55
G4-EN7 Reductions in energy requirements of products and services	2017 Integrated Report	57-58
<b>Aspect: water</b>		
G4-EN8 Water withdrawal	2017 Integrated Report	S.55; In 2017, the total water withdrawal from public water mains or other water services providers amounted to roughly 2,315,000 m³.
<b>Material aspect: emissions</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	57-58

DMA and indicators	References	Notes and pages
G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)	2017 Integrated Report	S.54; Gases included in the calculation: CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs; Sources for emission factors: - DEFRA, UK Government GHG Conversion Factors for Company Reporting (2017) <sup>a</sup> , for direct energy consumption, business travel and refrigerant gas leakages.
G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	2017 Integrated Report	S.54; Gases included in the calculation: CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O; Sources for emission factors: - DEFRA, UK Government GHG Conversion Factors for Company Reporting (2017) <sup>a</sup> , for district heating; - IEA, CO <sub>2</sub> Emissions from Fuel Combustion (2015 edition) <sup>c</sup> , for electricity consumption - Location Based method; - Association of Issuing Bodies (AIB), 2016 European Residual Mixes, V.1.2 (2017), for electricity consumption - Market Based method.
G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)	2017 Integrated Report	S.54; Gases included in the calculation: CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O; Sources for emission factors: - DEFRA, UK Government GHG Conversion Factors for Company Reporting (2017) <sup>a</sup> , for business travel and waste disposal; - CEPI, CEPI statistics (2016), for copy paper use.
G4-EN19 Reduction of greenhouse gas (GHG) emissions	2017 Integrated Report	S.56-57; S.54
G4-EN20 Emissions of ozone-depleting substances (ODS)		In line with applicable regulations, where necessary UniCredit continues to replace refrigeration and cooling systems that contain ozone-depleting substances. In recent years some episodes of refrigerant gas leakages have occurred in Germany and the relevant GHG emissions have been calculated and included in Scope 1 figures. In 2017, 78.2 kg of refrigerant gas leakages were recorded (407F, R134a, R404A, R407C, R410A), amounting to 0 tons of CFC-11 equivalent. Sources for emission factors: - Ozone Secretariat UNEP, Handbook for the Montreal Protocol on Substances that Deplete the Ozone Layer (10th edition, 2016), for refrigerant gas leakages [CFC-11e].
G4-EN21 NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions		No other significant air emissions have been identified.
<b>Aspect: effluents and waste</b>		
G4-EN23 Total weight of waste by type and disposal method	2017 Integrated Report	S.55
<b>Material aspect: products and services</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	S.57-59
G4-EN27 Mitigation of environmental impacts of products and services	2017 Integrated Report	S.57-59

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DMA and indicators	References	Notes and pages
<b>Material aspect: compliance</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	S.57-59
G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No relevant fines were imposed in 2017 for non-compliance with environmental laws or regulations.
<b>Material aspect: transport</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	S.58
G4-EN30 Environmental impacts of transport	2017 Integrated Report	S.58; S.54
<b>Aspect: supplier environmental assessment</b>		
G4-EN32 Suppliers screened using environmental criteria	2017 Integrated Report	S.58-59; In UniCredit 100 percent of new suppliers are screened using socio-environmental criteria.
<b>Category: Social</b>		
<b>Labor practices and decent work</b>		
<b>Material aspect: employment</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	S.43-45
G4-LA1 Number and rates of new employee hires and employee turnover	2017 Integrated Report	S.38-S.39
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		In nearly all countries, part-time and fixed-term employees are offered the same benefits that are offered to full-time and permanent employees.
<b>Aspect: labor/management relations</b>		
G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	2017 Integrated Report	S.43
<b>Aspect: occupational health and safety</b>		
G4-LA5 Workforce represented in health and safety committees	2017 Integrated Report	S.46
G4-LA6 <sup>p</sup> Injuries, occupational diseases, lost days, absenteeism and total number of work-related fatalities	2017 Integrated Report	S.47-S.48; In 2017, no fatal injuries have been reported.
G4-LA8 Health and safety topics covered in formal agreements with trade unions	2017 Integrated Report	S.47
<b>Material aspect: training and education</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	S.16-19, 43-44; S.16
G4-LA9 Training per employee	2017 Integrated Report	S.41
G4-LA10 Programs for skills management and lifelong learning of employees	2017 Integrated Report	S.45
G4-LA11 Employees receiving regular performance and career development reviews	2017 Integrated Report	S.44
<b>Material aspect: diversity and equal opportunity</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	S.44-45
G4-LA12 Composition of governance bodies and breakdown of employees per indicators of diversity	2017 Integrated Report 2017 Report on Corporate Governance and Ownership Structure	S.13, 44; S.36-S.37, S.40
<b>Material aspect: equal remuneration for women and men</b>		
G4-DMA Disclosures on Management Approach	2017 Integrated Report	S.45
G4-LA13 Ratio of basic salary and remuneration of women to men	2017 Integrated Report	S.39

D. Data referring to external workers and occupational diseases are currently unavailable.

DMA and indicators		References	Notes and pages
<b>Aspect: labor practices grievance mechanisms</b>			
G4-LA16	Grievances about labor practices filed, addressed, and resolved	2017 Integrated Report	S.49
<b>Human rights</b>			
<b>Material aspect: investments</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	16-17, 58-59; S.16, S.18; Human Rights Commitment
G4-HR1	Investment agreements and contracts that include human rights clauses or that underwent human rights screening	2017 Integrated Report	16, 58-59; S.16, S.18; Human Rights Commitment
G4-HR2	Employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations	2017 Integrated Report	16-17; S.16; Human Rights Commitment
<b>Material aspect: non-discrimination</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	45; S.41-S.42; Human Rights Commitment
G4-HR3	Incidents of discrimination and corrective actions taken	2017 Integrated Report	S.49
<b>Aspect: supplier human rights assessment</b>			
G4-HR10	Suppliers screened using human rights criteria	2017 Integrated Report	58-59; In UniCredit 100 percent of the new suppliers are screened using socio-environmental criteria, including compliance with International Labor Organization (ILO) conventions.
<b>Material aspect: human rights grievance mechanisms</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	45; Human Rights Commitment
G4-HR12	Grievances about human rights impacts filed, addressed, and resolved	2017 Integrated Report	S.48-S.49; Human Rights Commitment; The monitored incidents related to human rights are: Discrimination (see Disputes concerning discrimination); Labor (see Disputes concerning labor, welfare issues and administrative bodies); Child/ Forced (not applicable to the sector).
<b>Society</b>			
<b>Material aspect: local communities</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	47, 50-55; S.16-S.20
G4-S01	Operations with implemented local community engagement, impact assessments, and development programs	2017 Integrated Report	47, 50-55; S.16-S.20
FS13	Access points in low-populated or economically disadvantaged areas by type	2017 Integrated Report	S.53
FS14	Initiatives to improve access to financial services for disadvantaged people	2017 Integrated Report	51-52
<b>Material aspect: anti-corruption</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	18-19; S.21-S.26
G4-S03	Operations assessed for risks related to corruption	2017 Integrated Report	S.25-S.26

DMA and indicators		References	Notes and pages
G4-S04	Communication and training on anti-corruption policies and procedures	2017 Integrated Report	19; S.26
<b>Material aspect: anti-competitive behavior</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	18-19; S.21-S.23, S.27
G4-S07	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	2017 Integrated Report 2017 Consolidated Reports and Accounts	S.28
<b>Material aspect: compliance</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	18-19; S.21-S.23
G4-S08	Fines and sanctions for non-compliance with laws and regulations	2017 Integrated Report 2017 Consolidated Reports and Accounts	S.28
<b>Product responsibility</b>			
<b>Material aspect: product and service labeling</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	48-49; S.51-S.52
G4-PR5	Results of surveys measuring customer satisfaction	2017 Integrated Report	48-49; S.51
<b>Aspect: marketing communications</b>			
G4-PR6	Sale of banned or disputed products		Compliance attends to the Product Committees where it is required to express an opinion about compliance of products that are to be commercialized. Compliance also verifies whether the business to be performed is a cross-border business and, in the case, it verifies the preemptive licenses/passports needed to perform the business in the host country and whether the Group already owns them.
<b>Material aspect: product portfolio</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	46-55
FS6	Portfolio for business lines	2017 Integrated Report	S.50
FS7	Monetary value of products and/or services designed to deliver a specific social benefit	2017 Integrated Report	46-55
FS8	Monetary value of products and/or services designed to deliver a specific environmental benefit	2017 Integrated Report	59
<b>Material aspect: customer privacy</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	18-19, 61; S.29
G4-PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data		61
<b>Material aspect: compliance</b>			
G4-DMA	Disclosures on Management Approach	2017 Integrated Report	18-19; S.21-S.23
G4-PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	2017 Integrated Report 2017 Consolidated Reports and Accounts	S.28

## Making the connection by GRI Indicators and UN Global Compact Principles

UniCredit submits the Integrated Report as its annual Communication on Progress (COP), publicly disclosing to stakeholders also on progress made in implementing the Ten Principles promoted by the UN Global Compact and in supporting broader UN development goals, in its core business. The table included in this Report provides connections among GRI-G4 indicators and UN Global Compact Principles.

Categories	Principles	GRI-G4 Indicators
Human Rights	Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights	G4-HR2, G4-HR7, G4-HR8, G4-HR9, G4-HR12, G4-S01, G4-S02
	Principle 2 - Business should make sure they are not complicit in human rights abuses	G4-HR1, G4-HR10, G4HR-11
Labour	Principle 3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	G4-11, G4-HR4, G4-LA4
	Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour	G4-HR6
	Principle 5 - Businesses should uphold the effective abolition of child labour	G4-HR5
	Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation	G4-10, G4-EC5, G4-EC6, G4-LA1, G4-LA3, G4-LA9, G4-LA11, G4-LA12, G4-LA13, G4-HR3
Environment	Principle 7 - Businesses should support a precautionary approach to environmental challenges	G4-EC2, G4-EN1, G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17, G4-EN20, G4-EN21, G4-EN27, G4-EN31
	Principle 8 - Businesses should undertake initiatives to promote greater environmental responsibility	G4-EN1, G4-EN2, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, G4-EN8, G4-EN9, G4-EN10, G4-EN11, G4-EN12, G4-EN13, G4-EN14, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20, G4-EN21, G4-EN22, G4-EN23, G4-EN24, G4-EN25, G4-EN26, G4-EN27, G4-EN28, G4-EN29, G4-EN30, G4-EN31, G4-EN32, G4-EN33, G4-EN34
	Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies	G4-EN6, G4-EN7, G4-EN19, G4-EN27, G4-EN31
Anti-corruption	Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery	G4-56, G4-57, G4-58, G4-S03, G4-S04, G4-S05, G4-S06

An online tool that cross-references the GRI-G4 indicators to the Global Compact principles is available on the GRI website: <https://www.globalreporting.org/resourcelibrary/UNGC-G4-linkage-publication.pdf>

### INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267

#### To the Board of Directors of UniCredit S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter the "Decree") and to article 5 of the CONSOB Regulation n. 20267, we have carried out a limited assurance engagement on the sustainability information included in the Integrated Report, including its Supplement, which constitutes the Consolidated Non-Financial Statement of UniCredit S.p.A. and its subsidiaries (hereinafter the "UniCredit Group" or the "Group") as of December 31, 2017 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 5, 2018 (hereinafter the "NFS").

#### Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "Sustainability Reporting Guidelines" version G4, including the "Financial Services Sector Disclosures", established in 2013 by GRI - Global Reporting Initiative (hereinafter the "GRI G4 Guidelines"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

#### Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

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*Auditor's responsibility*

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and with the "Sustainability Reporting Guidelines" version G4, including the "Financial Services Sector Disclosures", established in 2013 by GRI – Global Reporting Initiative. We conducted our work in accordance with the criteria established in the "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. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the UniCredit Group.
4. Understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
  - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
  - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report.

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of UniCredit S.p.A. and with the employees of the main legal entities of the Group and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following subsidiaries, UniCredit S.p.A., UniCredit Business Integrated Solutions SCpA, UniCredit Business Integrated Solutions Austria GmbH, UniCredit Bank Czech Republic and Slovakia, as, UniCredit Leasing CZ as, UniCredit Leasing Slovakia as, UniCredit Bank SA, UniCredit Consumer Financing IFN SA, UniCredit Leasing Corporation IFN SA, UniCredit Leasing Fleet Management Srl, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

*Conclusion*

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the UniCredit Group as of December 31, 2017 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and with the "Sustainability Reporting Guidelines" version G4, including the "Financial Services Sector Disclosures", established in 2013 by GRI – Global Reporting Initiative.

*Other Matter*

With reference to the year ended December 31, 2016, the Group prepared an Integrated Report, whose sustainability information were used for comparative purposes within the NFS. This sustainability information was voluntarily examined with a limited assurance engagement in accordance with ISAE 3000 Revised and we expressed an unmodified conclusion.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Franco Amelio**  
Partner

Milan, Italy  
March 12, 2018

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

# Supplement

Determination and  
distribution of Value Added

Main partnerships  
and affiliations

Selection of 2017 awards

Governance

Risk Management  
and Compliance

Stakeholder Engagement

Human Capital

Social and relationship  
Capital

Natural Capital



# Determination and distribution of Value Added

(€/000)

Item	2017	2016
10 Interest income and similar revenues	14,759,711	15,964,800
20 Interest expense and similar charges	-4,461,650	-5,657,789
40 Fee and commission income	7,663,454	6,778,422
50 Fee and commission expense (excluded external networks' expense)	-999,959	-943,706
70 Dividend income and similar revenue	314,807	405,223
80 Gains and losses on financial assets and liabilities held for trading	1,075,435	1,205,730
90 Fair value adjustments in hedge accounting	57,344	-7,786
100 Gains and losses on disposal of:	98,963	641,573
a) loans	-433,732	-60,244
b) available-for-sale financial assets	533,353	699,106
c) held-to-maturity investments	10	0
d) financial liabilities	-668	2,711
110 Gains and losses on financial assets/liabilities at fair value through profit or loss	-91,007	-80,187
130 Impairment losses on:	-2,412,669	-12,790,521
a) loans	-2,090,607	-11,929,784
b) available-for-sale financial assets	-334,642	-707,377
c) held-to-maturity investments	6,387	204
d) other financial assets	6,193	-153,564
150 Premiums earned (net)	0	0
160 Other income (net) from insurance activities	0	0
220 Other net operating income	1,035,651	1,094,975
240 Profit (loss) of associates: gains or losses on disposal	-7,485	-14,342
270 Gains and losses on disposal of investments	99,835	495,837
310 Total profit or loss after tax from discontinued operations	2,681,598	630,111
<b>A. TOTAL ECONOMIC VALUE GENERATED</b>	<b>19,814,028</b>	<b>7,722,340</b>

Item	2017	2016
180 b) other administrative expense (excluded indirect taxes and duties and donations)	-4,394,287	-4,985,238
<b>ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS</b>	<b>-4,394,287</b>	<b>-4,985,238</b>
180 a) staff expense (included external networks' expense)	-7,201,202	-9,564,942
<b>ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND SUPERVISED WORKERS<sup>A</sup></b>	<b>-7,201,202</b>	<b>-9,564,942</b>
330 Minority Interests	-312,501	-463,781
Net profit attributable to shareholders <sup>B</sup>	-	-
<b>ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS</b>	<b>-</b>	<b>-</b>
180 b) other administrative expense: indirect taxes and duties	-736,032	-1,125,980
290 Tax expense (income) related to profit or loss from continuing operations: current tax, adjustment to current tax of prior years, reduction of current tax for the year	-595,982	-448,152
<b>ECONOMIC VALUE DISTRIBUTED TO PUBLIC BODIES &amp; INSTITUTIONS</b>	<b>-1,332,014</b>	<b>-1,574,132</b>
180 b) other administrative expense: donations	-8,828	-5,564
Net profit allocated to the charitable funds	0	0
<b>ECONOMIC VALUE DISTRIBUTED TO COMMUNITY</b>	<b>-8,828</b>	<b>-5,564</b>
<b>B. TOTAL ECONOMIC VALUE DISTRIBUTED</b>	<b>-13,248,832</b>	<b>-16,593,657</b>
<b>C. TOTAL ECONOMIC VALUE RETAINED</b>	<b>-6,565,196</b>	<b>8,871,317</b>

A. The economic value distributed to employees and supervised workers excluded expenses for financial advisors.

B. For the proposals to the Shareholders' Meeting on the distribution to shareholders please refer to the specific Board of Directors' reports in relation.

# Main partnerships and affiliations<sup>1</sup>

Legal Entity	Organization	Description
UniCredit SpA	Utenti Pubblicità Associati (UPA)	UPA is owned and operated by companies with a common interest in resolving concerns related to advertising. UPA is aligned with the Istituto dell'Autodisciplina Pubblicitaria (IAP) in its efforts to defend and promote responsible advertising as a vehicle for consumer information, market competition and social welfare
	Assonime	Assonime is an association of companies that studies issues related to Italy's economy and works to improve its industrial, commercial, administrative, tax and currency legislation
	Valore D	Valore D is an Italian association of more than 150 national and multinational companies. Its mission is to increase and support female representation in top positions at major Italian companies
	Executive Corporate Learning Forum (ECLF)	The ECLF is a community of senior executives from major global corporations. The community has the strategic responsibility to foster large-scale learning and transformation processes
	Italian Association of Investor Relations (AIR)	AIR is a professional association of investor relations executives in Italy that promotes the professional stature of its members while spreading awareness of their role within a variety of financial institutions
	UN Global Compact Global Compact Network Italy Foundation	The Global Compact is a strategic policy initiative, promoted by the United Nations at national level via local networks, for businesses committed to aligning their operations and strategies with 10 universally accepted principles related to human rights, labor, anticorruption practices and the environment
	London Benchmarking Group (LBG)	LBG is the internationally recognized standard for measuring corporate community investment
	The United Nations Environment Programme Finance Initiative (UNEP FI)	UNEP FI is an initiative promoted by the United Nations that addresses pressing, current issues in sustainable finance
	CDP (former Carbon Disclosure Project)	The CDP promotes understanding of the potential impacts of climate change on shareholder value
	International Integrated Reporting Council (IIRC) – Business Network	The IIRC is a global coalition of regulators, investors, companies, standard setters, non-governmental organizations, and accounting professionals that works to establish integrated reporting and thinking into mainstream business practices

Legal Entity	Organization	Description
UniCredit SpA	CSR Manager Network Italia	CSR Manager Network is the Italian national association for corporate social responsibility professionals
	European Financial Services Round Table (EFR)	EFR is an organization of chairmen and chief executive officers from Europe's leading banks and insurance companies that contributes to European public policy debates about financial services and financial stability
	Ministero dell'Interno - Of2cen, Polizia Postale e delle Comunicazioni	Of2cen is a European project against advanced cyber-crime
	CERT Finanziario Italiano (CERTFin)	CERTFin is a public-private cooperative initiative to increase the capacity of cyber-risk management in banking and financial services and the resilience of the Italian financial system to cyber-attacks and security incidents
	Financial Services Information Sharing and Analysis Center (FS-ISAC)	FS-ISAC, the global financial industry's main resource for cyber and physical threat intelligence analysis and sharing, is unique in that it was created by and for members and operates as a member-owned nonprofit entity
	Global Credit Data (GCD)	GCD is a nonprofit initiative, owned by more than 50 member banks worldwide, to help banks measure their credit risk
	Italian Banking Association (ABI) Health & Safety working group	ABI's temporary working groups assist the association's activities by performing technical analysis of specific issues; these working groups disband when their respective objectives are reached
	UniCredit Bank AG	Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU)
Joblinge		Joblinge is an initiative to support young people with difficult backgrounds (e.g., crime, drug addiction, lack of education) by giving them access to qualification programs
Klimapakt Münchner Wirtschaft Effective climate protection needs pioneers		The Klimapakt Münchner Wirtschaft is part of the Integrated Climate Protection Action Program in Munich, in which large companies pledge to voluntarily reduce their CO <sub>2</sub> emissions by at least 40,000 tons by the end of 2017; as a signatory to this climate pact, UniCredit Bank AG participates in the "Energy Efficiency Networks" initiative to achieve the climate and energy policy objectives of the Federal Republic of Germany

1. Each UniCredit subsidiary with a banking license is generally a member, where they exist, of the local economic chamber and the local banking association.

Legal Entity	Organization	Description
<b>UniCredit Bank Austria AG</b>	klimaaktiv	Klimaaktiv develops and provides quality standards, education and training for professionals, in addition to advice information and a large partner network; it also gives advice and cooperates with a large network of partners
	The European Money and Finance Forum (SUERF)	SUERF is a member-based association aimed at bringing together financial practitioners, central bankers and academics to analyze, discuss and understand financial markets and institutions, the monetary economy, the conduct of regulation and monetary policy
	Museum for Social and Economic Affairs (Gesellschafts- und Wirtschaftsmuseum)	The Museum for Social and Economic Affairs aims to educate the public in social and economic history and facts, featuring meaningful graphical representations of statistics and illuminating talks by staff that present information clearly and simply
	Austrian Society for Environment and Technology (ÖGUT)	ÖGUT is a nonprofit organization that works to stimulate discussion and innovation on environmental issues through the involvement of NGOs, businesses and government
	The Financial Markets Association (ACI)	ACI is a leading nonprofit, non-political association of wholesale financial market professionals
	Austrian Business Council for Sustainable Development (respACT)	respACT is Austria's leading platform for corporate social responsibility (CSR) and sustainable development; it focuses on thought leadership, exchange of best practices, training and the establishment of a national CSR network
<b>UniCredit Bulbank AD</b>	The Council of Women in Business	The Council of Women in Business is aimed at disseminating good management practices and fostering the professional development of women in small and medium-sized businesses and their growth in managerial positions
	Bulgarian Association for People Management (BAPM)	The BAPM is a non-governmental organization established to develop the best professional practices in the field of human capital management and development; in so doing, it aims to increase added value for organizations and to contribute to the enrichment of people's potential and professional performance
<b>Zagrebačka Banka DD</b>	Green Building Council of Croatia (GBC)	The GBC is a nonprofit organization and countrywide platform for the promotion of sustainable construction practices
	Croatian Business Council for Sustainable Development (HR BCSD)	HR BCSD was founded in 1997 by leading Croatian businesses to promote sustainable development in the private sector and represent business on the issue of sustainable development
<b>UniCredit Bank Hungary Zrt</b>	Joint Venture Association (JVSZ)	This association assimilates the views of its members and supports them in meeting challenges related to business conduct and organizational decision-making

Legal Entity	Organization	Description
<b>UniCredit Bank SA</b>	Professional Women's Network Romania (PWN Romania)	PWN Romania is part of PWN Global, a worldwide nonprofit association that supports women in reaching their professional objectives through online and face-to-face programs (e.g., mentoring), events and professional and business enhancement tools
	National Association for Information Systems Security (ANSSI)	ANSSI aligns efforts and builds on the experiences of information security professionals for the promotion of standards and best practices in their field
	Romanian Banking Institute (RBI)	RBI's primary objective is to improve the professional training and specialization of staff from the financial/banking sector, in line with the strategy determined by the National Bank of Romania, and in cooperation with the Romanian Banking Association and with the programs approved by the Board of Directors
<b>UniCredit Bank Serbia Jsc</b>	Foreign Investors Council (FIC)	The FIC is a business association that assists Serbia in embracing and developing a modern market economy
	Responsible Business Forum (RBF)	RBF Serbia is Serbia's first network of socially responsible companies. It inspires, supports and encourages companies to continually improve their impact on society, carrying out a series of activities aimed at promoting the concept of CSR in the business sector and the wider general public
	National Alliance for Local Economic Development (NALED)	NALED is an association of businesses, local governments and civil society organizations working together to create better living and working conditions in Serbia
	Foundation Ana and Vlade Divac	Collaboration on the Idea for Better Tomorrow project to support the development of social entrepreneurship
<b>UniCredit Banka Slovenija dd</b>	Network for social responsibility of Slovenia (Network for SR)	Network for SR was established in May 2010 as a platform for companies and other organizations is to promote social responsibility, both within themselves and in the wider social sphere
<b>AO UniCredit Bank</b>	Russian Union of Industrialists and Entrepreneurs (RSPP)	RSPP is an independent non-governmental organization that maintains regular contact with government authorities to keep them informed about the effectiveness of current laws and to protect the interests of industry and entrepreneurship

# Selection of 2017 awards

Legal Entity	Award
UniCredit SpA	<p>#1 Trade Finance Provider in Central &amp; Eastern Europe and #1 Trade Finance Provider in Western Europe by the Euromoney Trade Finance Survey 2017</p> <p>#1 Bank for Liquidity Management in CEE for 2017 by Global Finance</p> <p>#1 Bank for Cash &amp; Liquidity Management in Central &amp; Eastern Europe for 2017 by Treasury Management International (TMI)</p> <p>5-Star-Manager for Cash Management in Western Europe and in Central &amp; Eastern Europe by Euromoney 5-Star-Manager for Cash Management</p> <p>#1 in Cash Management by Euromoney Cash Management Survey 2017</p> <p>One of eight winners of The Innovators in Trade Finance 2017 for the category Process innovation by Global Finance</p> <p>#2 Best Corporate Bond Bank for Willingness to Extend Balance Sheet by GlobalCapital Bond Awards 2017</p> <p>#2 Best Contributor of Secondary Liquidity in Corporate Bonds by GlobalCapital Bond Awards 2017</p> <p>#3 Most Impressive Corporate Bond Research by GlobalCapital Bond Awards 2017</p> <p>Best Sub-custodian and Best Securities Lender in CEE by Global Finance</p> <p>Top Employers Italia and Top Employers Europe certification by Top Employers Institute</p>
FincoBank SpA	<p>#1 in Private Banking Awards for the category Digital Focus by Bluerating</p> <p>Best team Private Banking 2017 by Le Fonti Awards</p> <p>Best Financial Brand, Italy; Most Innovative Financial Advisory Brand, Italy; Best Custom Financial Advisory Brand, Italy; Most Trusted Financial Advisory Brand, Italy by Global Brands Magazine</p>
UniCredit Bank AG	Bank of the Year by The Banker
UniCredit Bank Austria AG	<p>#1 in Cash Management by Euromoney Cash Management Survey 2017</p> <p>The World's Best Securities Services Providers 2017 - Best Subcustodians – Country awards by Global Finance</p> <p>Best Trade Finance Provider in Austria by Global Finance</p>
UniCredit Bank dd	<p>#1 Trade Finance Provider in Bosnia &amp; Herzegovina by the Euromoney Trade Finance Survey 2017</p> <p>#1 in Cash Management by Euromoney Cash Management Survey 2017</p> <p>Bank of the Year by The Banker</p>

Legal Entity	Award
UniCredit Bulbank AD	<p>#1 Trade Finance Provider in Bulgaria by the Euromoney Trade Finance Survey 2017</p> <p>#1 in Cash Management by Euromoney Cash Management Survey 2017</p> <p>Best Bank in Bulgaria and Best Investment Bank in Bulgaria by EMEA Finance magazine</p> <p>The World's Best Securities Services Providers 2017 - Best Subcustodians - Country awards by Global Finance</p> <p>Best Private Bank in Bulgaria by The Banker</p> <p>Best Trade Finance Provider in Bulgaria by Global Finance</p> <p>Top Employers Bulgaria certification by Top Employers Institute</p>
Zagrebačka Banka DD	<p>#1 Trade Finance Provider in Croatia by the Euromoney Trade Finance Survey 2017</p> <p>#1 in Cash Management by Euromoney Cash Management Survey 2017</p> <p>Best Trade Finance Provider in Croatia by Global Finance</p>
UniCredit Bank Czech Republic and Slovakia, as	<p>#1 in Cash Management by Euromoney Cash Management Survey 2017</p> <p>The World's Best Securities Services Providers 2017 - Best Subcustodians - Country awards by Global Finance</p> <p>Best Private Bank in Slovakia by The Banker</p>
UniCredit Bank Hungary Zrt	<p>#1 Trade Finance Provider in Hungary by the Euromoney Trade Finance Survey 2017</p> <p>#1 in Cash Management by Euromoney Cash Management Survey 2017</p>
UniCredit Bank SA	<p>#1 Trade Finance Provider in Romania by the Euromoney Trade Finance Survey 2017</p> <p>#1 in Cash Management by Euromoney Cash Management Survey 2017</p> <p>Bank of the Year by The Banker</p> <p>SEE Real Estate Award Winners for the category Bank by EuropaProperty</p>
UniCredit Bank Serbia Jsc	<p>#1 Trade Finance Provider in Serbia by the Euromoney Trade Finance Survey 2017</p> <p>#1 in Cash Management by Euromoney Cash Management Survey 2017</p> <p>The World's Best Securities Services Providers 2017 - Best Subcustodians - Country awards by Global Finance</p>
UniCredit Banka Slovenija DD	The World's Best Securities Services Providers 2017 - Best Subcustodians - Country awards by Global Finance
AO Unicredit Bank	Top Employers Russia and Top Employers Europe certification by Top Employers Institute

## Governance

UniCredit SpA is an Italian company with shares listed on the Milan, Frankfurt and Warsaw regulated markets adopting the traditional management and control system and, as a bank, parent company of the UniCredit banking Group, it carries out, pursuant to the provisions of Section 61 of the Consolidated Banking Act, in addition to banking activities, governance and coordination ones, as well as control functions vis-à-vis the subsidiary banking, financial and instrumental companies within the banking Group.

The overall corporate governance framework of UniCredit<sup>1</sup> has been defined according to current provisions, also of a regulatory nature, and the recommendations of the Italian Corporate Governance Code for listed companies.<sup>2</sup>

UniCredit is also subject to the provisions contained in the Supervisory Regulations issued by Bank of Italy and, in detail, with regards to the corporate governance issues, to the relevant Supervisory Regulations on banks corporate governance in being.

UniCredit, as issuer of shares also listed on the Frankfurt and Warsaw regulated markets, also fulfils the legal and regulatory obligations related to listings on said markets as well as the provisions on corporate governance contained in the Polish Corporate Governance Code issued by the Warsaw Stock Exchange. Notwithstanding that, the UniCredit corporate governance structure is not influenced by non-Italian legal provisions.

## Governance framework

UniCredit encourages all its staff, external collaborators and commercial partners to be inspired by the principles of transparency and sound management. This approach complies with current legislation and is in line with the fundamental principles governing the pursuit of the set objectives.

UniCredit's corporate governance adheres to current rules and regulations as well as to the recommendations laid out in the Italian Corporate Governance Code for listed companies. UniCredit has developed a governance system that is regularly verified and updated to ensure that UniCredit complies with the evolving regulatory environment, operating and markets practices, which is continuously monitored in order to verify its implementation level.

Components of UniCredit's governance include:

- the Articles of Association, which set forth corporate governance provisions aimed at ensuring the proper operation of corporate management
- the Regulations for the Shareholders Meeting, governing the conduct of ordinary and extraordinary meetings and, mutatis mutandis, meetings of special categories of shareholders
- the Corporate Bodies Regulations, governing the function and competencies of the Board of Directors and of the Board of Statutory Auditors, in compliance with relevant legal and regulatory provisions, and the UniCredit Articles of Association, also incorporating the principles and criteria set out in the Italian Corporate Governance Code for listed companies
- the Group Compensation Policy, establishing an approach consistent with sustainable remuneration and its standardized implementation across UniCredit, with specific reference to senior management
- the Group Managerial Golden Rules (GMGR), which are guidelines for principles of governance within UniCredit, outlining its organizational model and establishing managerial and functional responsibilities for all key processes that ensure also the implementation of its strategic plan.

1. Refer to the Report on Corporate Governance and Ownership Structure, available to the public on the Company website's governance section, for more information on the UniCredit corporate governance system.

2. Since 2001, UniCredit has adopted the Italian Corporate Governance Code for listed companies, that according, inter alia, to the major international markets' experience, identifies the corporate governance standards and best practices for listed companies recommended by the Italian Corporate Governance Committee - based on transparency, accountability and a long-term perspective - to be applied according to the comply or explain principle that requires the explanation in the Report on Corporate Governance and Ownership Structure of the reasons of failure to comply with one or more recommendations contained in its principles or criteria.

UniCredit's culture permeates both its operations and the way it conducts business, ensuring the proper addressing, coordination and control of Group activities and the management of related risks. This culture is grounded in a consistent system of rules, represented by:

- the Integrity Charter, which states the deontological ethics that the Group recognizes as its own and expects to be observed by all those who work to achieve the objectives of UniCredit and of the Group
- the Code of Conduct, which defines general principles of conduct to help promote the Group's culture of compliance by providing an outline of the compliance rules and the ethical professional standards and commitment to sustainability
- the Codes of Ethics, adopted pursuant to Italian Legislative Decree 231/01 for the Holding Company and its Italian subsidiaries, which contain the rules with which all employees must comply in order to ensure that their conduct is always guided by criteria of fairness, collaboration, loyalty, transparency and mutual respect, as well as to avoid conduct that could constitute offences and crimes as defined in Italian Legislative Decree 231/01
- the Global Rules, which are Group rules issued by UniCredit – coherently with the GMGR principles – in exercising its guidance, coordination and control functions to discipline activities deemed as significant in terms of compliance with the legal and regulatory provisions in force and/or in terms of risk management
- the Global Rules are classified into three different document types:
  - Global Policies (GP), which contain behavioral and methodological principles, guidelines and rules issued by the Holding Company when exercising its guidance, coordination and control functions, as well as the general framework of responsibilities between the Holding Company and the recipient Legal Entities
  - Global Process Regulation (GPR), which describe the key elements for the discipline of processes classified by the parent company as Global due to relations among activities, responsibilities and supporting tools
  - Global Operational Regulation (GOR), which provide detailed technical, operational or methodological instructions issued by the parent company
- service contracts between UniCredit and its related subsidiaries, which formally regulate the provision of intercompany services and ensure transparency regarding the services provided and the related compensation.

## Governance structures

UniCredit has adopted the so-called traditional management and control system based on the existence of two corporate bodies whose members are appointed by the Shareholders' Meeting: the Board of Directors, in charge of the strategic supervision and the management of the company, and the Board of Statutory Auditors, responsible for supervising management. Legal accounting supervision is entrusted by the Shareholders' Meeting to an external audit firm, on proposal by the Board of Statutory Auditors, in compliance with relevant current laws.

This traditional management system, envisaging specific obligations for the Shareholders' Meeting, allows for the clear exchange of views between management and shareholders on fundamental elements of governance. These elements include appointing and removing directors, appointing members to the Board of Statutory Auditors, granting a mandate for the external auditing to an audit firm, approving all connected fees. They also encompass the approval of financial statements, the allocation of profit, the resolutions on the remuneration and incentive policies and practices provided for by the current provisions as well as the criteria to determine the compensation to be granted in the event of early termination of employment or early retirement from office.

The Board of Directors and Board of Statutory Auditors members are appointed by the Shareholders' Meeting on the basis of a proportional representation mechanism (voto di lista). This voting system features lists of the candidates who are competing against one another to ensure the election of minority shareholders representatives. The structure of the above-mentioned corporate bodies ensures they are gender-balanced in compliance with current regulations and provisions.

The UniCredit Board of Directors is composed of 17 members, including the Chairman and the Chief Executive Officer, and their term of office will expire on the date of the Shareholders' Meeting called upon to approve the 2017 financial statements.<sup>3</sup>

3. Refer to the procedures specified in Clause 20 of the Articles of Association, available to the public on the Company website's Governance section, for more information on the appointment process.

In compliance with the current provisions of both law and regulations, also concerning the maximum number of directorships that directors may hold, the Board of Directors establishes its qualitative and quantitative composition deemed optimal for the effective completion of the duties and responsibilities entrusted to the supervisory body by law, by the Supervisory Provisions and by the UniCredit Articles of Association. The Board also establishes the requirements that the UniCredit directors shall meet, in addition to possessing those envisaged by current laws and regulatory provisions.

The Board, before the appointment of the supervisory body, informs the shareholders about the composition deemed to be optimal in order for the choice of the candidates to take into consideration the expertise required. It goes without saying that shareholders may carry out their own assessment on the best composition of the supervisory body and file candidacies consistent with the same, giving the reasons for any difference vis-à-vis the analyses carried out by the Board.

As regards the qualitative and quantitative composition of the Board of Directors and the profile for candidates to the position of Director, the maximum number of directorships as well as the gender composition criteria for the supervisory body, reference is made to the document Qualitative and Quantitative Composition of the UniCredit SpA Board of Directors, which is published on the Company website's Governance section.

The composition of the Board in office quantitatively and qualitatively corresponds to the theoretical profile. Also in light of the information given by the persons concerned, the requirements concerning professional experience, integrity and independence,<sup>4</sup> gender balance, and the maximum number of directorships that Directors may hold as per the desired levels indicated by the Board in its profile approved in March 2015 recalling the provisions of the CRD IV Directive (Directive 2013/36/EU dated June 26, 2013), were accounted for. More specifically, all of the areas of competence were represented in the Board; all of the Directors had at least two of the required areas of competence and, on average, the Directors had six areas of competence.

The positions held by the Board Members in other companies listed on regulated markets (both in Italy and abroad), as well as in financial services companies, banks, insurance companies or other large companies, is reported in the Report on Corporate Governance and Ownership Structure.

In order to support the Board of Directors, also pursuant to the provisions of the Italian Corporate Governance Code for listed companies, four committees<sup>5</sup> are established, vested with research, advisory and proposal-making powers diversified by sector of competence:

- the Internal Controls & Risks Committee
- the Corporate Governance, Nomination and Sustainability Committee
- the Remuneration Committee
- the Related-Parties and Equity Investments Committee.

The Internal Controls & Risks Committee, the Corporate Governance, Nomination and Sustainability Committee and the Remuneration Committee have been set up in compliance with the provisions contained in the Bank of Italy Supervisory Regulations on banks' corporate governance envisaging three specialist committees – one on appointments, one on risks and one on remuneration – while the Related-Parties and Equity Investments Committee, established for overseeing issues concerning transactions with related-parties and with associated parties, as well as issues concerning investments in non-financial equities, has been set up in compliance with the relevant CONSOB regulatory provisions and the Bank of Italy Supervisory Regulations.

The above mentioned committees may operate according to the procedures considered appropriate and may, inter alia, divide into sub-committees.

4. The number of independent directors in office is above the minimum required by current regulatory and statutory provisions (12 out of 17 under UniCredit's Articles of Association and the Italian Corporate Governance Code, 16 out of 17 under Legislative Decree No. 58/1998, 16 of whom are non-executives).

5. Refer to the relevant area of the corporate website and to the Report on Corporate Governance and ownership structure available to the public on the Company website's Governance section for more information on the functions performed by the UniCredit Board Committees.

## Board self-evaluation

In compliance with the provisions contained in the Bank of Italy Supervisory Regulations on banks' corporate governance, and also pursuant to the provisions of the Italian Corporate Governance Code for listed companies, the Board of Directors undertakes on an at-least annual basis a regular self-evaluation process focused on the adequacy of the Board itself and Board Committees in terms of composition and functioning, tangibly measured in specific theme-based areas, with special reference to those relevant to healthy and prudent management.

In particular, it is focused on:

- qualitative and quantitative composition, size, degree of diversity, professional training, experience (including managerial), seniority in the present post, a guaranteed balance of non-executive and independent members, adequacy of the appointment processes and selection criteria, and ongoing professional development
- meeting sessions, frequency, duration, the degree and form of attendance, sufficient time available to dedicate to the assignment, the relationship of trust, cooperation and interaction among members, awareness of the role covered, and the quality of debate on the Board.

The self-assessment process is undertaken with the assistance of an external consultant chosen taking into account his/her/their skills, the professional experience acquired by him/her/them in corporate governance, and the need to be neutral, objective and independent in judgment; these are the hallmarks of the self-assessment process.

Up to now, the Board's activities concerning environmental and social issues have not been the object of any evaluation.

## Induction initiatives and recurring training

In UniCredit a permanent induction program is active for the Board members, also for the benefit of the Board of Statutory Auditors members, based on three year cycles connected to the Board mandate, with the aim of ensuring an ad hoc training on a continuous basis that takes in account both their individual and collective needs.

The induction program, which is put in place with the support of an external consultant, includes both sessions aimed to facilitate the introduction of new Directors and trainings on a continuous basis aimed to preserve in time the background of technical skills necessary to perform their role with awareness.

Furthermore, the activation of individual training plans is expected in case it should be deemed necessary to strengthen the knowledge of specific techniques and experiences, also with the aim to integrate the diversity level and the whole level of experience of the Board of Directors.

During the 2017 topics of strategic importance, also linked to the digital competencies, as well as of business and innovation, knowledge of macroeconomic scenarios, development of markets as well as legal and regulatory ones have been the object of training sessions and were examined in detail, with the aim to assure awareness and knowledge of the risk profile adopted by the Group.

Furthermore 4 off-site meetings have been organized with the Directors and the Top Management, open also to the Statutory Auditors, dedicated to the Group strategy and to the check of its planning, as well as areas concerning the drafting of the strategic plan. Sustainability issues were also included in a specific training session, with particular focus on non-financial information reporting and environmental, social and governance trends.

## Sustainability Governance

The Corporate Governance, Nomination and Sustainability Committee supervises sustainability issues linked to UniCredit's activities, including its interactions with all of its stakeholders. The Group Environmental and Social Council (GESC) proposes the Group Environmental and Social Strategy, its annual objectives and related activities to the Executive Management Committee (EMC) and the CEO for approval. Furthermore, the GESC oversees the implementation of UniCredit's environmental and social initiatives and commitments.<sup>6</sup> In 2017, the GESC met twice to discuss the Group Environmental and Social Strategy.

## Organizational and governance structures (as of 31.12.2017)

UniCredit Group's organizational and business model maintains a divisional structure for the governance of Corporate Investment Banking business/products and business in the CEE Countries, as well as overall control over COO/Global Banking Services functions, thereby ensuring the autonomy of the Countries/Banks for specific activities in order to guarantee increased proximity to the client and faster decision-making processes.

The organizational model for UniCredit SpA, approved by the Board of Directors, delegates the following responsibilities:

- the Chief Executive Officer (CEO) maintains direct supervision of the definition of Group Strategy, Risks, Compliance, Lending, Human Capital, the optimization of structure costs, and the main operating activities
- the General Manager is responsible for all business activities (Retail, Corporate, Global CIB, Asset Gathering and relevant Countries), focusing on the ongoing development of client services, maximizing cross-selling, leading the Group's digital strategies, and defining the new service model of the Bank
- the Chief Operating Office, overseen by two co-Heads (co-Chief Operating Officers), leads the oversight of operations, with specific focus on Costs and IT & Operations; in particular, the two co-Heads are respectively responsible for Finance & Cost Management and for IT & Operations, Security and Internal Controls
- the CIB Division, overseen by two co-Heads directly reporting to the General Manager, focuses on multinational customers, selected large corporate clients with strong potential demand for investment banking products, and customers that are Financial and Institutional Groups (FIG), attending to the following Global Lines: Global Transaction Banking (GTB), Global Financing & Advisory (F&A), Markets, and internationalization activities
- in the Italian perimeter, the Italy co-Heads directly report to the General Manager, and are responsible for the definition of commercial banking business strategies and the assignment of such strategies to the territories and client segments (Family, First, Business First, Corporate and Private Banking)
- the CEE Division, directly reporting to the General Manager, coordinates the Group's activities in the countries of Central and Eastern Europe, aligning them to a single comprehensive business vision in the region
- Group Institutional & Regulatory Affairs, directly reporting to Chief Executive Officer, as well as the functions referred to as Competence Lines (Planning, Finance & Administration, Risk Management, Lending, Legal, Compliance, Internal Audit, Human Capital and Identity & Communication) oversees the guidance, coordination and control of UniCredit's activities and manages the related risks
- the CEO is also supported by a senior management body, named the Executive Management Committee (EMC); the EMC is set up, with consultative functions, to ensure an effective steering, coordination and control of Group business as well as an effective alignment of the Holding Company with the different businesses and geographies.

6. Refer to the 2016 Integrated Report for more information.

In particular, the EMC discusses topics of a strategic nature relating to:

- Group Performance Management at consolidated (Group) level (e.g., budget, quarterly results)
- aligning the Group on key issues related to capital, risks and liquidity
- commercial and business strategies related to areas with a strong international and cross content (e.g., payments, multichannel, CRM)
- external customer satisfaction
- regulatory developments and Internal Control System matters with strong international and cross content
- HR and COO issues as well as Group strategic projects with strong international and cross content.

The EMC can discuss both Group/cross-Country issues and specific matters of regional character.

### Board and senior management compensation

The CEO is the only executive director who sits on the Board of Directors, and part of his remuneration is linked to the sustainability of UniCredit financial results. All other board members are non-executive directors, and are not beneficiaries of incentive plans utilizing stock options or, more generally, of any plan that makes use of financial instruments. Remuneration for members of the administrative and auditing bodies of UniCredit is represented only by a fixed component, determined on the basis of the importance of the position and the time required for the performance of assigned tasks. This policy applies to non-executive directors as well as statutory auditors.

The approach to compensation for UniCredit's top managers, as detailed in the Group Compensation Policy, is performance-based, market-aware and aligned with our business strategy and stakeholder interests. As announced at the UniCredit Capital Markets Day, held in London on December 13, 2016 to present the *Transform 2019* strategic plan to analysts and investors, the variable remuneration for the CEO and General Manager is entirely based on the 2017-2019 Long Term Incentive Plan, tied to the strategic plan's targets.

More details on the compensation for management leaders and for the members of the administrative and auditing bodies of the Group are reported in the Group Compensation Policy.<sup>7</sup> To ensure competitiveness and effectiveness of remuneration, as well as transparency and internal equity, the principles of sustainable conduct and performance define the key pillars of the Group Compensation Policy. The Compensation Policy framework is designed to assure the consistency of the remuneration elements and systems, while also conforming to our Group's long-term strategies and principles of sound risk management. The Group Compensation Policy, as proposed by the Remuneration Committee, is submitted for approval to the Board of Directors and, subsequently, to shareholders at the Annual General Meeting.

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

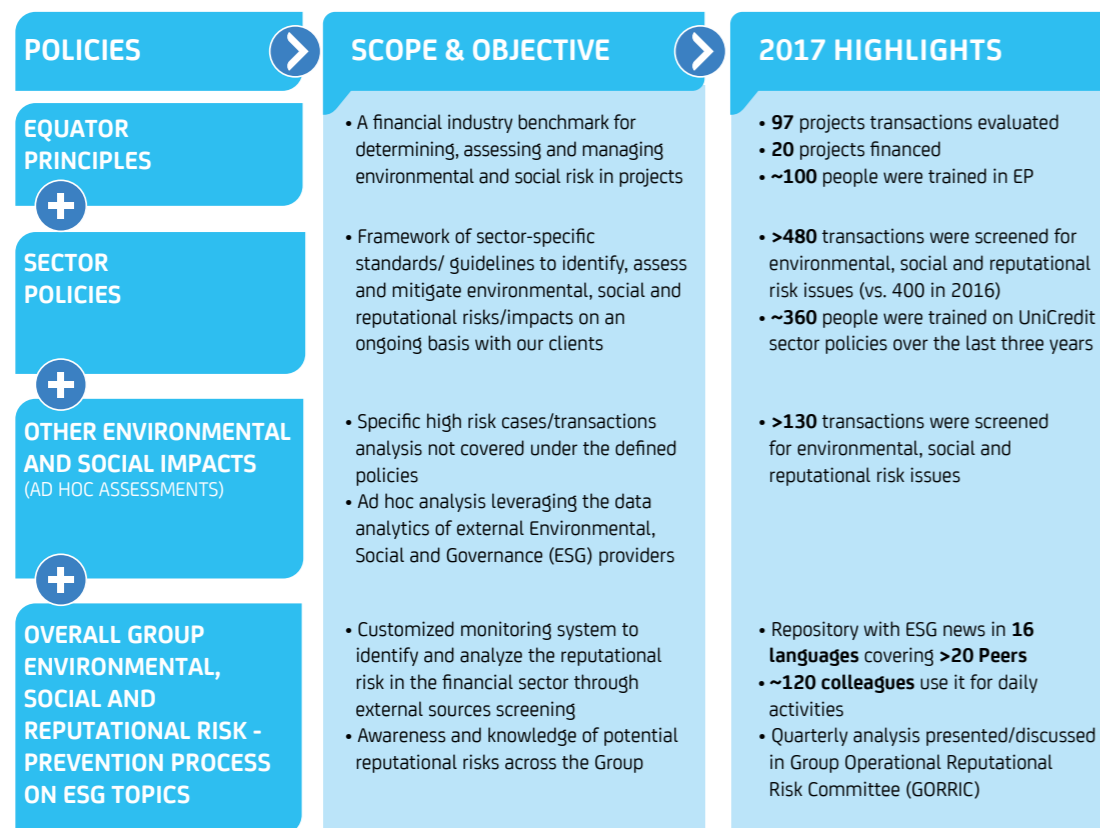
## Managing environmental and social risks

Sound risk management requires a deep understanding of many types of risk, including environmental and social risks and their impacts on financial results and the balance sheet.

Through its Global Policy - Group Credit Operations (chapters on Project Finance and Structured Trade and Export Finance) and other special policies and practices, UniCredit assesses and manages not only traditional economic and financial impacts, but also non-financial impacts. These include environmental, social and other reputational risk impacts associated with the environmental and social performance of its customers.

With this in mind, UniCredit implements and integrates the Equator Principles (EP), whenever applicable, into its project financing transactions and has adopted detailed special policies regarding sectors that present significant environmental and social risks. Our Group monitors portfolio exposures and other environmental, social and related reputational risk issues within certain industries. In keeping with our commitments, we work to disseminate across our Group a strong culture of risk management that prioritizes environmental and social issues.

### How we mitigate environmental, social and reputational risks



## Implementation of our environmental, social and reputational risk sector policies

Certain sectors and activities require a specialized approach to ensure that transactional and related risks are properly addressed. We have developed detailed guidance policies for sectors relevant to UniCredit that are susceptible to environmental and social risks.

These policies take into account generally accepted international agreements, guidelines and standards (including the International Finance Corporation Performance Standards, the World Bank Group Environmental, Health and Safety Guidelines and the principles of the UN Global Compact), as well as other practices widely employed by specific industries and affected stakeholders. Our Group considers these international agreements, guidelines and standards as representative of best practices for assessing and avoiding potential environmental and social impacts. Through the implementation of appropriate management and mitigation measures on the part of our clients and counterparts, UniCredit aims to avoid or limit the risks associated with transactions and projects in these sectors.

UniCredit's current environmental, social and reputational risk policies apply to a number of sectors, including water infrastructure (dams, in particular), nuclear energy and coal-fired power generation. The criteria for these policies are regularly reviewed so that all emerging environmental and social standards and any additional relevant impacts are taken into account in financial decision processes. When necessary, external experts are involved in these processes.

### Environmental, social and reputational risk policies

Policy	Latest version	Objective
<b>Defense/Armaments</b>	Dec. 2011	To regulate financial involvement with companies from the defense/armaments industry in order to minimize social, reputational and credit risk
<b>Nuclear Energy</b>	June 2013	To regulate financial involvement with and address the challenges posed by the nuclear energy sector in order to minimize environmental, social, reputational and credit risk
<b>Mining</b>	July 2014	To establish standards and guidelines that address the risks associated with financing mining operations
<b>Water Infrastructure</b>	Feb. 2012	To establish standards and guidelines that address the risks associated with financing large water infrastructure projects such as dams
<b>Coal-fired Power</b>	Nov. 2014	To establish standards and guidelines that address the risks associated with financing coal-fired power production

These policies apply directly to UniCredit SpA and are addressed to all Group legal entities that engage – whether through lending or other forms of financial assistance – with the above-listed sectors. Their adoption is subject to monitoring by the parent company's CRO functions.

UniCredit's policies define specific internal processes to consistently identify, assess and monitor potential environmental and social risks. Screening records and tools are implemented in our standard risk and compliance check to support the performance of comprehensive due diligence. These analysis utilize information derived from business intelligence providers on environmental, social and governance risks inherent to the most sensitive sectors, including those regulated by special policies, and other relevant sectors.

Transactions are generally screened by the legal entity responsible at both the transactional and the client level. A record of the screening process is integral to the compliance assessment and must be completed before approval is granted. In 2017, roughly 615 transactions were assessed for potential environmental, social and other reputational issues. More than 480 of these transactions were related to our sector policies.

Decisions regarding transactions that have been assessed as high risk, as defined by applicable policies and the competent committees of the local legal entities, are submitted to the parent company for approval. Assessments must be updated regularly as part of the annual credit lines renewal process.

Transactions that carry intrinsically higher risks require an independent expert or third-party review (e.g., Environmental and Social Impact Assessment - ESIA or equivalent) in order to ensure a rigorous approach to identifying, quantifying and, where appropriate, mitigating and monitoring environmental and social risks.



Internal reporting on exposure and risk indicators is managed by risk functions at both the local legal entities and the parent company. On a quarterly basis, the Group Operational and Reputational Risk function submits to the Group Operational and Reputational Risk Committee a report on the non-binding opinions that have been issued over the period. This report provides an overview of the number of transactions declined, approved and approved with conditions during the risk assessment process.

## Implementation of the Equator Principles

UniCredit has adopted the Equator Principles (EP) as a financial industry benchmark for determining, assessing and managing environmental and social risk in projects. The EP are primarily intended to provide a minimum standard for due diligence to support responsible risk-related decisions.

In 2003, UniCredit was among the world's first adopters of the ten principles that constitute the EP. Since then, our Group has actively contributed to the framework's development. These activities have provided UniCredit with valuable experience, facilitating the implementation of the framework Groupwide and contributing to our further engagement with stakeholders.

The EP<sup>1</sup> apply globally to Project Finance Advisory Services, Project Finance, Project-Related Corporate Loans and Bridge Loans across all industry sectors. We work in partnership with our clients to identify, assess and manage environmental and social risks and impacts in a structured way on an ongoing basis. The EP are based on the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability and the World Bank Group Environmental, Health and Safety (EHS) Guidelines.

An EP Advisory team oversees and supports the implementation of the EP across the Group. The framework of the EP is embedded in our various internal policies, providing a minimum standard for due diligence and impact mitigation and supporting sustainable decision-making Groupwide. These policies include our Global Policy - Group Credit Operations chapters on Project Finance and Structured Trade and Export Finance. Aside from roles, responsibilities and principles, these policies define the EP process for evaluations of specific projects. Furthermore, an EP-based Non-Binding Opinion (NBO) is incorporated into our approvals process, as is an internal *Equator Principles Screening Tool* that focuses on category A and B projects.<sup>2</sup>

Independent environmental and social experts are consulted to assist our transaction team, where applicable, in accordance with the EP. Loan document covenants are reviewed by the specialized transaction team, internal legal department and, where appropriate, technical, environmental and social specialists. We regularly conduct special workshops and training sessions to enhance our capacity to implement the EP within our organization. In 2017, roughly 100 employees from the risk competence line and business divisions, including Corporate and Investment Banking, attended four interactive EP workshops and training sessions tailored to the needs of different audiences. Participants received comprehensive instructions that introduced them to the EP framework and the underlying World Bank Standards, leveraged peer-to-peer knowledge-sharing, and provided practical examples for evaluating financial, environmental and social risks, among other topics.

The EP Advisory team, together with Group Sustainability & Foundations, represents UniCredit in the EP Association. Also in 2017, we continued to be engaged in the work of the association and to participate in specific Working Group initiatives that align with our strategy, geographical scope and business footprint.

### Equator Principles – Projects evaluated, financed and advised, 2017

Projects evaluated	Projects financed <sup>A</sup>	Projects advised
97	20	2

A. Includes 18 Project Finance transactions and 2 Project-Related Corporate Loan.

1. Refer to the EP framework at <http://www.equator-principles.com> for more information.  
2. Projects with potential significant (Category A) or limited (Category B) adverse social or environmental risks and/or impacts. Refer to the EP framework for more information.

### Equator Principles - Number of projects financed by risk category

Risk category <sup>A</sup>	2017 <sup>B</sup>	2016 <sup>B</sup>	2015 <sup>B</sup>
Category A	4	7	7
Category B	13	10	10
Category C	3	13	10
<b>Total</b>	<b>20</b>	<b>30</b>	<b>27</b>

A. Category A: projects with potential significant adverse social or environmental risks and/or impacts that are diverse, irreversible or unprecedented.  
Category B: projects with potential limited adverse social or environmental risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.  
Category C: projects with minimal or no social or environmental risks and/or impacts.  
B. Projects financed by UniCredit Bank AG, UniCredit SpA and UniCredit Bank Austria AG.

### Equator Principles – Number of projects financed by risk category and sector, 2017

Sector	Category A	Category B	Category C
Resources <sup>A</sup>	2	0	0
Energy	2	9	3
Infrastructure	0	4	0
<b>Total</b>	<b>4</b>	<b>13</b>	<b>3</b>

A. Including oil & gas, mining and metals.

### Equator Principles – Number of projects financed by risk category and region, 2017

Region	Category A	Category B	Category C
Europe: EU	0	11	3
Extra EU	1	2	0
Americas	0	0	0
Africa	3	0	0
Asia and Australia	0	0	0
<b>Total</b>	<b>4</b>	<b>13</b>	<b>3</b>

### Equator Principles – Number of projects financed in Designated Countries<sup>A</sup> and projects subjected to Independent Reviews<sup>B</sup>, 2017

	Category A	Category B	Category C
Designated Country	3	13	3
Independent Review	4	12	3

A. Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. The list of Designated Countries may be found on the EP Association website.  
B. An Independent Review is a review of the Assessment Documentation, including the ESMPs, ESMS and Stakeholder Engagement process documentation carried out by an Independent Environmental and Social Consultant.

In 2017, UniCredit, along with two other commercial banks, arranged the financing for the construction of the **Arror Multipurpose Dam** (the "Project") in Kenya. The Project is supervised by the Kerio Valley Development Authority, using funds borrowed by the Government of Kenya through the National Treasury of the Republic of Kenya. A joint venture between two Italian companies, Cooperativa Muratori & Cementisti - C.M.C. di Ravenna and Itinera SpA, has the contract to develop the Project.

The Arror Multipurpose Dam will consist of a plant with a hydropower capacity of 60MW and a reservoir catchment area of 185km<sup>2</sup>, providing water for domestic and irrigation purposes and covering an area of 6,000 hectares. It is located in Kenya Elgeyo-Marakwet County, in the Kerio River watershed, one of the longest rivers in Kenya, originating near the equator. Flowing north through the East African Rift area, the river discharges into Turkana Lake. The Project is part of the Government of Kenya's National Water Master Plan 2030, which aims to: (i) create a large-scale resource for irrigation and drinking water, (ii) increase sustainable energy production and efficiency for local use, and (iii) foster improvement of agricultural activities, fisheries and ecotourism. The Project is expected to become operational in 2023.

The Project has been subject to a formal Environmental and Social Impact Assessment (ESIA) process, which included Environmental and Social Management Plans and Monitoring Plans and was performed by a local Kenyan consultancy. Based on the ESIA and further information, Golder Associates, an international consulting group reviewed the potential environmental and social risks and impacts of the Project, proposed to assign it a Project Category A and developed with the borrower, the banks and the Italian export credit agency SACE SpA (SACE) an Environmental and Social Action Plan (ESAP), which defines measures to mitigate the identified environmental and social risks and impacts. The ESAP's implementation and the environmental and social status of the Project are to be monitored during the life of the financing by the environmental team of the Project company as well as by the banks and SACE, with the support of the Project's monitoring consultant.

Our Group participated in the financing of the construction of the **Kocaeli Integrated Health Campus PPP**, a public-private project in a strategic program to bring Turkey's existing hospital infrastructure up to international standards. UniCredit and its local affiliate, Yapı Kredi, served as the sole Financial Advisor and Mandated Lead Arranger to the company with the concession from the Turkish Ministry of Health, which specifies a 36-month construction period and a 25-year operating period. The majority of payments for the term of the 18-year loan are expected to commence in 2020, after construction of the 1,180 bed campus in the Izmit district of Kocaeli Province is completed. The Environmental and Social Impact Assessment (ESIA) for the project, which was conducted by an external consultant working on behalf of the lenders, includes an Environmental and Social Action Plan (ESAP) that defines actions to mitigate environmental and social risks caused by, among other things, the campus' sensitive location next to a village. Other exemplary mitigating measures are a stringent stakeholder engagement, implementation of workers' and community grievance mechanisms, and implementation of strong security standards that meet the needs of the forensic rehabilitation hospital on the campus. The Environmental and Social Due Diligence (ESDD) Report prepared for the benefit of the Mandated Lead Arrangers, using ESIA results, provided a gap analysis to assess the project's compliance with international environmental and social standards. Based on the ESDD, UniCredit assigned an Equator Principles category B to the project. By means of the loan documentation, implementation of the ESAP action items and regular independent monitoring and reporting are provisioned over the lifetime of the project.

# Compliance

## How compliance is managed at UniCredit

The evolving international scenario and an ever more demanding regulatory framework make the Compliance function increasingly crucial and central for UniCredit.

Under the responsibility of the Group Compliance Officer, the Compliance function's mission is to monitor the management of compliance risk. This entails ensuring the correct application of/and compliance with the regulatory framework, its consistent interpretation at Group level, as well as the identification, evaluation, prevention and monitoring of the overall compliance risks of the Group or respective Legal Entities – as well as to assist the Group, its management, the Corporate Bodies and employees in carrying out their activities in compliance with mandatory rules, internal procedures and best practices.

In order to accomplish such goals, Group Compliance defines methodologies, rules, procedures, trainings and monitors their implementation and adherence across the Group.

Moreover, within its mission Compliance proactively supports the business ensuring prompt advisory to timely tackle and address new regulations, by detecting and mitigating emerging risks impacting the Group, and continuously enhancing awareness on conducting business in a sustainable/ethical way over time.

The Compliance function is embedded in the Group internal control system framework, aiming at detecting, preventing and mitigating the non-compliance risk, and at preserving Group's reputation, its customers' confidence and its business sustainability (corporate value creation/consolidation), through:

- strategic guidance (policies and advisory)
- control and monitoring (compliance risk assessment, second level controls and monitoring activities on Compliance areas of responsibility).

Moreover, by regularly interacting with the other control functions, especially in the prompt detection of emerging risks, it ensures harmonization and alignment among control functions.

Finally, in terms of supporting Group *Transform 2019*, Compliance is focusing on:

- timely addressing regulatory challenges
- further improving risk discipline
- streamlining its internal processes and overall governance mechanisms.

## 2017 updates to key compliance policies

Regarding client-centric conduct:

- Global Policy (GP) - Provision of investment services and activities under Markets in Financial Instruments Directive (MIFID II): this rule provides UniCredit SpA and Group Companies with common standards and minimum requirements when providing investment services and activities falling within the scope of MIFID II, with the exclusion of ancillary services
- Global Operational Regulation (GOR) - Outside Business Interests: this document is intended to outline the operational procedures to be followed by employees, with contracts under Italian law, pursuing in their free time, outside business work activities and/or outside business interests which are known to be forbidden unless explicitly authorised by the employer.

Regarding anti-money laundering, financial crimes and sanctions:

- GP - Anti-Money Laundering (AML) and Countering of Terrorist Financing (CTF): this rule is intended to provide a high-level framework for employees to identify potential money laundering and terrorist financing risks and to assist them in determining how to manage those risks. It also provides general information on the measures taken by Group companies to identify, mitigate and manage money laundering and terrorist financing risk
- GOR - AML Standards for Correspondent Banking: these standards define principles and rules for the sound management of UniCredit's correspondent banking network, aiming to ensure compliance with relevant regulatory and legal requirements and protect the Group's reputation by avoiding any appearance of impropriety
- GOR - AML Due Diligence Requirements for Customers: this rule provides the customer risk assessment and classification standards, as well as the Know Your Customer requirements that legal entities must apply to their customers
- GOR - AML/CTF Transaction Monitoring: this rule provides requirements and procedures to all Group entities and to all members of strategic, control and executive bodies, employees, tied agents and temporary employees of the Group involved in the execution, support and monitoring of customer transactions, with the purpose to identify suspicion of money laundering and terrorism financing
- GOR - Payment & Customer Screening: this rule sets out the minimum requirements for payment and customer screening across the Group. As set out in the Global Sanctions Policy, the Group is firmly committed to complying with all applicable sanctions regulations in every jurisdiction in which it operates
- GOR - Financial Sanctions: this global rule defines the principles and policies for setting out the framework by which the Group manages its risks in respect of financial sanctions and establishes minimum standards for the controls which should be implemented throughout the Group
- GP – Anti-Corruption (update): this rule aims to clearly articulate UniCredit's commitment to prohibiting bribery and corruption, to define principles for identifying and preventing potential bribery and corruption, to clearly communicate anti-bribery and anti-corruption principles both to internal and external stakeholders and to provide a framework for a Group-wide Anti-Corruption Programme. The Policy has been published at the beginning of 2018.

Regarding market transparency:

- GP - Dodd-Frank Act Compliance Group Governance: this rule defines principles and policies in order to ensure that the Group complies with the provisions set forth by the Dodd-Frank Act that affect the Group
- GOR - Market Abuse: Trade Surveillance & Case Management: this rule sets out the requirements for trade surveillance and case management for an entity to be able to effectively monitor its trading activities to identify potential market abuse
- GOR - Preparation and Distribution of Investment Research: this rule establishes the principles for producing, reviewing and distributing investment research (hereafter Research); rules governing content, valuations, recommendations, presentation, plagiarism, disclosures, disclaimers, conflicts of interest management, Research independence, complaints and record keeping; rules governing specific situations such as contact with the media, capital markets Research, distribution of third party Research and interaction with other business areas, issuers under coverage and other clients
- GOR - Investment Recommendations: this internal regulation defines the principles and rules for the framework by which the Group manages its risks in respect of the production and dissemination of investment recommendations as defined in market abuse regulations and establishes minimum standards to meet necessary disclosure obligations
- GP - Financial Benchmarks: this rule defines Group internal principles and policies to regulate the contribution to, the provision of, and the use of financial benchmarks according to Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

Regarding governance:

- GP - Code of Conduct: this code of conduct has been written in line with UniCredit's 5 Fundamentals, and is therefore aligned with our Group values, and lists the principles that all employees and partnering third parties of UniCredit must comply with in order to ensure high standards of professional conduct and integrity related to their activity in or on behalf of UniCredit.

## Policies

### Anti-money laundering

Regulators today are very focused on the satisfaction of Anti-Money Laundering requirements by banks. The Global Policy on Anti-Money Laundering and Countering of Terrorist Financing (hereinafter the AML Policy), builds on the Group Compliance Framework Global Policy and sets out more detailed policy statements on the key pillars of the Group's AML Programs, such as risk assessment, customer due diligence, transaction monitoring, record keeping and training, while also taking into consideration the EU Fourth Anti-Money Laundering Directive. The AML Policy sets out the framework by which the Group manages its money laundering and terrorist financing risk and establishes minimum standards for the legal entities' Anti-Money Laundering (AML) programs.

Topic	Key Achievements 2017	Priorities 2018
Anti-money laundering	<ol style="list-style-type: none"> <li>1. Roll out of Pilot Group AML Risk Assessment Methodology</li> <li>2. Implementation of a transaction monitoring tool for correspondent banking in UniCredit SpA, UniCredit Bank AG and UniCredit Bank Austria AG</li> <li>3. Implementation of the new requirements under the EU Fourth AML Anti-Money Laundering Directive to all relevant Group legal entities</li> <li>4. New Group Second Level Controls Catalogue issued and rolled out to Group legal entities</li> <li>5. New and updated AML policies and regulations: Global AML/CTF Policy (update); Global Operational Regulation - AML Standards for Correspondent Banking (update); Global Operational Regulation AML Due Diligence Requirements for Customers (new); Global Operational Regulation - AML/CTF Transaction Monitoring (new)</li> </ol>	<ol style="list-style-type: none"> <li>1. Extension of correspondent banking transaction monitoring solution to CEE Countries</li> <li>2. Performance of annual Group AML Risk Assessment</li> <li>3. Centralization of the KYC activities for Correspondent Banking and Corporate Banking customers</li> <li>4. Specialized AML certification for staff members of various AML functions within the Group</li> <li>5. Implementation of new Global Operational Regulation - AML/CTF Transaction Monitoring</li> </ol>

## Financial sanctions

The Global Policy on Financial Sanctions, initially issued in August 2012, and more recently updated in February 2016, defines the principles and rules for setting out the framework by which the Group manages its risks in respect of financial sanctions. The aim of the policy is to support compliance with relevant regulatory and legal requirements, international and local, avoid any appearance of impropriety, protect the Group's reputation, and define principles and rules for restricting dealings with countries, entities and individuals that are subject to financial sanctions by, among others, the European Union (EU), United States (US) Office of Foreign Assets Control (OFAC), United Nations (UN), and any national provisions in countries in which Group legal entities are located.

Topic	Key Achievements 2017	Priorities 2018
<b>Financial sanctions</b>	<ol style="list-style-type: none"> <li>1. Roll out and implementation of the Risk Assessment for Financial Sanctions, covering inherent to residual risks, which will be conducted on an annual basis</li> <li>2. Continued enhancement of existing sanctions frameworks</li> <li>3. Update of existing policies and regulations: Global Operational Regulation - Financial Sanctions in July 2017, and Global Operational Regulation - Payment and Customer Screening in November 2017</li> <li>4. Testing of the payment and customer screening filters, covering 38 tests in 27 entities (including branches)</li> <li>5. Enhancement of the framework of financial sanctions on Russia and Iran for the Group and dissemination of the process throughout UniCredit</li> <li>6. Update of the online financial sanctions training program</li> </ol>	<ol style="list-style-type: none"> <li>1. Finalize the ongoing assessment of existing payment and customer screening filters in Italy, Germany and Austria</li> <li>2. Execute regular payment and customer screening tools configuration tests as per annual compliance plan<sup>A</sup></li> <li>3. Review of financial sanctions policies and regulations as per annual compliance plan<sup>A</sup></li> <li>4. Performance of annual Group Financial Sanctions Risk Assessment</li> <li>5. Roll out of new online financial sanctions training</li> </ol>

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

## Anti-corruption

UniCredit has zero tolerance towards acts of bribery and corruption and prohibits them in any form, both direct and indirect. UniCredit will not tolerate its employees or third parties in any kind of relationship with UniCredit being involved in acts of bribery and corruption.

By committing to zero tolerance to bribery and corruption UniCredit commits that every behaviour in breach of this principles and every concern raised as for possible act of bribery and corruption will be assessed and where appropriate investigated and disciplinary action will be taken in addition to the sanctions contained in the applicable regulations. No employee will suffer demotion, penalty, or other adverse consequences for refusing to pay acts of corruption or reporting actual or attempted acts of corruption even if such refusal may result in the Group losing business.

The above principle is enforced by an adequate risk management processes and implementation of a Group-wide Anti-Bribery and Anti-Corruption Programme.

The Group's approach to preventing corruption and bribery is set out in the Global Compliance Policy on Anti-Corruption and its associated Global Operational Instructions. The global policy sets minimum standards of anti-corruption compliance throughout the Group.<sup>3</sup> Whenever local rules in a country of operation are stricter than global policy, those stricter local rules apply. Each local entity must appoint a person responsible for its Anti-Bribery and Anti-Corruption Programme - the Local Anti-Corruption Officer; Group Legal Entities which do not have a Compliance function - due to their size - may appoint a joint Anti-Corruption Officer shared among all such entities or the role may be performed by the parent entity's Anti-Corruption Officer. Moreover each local entity is responsible for the development and implementation of an effective local anti-corruption program. The global policy and its operational instructions are periodically reviewed.

3. Refer to the Anti-Corruption Policy on our website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) for more information.

For the purposes of the global policy, an act of corruption is defined as the giving, offering, promising, receiving, accepting, demanding or soliciting of money, gifts or other benefits in order to obtain or retain an undue advantage in the course of business activities, irrespective of:

- whether the recipient of the act of corruption is a domestic or a foreign individual, a public official or a private individual
- where the act is committed
- whether the result of such act entails an actual undue advantage or the improper performance of a function or activity.

All employees are responsible for complying with the Global Policy, any corresponding local internal rules and procedures and all applicable anti-corruption laws in the performance of their duties.

All employees shall report to the Local Anti-Corruption Officer or the Local Head of Compliance any instances of actual or attempted acts of Bribery and Corruption they become aware of, whether the act of Bribery and Corruption is offered, given or received.

Any report must be made according to the established internal process but in any case in the first instance to the Local Anti-Corruption Officer and, where actual or suspected money laundering is involved, also to the local AML Officer. Failure to make such a report may give rise to individual criminal liability on the part of the relevant employee in certain jurisdictions, as well as exposing the Group to potential legal or regulatory action. Potential acts of bribery and corruptions may be reported also under the Global Compliance Policy – Whistleblowing, if locally implemented.<sup>4</sup>

The following mechanisms have been put in place to monitor the effectiveness of the Group's approach to preventing corruption and bribery: escalation procedures employed for significant and strategic issues; quarterly management of information requested from each Group Legal Entities; analysis and testing of the results of activities related to the management of second level controls; compliance risk assessments performed for each regulatory area in all legal entities within the Compliance function's jurisdiction; and internal audit reviews. The last two mechanisms (compliance risk assessments and internal audit reviews) result in risk mitigation actions that must be completed on time to ensure the management of identified risks.

The major anti-bribery and anti-corruption challenges the Group faces are:

- proper identification and prioritization of bribery risks
- monitoring of the risk of bribery and control failures due to a lack of awareness and understanding of policies and procedures
- proper keeping of books, records and accounts to determine potentially corrupt payments, if any
- monitoring the risk of failing to report actual or suspected incidents of bribery, both internally and to the external authorities
- monitoring the risk that an intermediary engages in bribery on behalf of the Group
- monitoring the risk that a Third party pays bribes on behalf of the Group
- monitoring the risk that a Third party pays kickbacks to Group employees
- ensuring that due diligence has been carried out before a proprietary investment to avoid the Group becoming liable for corruption
- appropriate and proportionate gifts and business hospitality expenditures to avoid improper influence or the impression of intent to solicit improper influence
- appropriate management of charity, sponsorship and donations to avoid the impression that they were made to ingenerate the expectation of obtaining/retaining a business advantage (political donations in any tangible or intangible form are forbidden)
- appropriate management of employment offers to avoid the impression that they were made to ingenerate the expectation of obtaining a business advantage.

4. Refer to the Whistleblowing part of this section for more information.

Risks of noncompliance are managed through a dedicated risk assessment process and quarterly second level controls. In the event of noncompliance, corrective actions to mitigate actual significant risks are undertaken. Our Group's Policy on Anti-corruption is addressed to entities operating in UniCredit core markets.<sup>5</sup>

UniCredit may be held liable for acts of corruption committed by Third parties acting on behalf of our Group, whether or not it had knowledge of the acts in question. Therefore Third parties are subject to an anti-corruption due diligence and assessment, both before being engaged and on an ongoing basis, in order to mitigate this risk.

With reference to communications and training, the Global Compliance Policy on Anti-Corruption is addressed to all relevant Group companies and applies to all members of strategic, control and executive bodies, employees, tied agents (e.g., financial advisors) and temporary employees of the Group. UniCredit SpA's strategic and executive bodies are made aware of the existence of and updates to the Global Policy and are responsible for complying with it. These bodies also participate in our dedicated training programs and are subject to mandatory anti-corruption training.

Topic	Key Achievements 2017	Priorities 2018
Anti-corruption	<ol style="list-style-type: none"> <li>1. A new whistleblowing campaign and a communication campaign about the new Code of Conduct were launched for UniCredit employees</li> <li>2. The Group policy on anti-bribery and corruption and related standard procedures were reviewed in order to update them to international best practices</li> <li>3. Compliance second level controls on intermediaries were enhanced with specific periodical overview of the main intermediaries at Group level</li> </ol>	<ol style="list-style-type: none"> <li>1. Implementation of the reviewed Group policy and Group Operational Rule</li> <li>2. Rollout and execution the updated Group Control Catalogue</li> <li>3. Perform updated risk assessment of training courses</li> <li>4. Rollout specific communication campaign on anti-bribery and corruption</li> <li>5. Deploy additional initiatives according to the Tone from the Top's 2018 plan regarding anti-bribery, anti-corruption and whistleblowing</li> </ol>

## Organizational and management model pursuant to Italian Legislative Decree 231/2001

UniCredit SpA has adopted an organizational and management model pursuant to Italian Legislative Decree 231/01 (administrative liability of legal entities, companies and associations). The organizational and management model (hereinafter the Model) is integrated within the rules, procedures and control systems already in place and applied in UniCredit SpA. The bank's organizational framework consists of the set of rules, structures and procedures that ensure the proper functioning of the Model; it is a structured, comprehensive system that is in itself a tool to oversee the prevention of unlawful conduct, including those envisaged by the specific legislation on the administrative liability of entities. In particular, the bank has identified the following tools to plan the formulation and implementation of business decisions and carry out relevant checks: the rules of Corporate Governance; the Internal Controls System; the system of authorities and delegation; the Integrity Charter; and the Code of Conduct. In addition, with specific reference to the risks deriving from L.D. 231/2001, the bank has formalized the specific decision protocols that describe the principles of conduct and control rules aimed at preventing the offences and established additional rules of conduct in the Code of Ethics pursuant to Italian Legislative Decree 231/01.

In drawing up the Model, the bank took explicit account of the Italian Banking Association - ABI guidelines. The Model was updated in December 2017, due to slight changes in bank's organization and changes in external regulation (i.e., a new definition of corruption between individuals).

All relevant Italian legal entities have also implemented their own organizational and management model based on UniCredit SpA's recommendations.

5. Recipient Legal Entities (further to the listed Entities, each Entity can distribute the Global Policy to additional own subsidiaries): Anthemis EVO LLP; AO UniCredit Bank; Bavaria Servicos de Representacao Comercial Ltda; Cordusio SIM SpA; Cordusio Societa Fiduciaria per Azioni; Crivelli Srl; FinecoBank SpA; I-Faber SpA; Nuova Compagnia di Partecipazioni SpA; SIA Unicredit Leasing; Trieste Adriatic Maritime Initiatives Srl; UniCredit (UK)Trust Services Ltd; UniCredit Bank ad Banja Luka; UniCredit Bank AG; UniCredit Bank Austria AG; UniCredit Bank Czech Republic and Slovakia, as; UniCredit Bank Hungary Zrt; UniCredit Bank Ireland Plc; UniCredit Bank SA; UniCredit Bank Serbia Jsc; UniCredit Banka Slovenija dd; UniCredit Bpc Mortgage Srl; UniCredit Bulbank AD; UniCredit Business Integrated Solutions SCpA; UniCredit Factoring SpA; UniCredit Global Leasing Export GmbH; UniCredit International Bank (Luxembourg) SA; UniCredit Leasing SpA; UniCredit OBG Srl; UniCredit Subito Casa SpA; UniCredit Turn-Around Management GmbH; Yapi ve Kredi Bankasi AS; Zagrebačka Banka DD.

## Antitrust

UniCredit has always been highly committed to compliance with antitrust rules.

Following the antitrust policies pursued and enacted in the past, in 2016 UniCredit deployed the Compliance Antitrust Program at Group level (hereinafter Program or CAP), aimed at:

- increasing the governance of antitrust matters at both company and Group level
- strengthening compliance culture and enhancing Group's reputation on the markets
- more effectively managing the risk of both antitrust breaches and penalties.

The CAP has been deployed in UniCredit SpA and the main banks of the Group operating in the European Union and has been shaped and calibrated on the basis of each bank's specific features, as business type and size as well as target markets, and is subject to monitoring and periodic review to ensure its continued effectiveness.

As part of the Program, in December 2016 UniCredit adopted the new Group Policy Single Antitrust Rulebook - Antitrust and Unfair Commercial Practices (hereinafter SAR), applicable to all Group companies and employees. The SAR provides practical rules of conduct and advice to correctly manage meetings with competitors and unannounced inspections carried out by antitrust authorities.

Topic	Key Achievements 2017	Priorities 2018
Antitrust	<ol style="list-style-type: none"> <li>1. Following the success of the Program, in 2017 UniCredit extended the CAP to further Group companies, including non-EU banks of the Group and foreign branches of UniCredit SpA and UniCredit Bank AG</li> <li>2. SAR approved in almost every Group company directly and indirectly controlled by UniCredit SpA for which SAR is relevant</li> </ol>	<ol style="list-style-type: none"> <li>1. Refreshing Compliance Antitrust Program in UniCredit and the main banks of the Group in 2019</li> </ol>

### Main legal actions regarding anti-competitive behavior, antitrust and monopoly practices<sup>A</sup>

Country	Description of main legal actions, 2017
Romania	On November 27 <sup>th</sup> , 2017, the Competition Council has dawn-raided the headquarters of several banks (including UniCredit Bank S.A.), financial non-banking institutions, leasing companies (including UniCredit Leasing Corporation IFN S.A. and UniCredit Fleet Management), professional associations and employers association activating in the financial services market, this being one of the authority's most complex actions. The dawn-raids were conducted within the framework of two investigations opened the Competition Authority on operational leasing services market and, respectively, on the financial services and consumer credit market. The investigations are currently on-going.

Country	Update on legal actions listed as ongoing in the 2016 Integrated Report
Italy	In April 2016, the AGCM notified the extension to UniCredit (and to 10 more Banks) of the proceedings I/794 ABI/SEDA opened in January vis-à-vis the Italian Banking Association (ABI). The proceedings are aimed at ascertaining the existence of alleged concerted practices with reference to the Sepa Compliant Electronic Database Alignment system (SEDA). On April 28, 2017, the AGCM issued a final notice whereby it confirmed that the practices carried out by the ABI, UniCredit and the other banks in connection with the adoption of the SEDA service model of compensation constituted an anti-competitive practice and therefore a violation of European competition regulations. With such notice, the AGCM ordered the parties to cease the infringement, submit a report evidencing the relevant measures adopted by January 1, 2018 to the AGCM, and refrain from enacting similar practices in the future. Given the fact that the infringements were minor in light of the legislative framework, the AGCM did not impose any monetary or administrative sanctions against UniCredit (or the other 10 banks) also in consideration of the fact that, in the course of the proceeding, the ABI and the banks proposed a redefined SEDA service remuneration model which, if correctly implemented by the banks, is expected to decrease the current SEDA costs by half, which benefits the enterprises utilizing the service and, ultimately, the end-users of the utilities. In light of the AGCM final notice, UniCredit decided to appeal the AGCM decision at the TAR (the Italian Regional Court). The appeal filed vis à vis the Italian Regional Court is still pending.
Hungary	The Hungarian Competition Authority (GVH) began a cartel investigation of 7 Hungarian banks, including UniCredit Bank Hungary Zrt, in connection with foreign currency mortgage loan repayments (early repayments). In 2013, the GVH fined UniCredit Bank Hungary Zrt. HUF 306,300,000 (roughly €1 million). The Bank appealed against such decision and the appeal was rejected at first and second instance. In December 2016 in the frame of judicial review the Supreme Court (Curia) instructed the Competition Authority to conduct a new procedure over fines it had levied on Banks. The Competition Authority reimbursed the fine paid by the Bank in 2013. New procedure is ongoing. In 2012, the GVH began a cartel investigation on the Hungarian Banking Association, the International Training Centre for Bankers and 38 Hungarian Banks (including UniCredit Bank Hungary Zrt), all of which participating in the BankAdat system, the interbank database for Hungarian credit institutions. At the end of the investigation, UniCredit Bank Hungary Zrt was not fined but the Hungarian Banking Association was fined HUF 4 billion (roughly €13 million) and the International Training Centre for Bankers was fined HUF 15 million (roughly €48,000). In the event they cannot fulfill their payment obligations, participating Banks that were the objects of the investigation (including UniCredit Bank Hungary Zrt) will be responsible for the payment jointly and severally. HBA and most of the affected Banks appealed against the decision, the court action is still ongoing.

A. Starting from this Integrated Report, the table refers only to anti-competitive behavior, antitrust and monopoly practices.

### Conflicts of interest

UniCredit Group is committed to identifying and properly managing all potential conflicts of interests (COI), with particular regard to:

1. conflicts in provision of investment services and activities
2. conflicts linked to banking services and activities
3. organizational conflicts
4. conflicts arising from employees' personal interests.

UniCredit has implemented a Global Policy on Conflicts of Interest, which sets forth principles and rules to assist employees in the identification and management of conflicts of interest. Under the policy, UniCredit provides general information on the measures the Group has taken to detect, manage and record such conflicts of interest.

UniCredit has adopted a distinctive model to identify and manage various forms of conflicts of interest. The model employs the following steps:

1. identification of events referable to the company that could generate conflicts of interest to the company, its employees, customers, and of the structures to which the events relate
2. identification of the applicable conflicts of interest to the company itself
3. identification of the organizational measures suitable to mitigate/neutralize the various applicable conflicts of interest and the additional processes requested (e.g., escalation and disclosure)
4. recording of conflicts of interest
5. controls for the effectiveness and completeness of these COI-related processes.

Topic	Key Achievements 2017	Priorities 2018
Conflicts of Interest	Groupwide focus on the implementation of the MiFID 2 rules, which introduce more detailed processes for the identification and management of the conflicts of interests, entering them into force by January 1, 2018	<ol style="list-style-type: none"> <li>1. Greater focus on conflicts of interest generated by outsourcing</li> <li>2. Simplification of the control catalogue related to conflicts of interests</li> <li>3. Further analysis and links for conflicts of interest-related regulations focused on products, such as Prospectus Directive and Insurance Distribution Directive</li> </ol>

### Privacy management

UniCredit ensures its compliance with data protection rules by adopting the principles set forth in the Italian legislation implementing the Directive 95/46/EC as well as in the upcoming new General Data Protection Regulation "GDPR" (EU Regulation 2016/679) entering into force on May, 25th 2018. The Group's internal data rules, particularly the Global Policy on Privacy (which replaced the previous version of the Global Compliance Guidelines on Privacy) issued in March 2015, will be updated in 2018 to comply with the GDPR.

Within the scope of data protection activities, the Compliance Risk Assessment and the second level controls performed by UniCredit are aimed to identify, monitor and manage compliance risks in this regulatory area. Furthermore, for specific data security issues, Compliance works with the Security Governance function to incorporate certain flows of controls performed by them on compliance risks related to data processing issues.

Topic	Key Achievements 2017	Priorities 2018
Privacy management	Launched project to address new GDPR provisions, with Group Compliance, HR, ICT Security and UBIS <sup>A</sup> leveraging local structures to analyze the Regulation and define which requirements must be implemented for the Group to comply with incoming provisions	Homogeneously implementing the new Regulation within the Group by completing the following actions by May 2018: <ul style="list-style-type: none"> <li>- appointment a Data Protection Officer (if needed)</li> <li>- fully record processing activities</li> <li>- privacy impact assessment (PIA)</li> <li>- implementation of new data subject rights (such as data portability)</li> <li>- updating of privacy documentation (such as information notice and consent form)</li> </ul>

A. UniCredit Business Integrated Solutions (UBIS) is the Group's global services company, which carries out activities related to Information and Communication Technology (ICT), Operations, Real Estate, Security and Procurement.

## Whistleblowing

In 2011, we adopted a system, implemented at Group level, that provides employees with a way to report conduct that violates the law or the bank's internal rules (i.e., whistleblowing). Any employee can make use of this mechanism to report a reasonable suspicion of unlawful conduct or that potentially harmful or detrimental behavior has occurred or may occur.

The Group's approach to whistleblowing is set out in a specific global compliance policy. In order to promote a corporate culture based on ethical behavior and good corporate governance, the Global Policy governs reports of unacceptable conduct by employees within the Group.

The policy is intended to:

- grant a corporate environment where employees may feel free to make reports on unacceptable conduct
- define adequate communication channels for the receipt, analysis and use of the reports.

The management of this process is designed to ensure the greatest possible confidentiality of the identity of the whistleblower and of the accused individual and to prevent any possible retaliatory or discriminatory behavior in response to the report.

For example, in Italy, UniCredit SpA has identified the Head of Compliance Italy as the person responsible for internal whistleblowing systems, who ensures that procedure is correctly followed. If the persons referred to above are hierarchically and functionally subordinate to the person to whom the whistleblowing report relates or they themselves are alleged to be responsible for the violation or have a potential interest in the report that would compromise their impartiality and independence of judgment, then the employee may contact Internal Audit directly as the reserve function by sending the report to the Head of the Group Audit Department and the Country Italy Audit Department.

The channels (some of which are available 24 hours a day) provided by UniCredit SpA for employees to provide whistleblowing reports, including anonymously, are as follows:

- by phone, the UniCredit SpeakUp line allows the employee to leave a voice message report, with the option to report anonymously
- on the website, where the UniCredit SpeakUp web service allows the employee to submit a written report, with the option to report anonymously
- by email, to the UniCredit Italy Whistleblowing email address
- by letter, to the dedicated UniCredit Italy Whistleblowing postal address.

On November 15, 2017, Italy's draft law for whistleblowing, which contains provisions for the protection of perpetrators of reports of crimes or irregularities that have come to light in the context of a public or private employment relationship, was definitively approved. This bill, Law n. 179/2017 was published in Gazzetta Ufficiale on December 14, 2017.

The law concerns the protection of workers, public or private, who report or denounce crimes or other illegal conduct which they have come to know about in the context of their employment relationship. The law contains an article dedicated to the public administration and another to the private sector.

For the private sector, which includes UniCredit SpA, the law lays out the organizational and management requirements of entities (Legislative Decree n. 231/01), saying that:

- organizational models must provide one or more channels (of which at least one is suitable to guarantee online confidentiality) suitable for the transmission of whistleblowing reports
- whistleblowing reports should be based on precise and concordant matters
- organizational models must provide disciplinary sanctions against those who violate reporting measures and against those who carry out, with fraud or guilt, reports that prove to be unfounded.

The law also establishes the nullity of the retaliation or discriminatory dismissal of the reporting person (whose identity cannot be disclosed) as well as the change of duties or other retaliation or discriminatory measure taken against the reporting party.

Concerning to the whistleblowing process of UniCredit SpA, analysis confirmed the substantial compliance of the bank's internal practices with the requirements of the new law.

Employees are further informed about UniCredit's whistleblowing policy by a specific section on the corporate intranet and by a brochure on the importance of the issue. Both detail how and when to make a whistleblowing report.

### Number of cases by category, 2017<sup>A</sup>

Total cases <sup>B</sup>	Closed cases at 31/12/2017		Pending cases at 31/12/2017	Categories <sup>C</sup>												
	Total closed cases	Out of which real policy or requirement breaches		Anti-Bribery and Corruption	Financial Sanctions	Anti-Money Laundering	MIFID	Conflict of Interest	Market Abuse	Banking Transparency & Protection	Privacy & Banking Secrecy	Anti-Trust	Failure to comply with HR regulations	Failure to comply with internal regulations (and other inappropriate behavior)		
232	202	53	30	45	0	6	1	15	2	7	10	14	49	79		

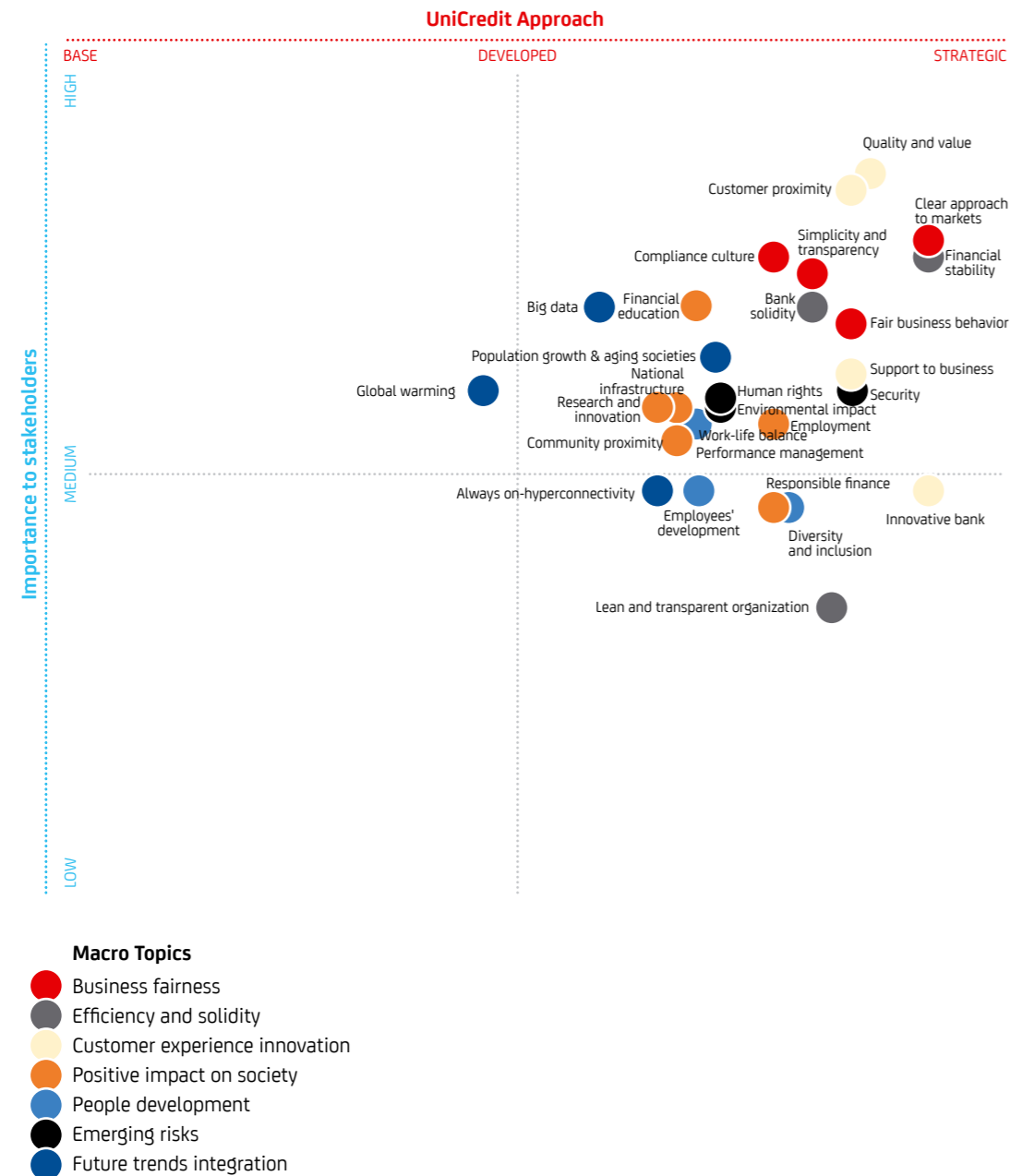
A. This data is drawn from the following subset of Group legal entities: UniCredit SpA (included branches in Milan, London, New York, Shanghai, Guangzhou, Madrid, Paris); AO UniCredit Bank; Ba Ca Leasing (Deutschland) GmbH; Cordusio SIM SpA; Cordusio Società Fiduciaria per Azioni; FactorBank Aktiengesellschaft; FinecoBank SpA; Mobility Concept GmbH; Ooo Unicredit Leasing; Schoellerbank Aktiengesellschaft; SIA UniCredit Leasing; UniCredit (UK) Trust Services Ltd; UniCredit Bank ad Banja Luka; UniCredit Bank AG (included branches in Munich, London, New York, Hong Kong, Singapore, Tokyo, Paris, Athens, Milan, Zurich, Vienna); UniCredit Bank Austria AG; UniCredit Bank Czech Republic and Slovakia, as; UniCredit Bank dd; UniCredit Bank Hungary Zrt; UniCredit Bank Ireland Plc; UniCredit Bank SA; UniCredit Bank Serbia Jsc; UniCredit Banka Slovenija dd; UniCredit Biztosításközvetítő Kft; UniCredit Bulbank AD; UniCredit Business Integrated Solutions SCpA; UniCredit Consumer Financing EAD; UniCredit Consumer Financing IFN SA; UniCredit Factoring EAD; UniCredit Factoring SpA; UniCredit International Bank (Luxembourg) SA; UniCredit Leasing (Austria) GmbH; UniCredit Leasing Corporation IFN SA; UniCredit Leasing Croatia doo za Leasing; UniCredit Leasing CZ as; UniCredit Leasing Hungary Zrt; UniCredit Leasing Kft; UniCredit Leasing Slovakia as; UniCredit Leasing SpA; UniCredit Leasing Srbija doo Beograd; UniCredit Leasing, leasing, doo; UniCredit Operativ Lizing Kft; UniCredit Subito Casa SpA; Yapi ve Kredi Bankasi AS; Zagrebačka Banka DD; ZAO Locat Leasing Russia; ZB Invest doo.

B. Of which 18 pending cases at the end of 2016.

C. Not inclusive of pending cases at the end of 2016.

Categories refer to the classification that was made when the case was opened. A case could be classified in one or more category.

## Materiality matrix



Macro Topic	Main stakeholder involved <sup>A</sup>	Material topic	Definition	Boundaries for material topics <sup>B</sup>		Main reference chapter of the Integrated Report
				Internal	External	
Business Fairness	All <sup>C</sup>	Compliance Culture	Installing a culture of compliance	Group	Customers Regulators	Risk Management and Compliance
Business Fairness	All	Fair Business Behavior	Maintaining high standards for fair business practices and expecting senior management and employees to treat all stakeholders with fairness, respect and reciprocity, according to the Integrity Charter	Group	Customers Investors	Risk Management and Compliance
Business Fairness	Customers	Simplicity and transparency	Enhancing our trust and credibility by proposing simple and easy to understand products/ services, as well as proactive, effective and clear communications and transparent decision-making processes	Group	Customers	Integration of Strategic Pillars and Capitals Social & Relationship Capital
Business Fairness	Investors	Clear Approach to Markets	Maintaining transparent relationships with financial markets by disclosing information that is useful for investors to understand our competitive positioning and bank business trends	Group	Investors	Integration of Strategic Pillars and Capitals Financial Capital Social & Relationship Capital
Efficiency and Solidity	All	Bank Solidity	Ensuring financial solidity and resilience in the uncertain economic scenario	Group	Customers Investors	Governance Integration of Strategic Pillars and Capitals Financial Capital
Efficiency and Solidity	Customers	Lean and Transparent Organization	Guaranteeing lean and efficient bank procedures and transparent decision making processes	Group	Customers	Integration of Strategic Pillars and Capitals Social & Relationship Capital
Efficiency and Solidity	Regulators	Financial Stability	Building a long-term foundation for financial stability while supporting customers in an uncertain environment; providing tangible support for regulatory discussions to create a better financial system	Group	Regulators	Integration of Strategic Pillars and Capitals Risk Management & Compliance Social & Relationship Capital
Customer Experience Innovation	Customers	Innovative Bank	Being proactive, acting promptly and promoting innovation	Group	Customers	Integration of Strategic Pillars and Capitals Intellectual Capital
Customer Experience Innovation	Customers	Quality and value	Offering high quality products and services that are good value for money	Group	Customers	Integration of Strategic Pillars and Capitals Social & Relationship Capital
Customer Experience Innovation	Customers	Customer Proximity	Being close to customers, understanding their needs and promptly providing local families and companies with a wide range of specialized products/services on request	Group	Customers Communities	Integration of Strategic Pillars and Capitals Social & Relationship Capital

A. Main stakeholder group that raised and/or is impacted by the material topic.  
 B. Reporting of data and information for topics that are material outside the organization is limited to the Group activities. The Geographical location where the topic is material refers mainly to the 14 Countries where the Group has significant operations (refer to the Report Structure of the Integrated Report for more information). Internal and External refers to the main subjects that impact the topic.  
 C. Includes Colleagues, Customers, Communities, Investors, Regulators, Suppliers.



Macro Topic	Main stakeholder involved <sup>a</sup>	Material topic	Definition	Boundaries for material topics <sup>b</sup>		Main reference chapter of the Integrated Report
				Internal	External	
Customer Experience Innovation	Customers	Support to Business	Being close to companies by developing products and services that support their economic growth (e.g. innovation, internationalization, research and development)	Group	Customers	Integration of Strategic Pillars and Capitals Social & Relationship Capital
Positive Impact on Society	Customers	Responsible Finance	Committing to environmental, social and governance issues through dedicated products in portfolio	Group	Customers Investors	Natural Capital Social & Relationship Capital
Positive Impact on Society	Communities	Financial education	Helping citizens – customers and non-customers alike – to improve their financial knowledge and make more informed financial decisions	Group	Communities Customers	Social & Relationship Capital
Positive Impact on Society	Communities	Employment	Contributing indirectly to raising employment levels by developing products and services that both support ongoing business activities and help identify new business opportunities	Group		Social & Relationship Capital
Positive Impact on Society	Communities	Research and Innovation	Developing products and services to support research and innovation intensive industries and to contribute to social and economic progress as well as the well-being of countries	Group	Customers	Intellectual Capital Social & Relationship Capital
Positive Impact on Society	Communities	Community Proximity	Understanding territorial issues and responding to local needs to better support social development and positively impact communities	Group	Communities	Social & Relationship Capital
Positive Impact on Society	Communities	National infrastructure	Support development of national infrastructures including roads, motorways, railroads, public offices etc.	Group	Customers Communities	Social & Relationship Capital
People development	Colleagues	Diversity and Inclusion	Fostering and improving a culture of inclusion, fairness and respect by promoting equal opportunities in the workplace so all colleagues can maximize their potential	Group		Human Capital
People development	Colleagues	Work-life Balance	Demonstrating concern for employees' well-being and the balance between their professional and personal lives; creating a work environment in which everyone feels at ease and is motivated to build positive relationships with customers	Group		Human Capital
People development	Colleagues	Performance Management	Developing systems based on transparent and fair mechanisms to ensure all employees are capable of performing to the best of their abilities	Group		Human Capital
People development	Colleagues	Employees' Development	A commitment to enhancing colleagues' professional skills and accelerating their professional development	Group		Human Capital

Macro Topic	Main stakeholder involved <sup>a</sup>	Material topic	Definition	Boundaries for material topics <sup>b</sup>		Main reference chapter of the Integrated Report
				Internal	External	
Emerging Risks	All	Security	Investing in a comprehensive, prompt and effective ICT security	Group	Customers Regulators	Intellectual Capital Risk management & Compliance
Emerging Risks	All	Human Rights	Respecting and supporting human rights within our sphere of influence, while ensuring our Group is not indirectly complicit in human rights abuse	Group	Customers Regulators Investors	Risk management & Compliance
Emerging Risks	All	Environmental Impact	Taking responsibility for the potential direct and indirect environmental impacts of our business decisions	Group	Customers Regulators Investors Communities	Natural Capital Risk management & Compliance
Future Trends Integration	Employees Customers	Big Data	Using analytics is likely to become increasingly significant over the next decade, with positive and negative implications	Group	Customers Regulators	Integration of Strategic Pillars and Capitals Intellectual Capital
Future Trends Integration	Employees Customers	Population Growth and aging societies	Global population is increasing with lengthened life expectancy	Group	Customers	Social & Relationship Capital
Future Trends Integration	Customers	Always on - hyperconnectivity	Advances in communication technologies are already causing far-reaching changes to society and the economy	Group	Customers	Integration of Strategic Pillars and Capitals Intellectual Capital
Future Trends Integration	Customers Communities	Global Warming	A commitment to reduction of the average worldwide temperature	Group	Customers Communities Regulators Investors	Natural Capital

### Dialogue tools with stakeholders

Stakeholder group	Principal dialogue tools	Key company departments involved
<b>Customers</b>	<ul style="list-style-type: none"> <li>Customer satisfaction assessment</li> <li>Brand reputation assessment</li> <li>Instant feedback</li> <li>Mystery shopping</li> <li>Focus groups, workshops, seminars</li> </ul>	<ul style="list-style-type: none"> <li>Group Stakeholder Insight</li> <li>Local Stakeholder Insight</li> <li>Local marketing teams</li> </ul>
<b>Colleagues</b>	<ul style="list-style-type: none"> <li>People Survey of professional engagement</li> <li>Internal clients' perceptions of headquarters services</li> <li>Group Intranet Portal</li> <li>Departmental online communities</li> </ul>	<ul style="list-style-type: none"> <li>Group Stakeholder Insight</li> <li>Global HR Management</li> <li>Local HR</li> <li>Group Internal Communications</li> </ul>
<b>Investors/shareholders</b>	<ul style="list-style-type: none"> <li>Quarterly webcasts and conference calls to present results</li> <li>One-on-one and group meetings, calls</li> <li>Shareholders' meeting</li> </ul>	<ul style="list-style-type: none"> <li>Group Investor Relations</li> <li>Group Sustainability for SRI investors</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>One-on-one and group meetings, calls</li> </ul>	<ul style="list-style-type: none"> <li>Group Institutional and Regulatory Affairs</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>Surveys</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Group Stakeholder Insight</li> <li>Group Identity and Communications</li> <li>Local Identity and Communications</li> </ul>

## Portrait in numbers<sup>1</sup>

The data in this part of Supplement applies to UniCredit's employees (in Head Count) as of December 31, 2017-2016-2015. Our employee data does not include external staff (e.g., interns or consultants). The number reflects all employees of fully and proportionately consolidated entities. The data represents 100 percent of the population unless otherwise noticed.

In 2016, the alignment to the Global Job Model and Global Banding has been further extended within the Group. The decrease registered between 2015 and 2016 in number of Top managers reflects the roll-over of their new definitions through the different legal entities.

The sale of Bank Pekao and Pioneer Global Asset Management and their subsidiaries in 2017 may limit the comparison between 2016 and 2017. Starting from this report, data referred to Poland has been included in Other, also for 2016 (Head Count amounted to 18,997) and 2015 (Head Count amounted to 19,442).

2017 data shows a general decrease of the company's overall population, mainly due to the reorganization of the Group through our strategic plan. This decrease has also occurred in the Group's female presence indicators, due to actions such as the sale of Bank Pekao, which has a high number of female employees.

### Percentage and number of employees by country and gender, 2015-2017

Country	Female 2017	Male 2017	Head Count 2017	Head Count 2016	Head Count 2015
Italy	44.98%	55.02%	44,957	49,408	50,259
Germany	54.25%	45.75%	17,472	19,183	20,496
Austria	54.81%	45.19%	9,363	9,985	10,545
Bosnia and Herzegovina	72.20%	27.80%	1,694	1,704	1,681
Bulgaria	77.40%	22.60%	4,566	4,534	4,574
Croatia	74.93%	25.07%	4,165	4,254	4,401
Czech Republic	65.74%	34.26%	4,063	4,136	4,107
Hungary	68.41%	31.59%	2,257	2,283	2,332
Romania	70.71%	29.29%	5,698	5,674	5,285
Russia	67.94%	32.06%	4,722	4,790	4,597
Serbia	62.53%	37.47%	1,281	1,231	1,177
Slovenia	64.39%	35.61%	570	562	596
Other <sup>A</sup>	58.13%	41.87%	1,507	21,077	26,924
<b>Total</b>	<b>54.94%</b>	<b>45.06%</b>	<b>102,315</b>	<b>128,821</b>	<b>136,974</b>

A. In 2017, Other includes: Brazil, Ireland, Latvia, Luxembourg, Poland, Singapore, Slovakia, United Kingdom and United States of America.

### Percentage of employees by employment tier, 2015-2017

Employment tier	2017	2016	2015
Top Management	0.02%	0.01%	0.06%
Executive	0.40%	0.56%	0.58%
Middle Management	9.40%	9.25%	9.14%
Staff	90.19%	90.17%	90.22%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

1. Numbers might not add up due to rounding reasons.

### Percentage of employees by employment tier and gender, 2015-2017

Employment tier and gender	2017	2016	2015
<b>Top Management</b>			
Female	5.88%	10.53%	14.12%
Male	94.12%	89.47%	85.88%
<b>Executive</b>			
Female	16.26%	19.17%	18.71%
Male	83.74%	80.83%	81.29%
<b>Middle Management</b>			
Female	30.74%	31.83%	31.74%
Male	69.26%	68.17%	68.26%
<b>Staff</b>			
Female	57.64%	59.87%	60.75%
Male	42.36%	40.13%	39.25%

### Percentage of employees by gender and contract type, 2015-2017

Gender	2017		2016		2015	
	Fixed-term	Permanent	Fixed-term	Permanent	Fixed-term	Permanent
Female	3.64%	51.29%	3.14%	53.91%	3.01%	54.81%
Male	2.20%	42.86%	1.81%	41.15%	1.54%	40.64%
<b>Total</b>	<b>5.84%</b>	<b>94.16%</b>	<b>4.95%</b>	<b>95.05%</b>	<b>4.55%</b>	<b>95.45%</b>

### Percentage of employees by employment tier and age, 2016-2017

Employment tier	2017					2016				
	Up to 30 years	31-40 years	41-50 years	Above 50 years	Total	Up to 30 years	31-40 years	41-50 years	Above 50 years	Total
Top Management	0.00%	0.00%	23.53%	76.47%	100.00%	0.00%	0.00%	31.58%	68.42%	100.00%
Executive	0.00%	5.91%	43.35%	50.74%	100.00%	0.69%	9.38%	44.69%	45.24%	100.00%
Middle Management	0.92%	20.98%	41.95%	36.15%	100.00%	0.76%	21.37%	43.41%	34.45%	100.00%
Staff	12.00%	26.44%	29.92%	31.64%	100.00%	11.53%	26.46%	30.45%	31.55%	100.00%

### Percentage of employees leaving employment by reasons, 2015-2017

Reason for leaving the Group	2017	2016	2015
Retirement - employees who left to retire <sup>A</sup>	2.09%	5.14%	4.95%
Restructuring - employees who left due to a common agreement or industrial plan negotiated with trade unions	45.47%	27.04%	14.28%
Individual agreements - employees who left due to individual or one-to-one agreements	5.60%	10.07%	21.26%
Employee resignation - employees who resigned	34.29%	37.95%	41.16%
Employer dismissal - employees who left the bank involuntarily	3.69%	6.62%	5.82%
Other - all remaining reasons, including ending of temporary contracts	8.85%	13.17%	12.52%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A. Retirements triggered by restructuring have been reported under restructuring rather than retirement.

### Turnover for incoming employees by country, 2016-2017<sup>A</sup>

Country	2017		2016	
	Number	Percentage	Number	Percentage
Italy	496	1.10%	676	1.37%
Germany	352	2.01%	548	2.86%
Austria	1,214	12.97%	365	3.66%
Bosnia and Herzegovina	109	6.43%	123	7.22%
Bulgaria	556	12.18%	584	12.88%
Croatia	237	5.69%	265	6.23%
Czech Republic	629	15.49%	630	15.23%
Hungary	327	14.49%	335	14.67%
Romania	1,269	22.27%	1,313	23.14%
Russia	863	18.28%	951	19.85%
Serbia	125	9.76%	153	12.43%
Slovenia	71	12.46%	18	3.20%
Other <sup>B</sup>	252	16.72%	853	4.05%
<b>Total</b>	<b>6,500</b>	<b>6.35%</b>	<b>6,814</b>	<b>5.29%</b>

A. Turnover rates for incoming employees are calculated as follows: (Employees hired during the year)/(Total employees at the end of the year)\*100.  
B. In 2017, Other includes: Brazil, Ireland, Latvia, Luxembourg, Poland, Singapore, Slovakia, United Kingdom and United States of America.

### Turnover for outgoing employees by country, 2016-2017<sup>A</sup>

Country	2017		2016	
	Number	Percentage	Number	Percentage
Italy	4,493	9.99%	1,896	3.84%
Germany	1,412	8.08%	1,669	8.70%
Austria	1,681	17.95%	1,155	11.57%
Bosnia and Herzegovina	91	5.37%	95	5.58%
Bulgaria	521	11.41%	622	13.72%
Croatia	331	7.95%	408	9.59%
Czech Republic	785	19.32%	607	14.68%
Hungary	334	14.80%	379	16.60%
Romania	1,160	20.36%	926	16.32%
Russia	930	19.70%	758	15.82%
Serbia	78	6.09%	98	7.96%
Slovenia	63	11.05%	52	9.25%
Other <sup>B</sup>	210	13.93%	1,478	7.01%
<b>Total</b>	<b>12,089</b>	<b>11.82%</b>	<b>10,143</b>	<b>7.87%</b>

A. Turnover rates for outgoing employees are calculated as follows: (Employees who left the Group during the year)/(Total employees at the end of the year)\*100.  
B. In 2017, Other includes: Brazil, Ireland, Latvia, Luxembourg, Poland, Singapore, Slovakia, United Kingdom and United States of America.

### Turnover for incoming employees by gender<sup>A</sup> and age<sup>B</sup>, 2016-2017

Gender	2017		2016	
	Number	Percentage	Number	Percentage
Female	4,021	7.15%	4,083	5.56%
Male	2,479	5.38%	2,731	4.93%

Age	2017		2016	
	Number	Percentage	Number	Percentage
Up to 30 years	3,672	32.91%	4,109	30.45%
31 – 40 years	1,442	5.45%	1,857	5.57%
41 – 50 years	587	1.84%	535	1.31%
Above 50 years	799	2.43%	313	0.76%

A. Turnover rates for incoming employees are calculated as follows: (Employees hired during the year, by gender)/(Total employees by gender at the end of the year)\*100.  
B. Turnover rates for incoming employees are calculated as follows: (Employees hired during the year, by age)/(Total employees by age at the end of the year)\*100.

### Turnover for outgoing employees by gender<sup>A</sup> and age<sup>B</sup>, 2016-2017

Gender	2017		2016	
	Number	Percentage	Number	Percentage
Female	6,185	11.00%	5,816	7.91%
Male	5,904	12.80%	4,327	7.82%

Age	2017		2016	
	Number	Percentage	Number	Percentage
Up to 30 years	2,718	24.36%	2,660	19.71%
31 – 40 years	2,239	8.47%	2,465	7.39%
41 – 50 years	1,249	3.92%	1,422	3.48%
Above 50 years	5,883	17.89%	3,596	8.75%

A. Turnover rates for outgoing employees are calculated as follows: (Employees who left the Group during the year, by gender)/(Total employees by gender at the end of the year)\*100.  
B. Turnover rates for outgoing employees are calculated as follows: (Employees who left the Group during the year, by age)/(Total employees by age at the end of the year)\*100.

### Differential<sup>A</sup> between female and male employee gross salaries<sup>B</sup> by country and employment tier, 2016-2017<sup>C</sup>

The percentage represents the weighted averages of women's average gross salary compared to men's.

Country	2017			2016		
	Executive	Middle Management	Staff	Executive	Middle Management	Staff
Italy	86.95%	85.94%	88.51%	90.62%	86.44%	89.10%
Germany	76.27%	84.59%	86.49%	74.03%	83.71%	86.42%
Austria	96.35%	90.14%	79.81%	92.80%	88.64%	83.29%
Bosnia and Herzegovina	93.85%	94.69%	89.84%	96.90%	90.35%	91.35%
Bulgaria	40.07%	92.29%	73.89%	Not available	90.46%	73.43%
Croatia	75.23%	90.10%	94.91%	71.84%	85.62%	88.62%
Czech Republic	Not applicable	75.02%	76.04%	Not applicable	81.60%	74.92%
Hungary	Not applicable	95.49%	81.83%	49.67%	96.50%	84.17%
Romania	57.32%	96.58%	83.40%	56.06%	100.62%	83.55%
Russia	60.12%	89.83%	73.80%	Not applicable	90.22%	74.51%
Serbia	Not applicable	83.32%	82.46%	88.59%	100.07%	94.51%
Slovenia	73.26%	101.88%	98.52%	86.42%	112.81%	97.61%

A. The ratios were calculated as follows: (Total gross salary of female employees/Total female FTE)/(Total gross salary of male employees/Total male FTE).  
B. Gross salary: the full year fixed amount paid to an employee for performing his/her duties. It includes allowances provided related to specific positions.  
C. Data represents 82.2 percent of the population for 2017 and 81.7 percent for 2016.

### Differential<sup>A</sup> between female and male employee total remuneration<sup>B</sup> by country and employment tier, 2016-2017<sup>C</sup>

The percentage represents the weighted averages of women's average remuneration compared to men's.

Country	2017			2016		
	Executive	Middle Management	Staff	Executive	Middle Management	Staff
Italy	79.19%	85.11%	88.48%	83.75%	86.86%	89.32%
Germany	67.38%	78.72%	83.94%	64.13%	77.15%	84.28%
Austria	88.91%	88.79%	78.68%	97.14%	86.90%	82.43%
Bosnia and Herzegovina	95.16%	94.46%	89.41%	88.61%	88.54%	90.13%
Bulgaria	39.57%	92.62%	73.84%	Not available	92.92%	72.99%
Croatia	76.92%	87.38%	94.79%	78.52%	83.55%	88.29%
Czech Republic	Not applicable	71.58%	74.97%	Not applicable	76.74%	73.29%
Hungary	Not applicable	95.89%	81.36%	42.89%	96.29%	83.45%
Romania	47.33%	94.59%	85.35%	45.94%	96.83%	83.23%
Russia	59.18%	88.16%	73.86%	Not applicable	90.31%	74.03%
Serbia	Not applicable	81.93%	81.67%	84.60%	98.07%	93.37%
Slovenia	74.03%	100.70%	99.16%	87.20%	116.36%	97.18%

A. The ratios were calculated as follows: (Total remuneration of female employees/Total female FTE)/(Total remuneration of male employees/Total male FTE).  
B. Total remuneration: gross salary plus additional amounts such as bonuses including cash and/or available equity shares to reward individual performance and Company's results and any other no one-off payments.  
C. Data represents 82.2 percent of the population for 2017 and 81.7 percent for 2016.

## Diversity management

### Percentage of permanent employees by gender and employment type, 2015-2017

Gender	2017		2016		2015	
	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time
Female	89.17%	48.41%	87.36%	52.07%	87.29%	53.15%
Male	10.83%	51.59%	12.64%	47.93%	12.71%	46.85%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

### Percentage of female with part-time contracts out of all women by employment tier, 2015-2017

Employment tier	2017	2016	2015
Executive	3.03%	3.60%	4.73%
Middle management	15.53%	12.91%	11.63%
Staff	25.31%	21.07%	19.71%

### Number and percentage of employees promoted to higher contractual job grade by country and gender, 2017<sup>A</sup>

Country	Number		Percentage	
	Female	Male	Female	Male
Italy	807	1,041	43.67%	56.33%
Germany	223	274	44.87%	55.13%
Austria	116	129	47.35%	52.65%
Bosnia and Herzegovina	78	40	66.10%	33.90%
Bulgaria	13	12	52.00%	48.00%
Croatia	290	118	71.08%	28.92%
Czech Republic	280	172	61.95%	38.05%
Hungary	36	21	63.16%	36.84%
Romania	300	113	72.64%	27.36%
Russia	24	30	44.44%	55.56%
Serbia	5	5	50.00%	50.00%
Slovenia	10	7	58.82%	41.18%
Other <sup>B</sup>	21	16	56.67%	43.24%
<b>Total</b>	<b>2,203</b>	<b>1,978</b>	<b>52.69%</b>	<b>47.31%</b>

A. Data represents 91.8 percent of the population for 2017.

B. In 2017, Other includes: Brazil, Ireland, Latvia, Luxembourg, Poland, Singapore, Slovakia, United Kingdom and United States of America.

### Number of employees in protected categories<sup>A</sup> by country, 2016-2017<sup>B</sup>

Country	2017	2016
Italy	2,796	3,205
Germany	655	663
Austria	358	362
Bosnia and Herzegovina	10	10
Bulgaria	127	115
Croatia	36	36
Czech Republic	55	48
Hungary	0	10
Romania	12	11
Russia	123	130
Serbia	0	0
Slovenia	4	4
Other <sup>C</sup>	4	286

A. Employees in protected categories are reported according to the requirements of applicable local laws. Due to privacy reasons the employment tier breakdown is not reported.

B. Data represents 92.7 percent of the population for 2017 and 92.2 percent for 2016.

C. In 2017, Other includes: Brazil, Ireland, Latvia, Luxembourg, Poland, Singapore, Slovakia, United Kingdom and United States of America.

## Training

Our Group received roughly €4 million in 2017 by leveraging our capacity to cover training costs with public funds.

### Training hours per capita by employment tier and gender, 2016-2017

	2017			2016		
	Female	Male	Total	Female	Male	Total
Top Management	15.58	7.81	8.26	6.02	5.90	5.91
Executive	25.26	23.26	23.59	16.82	15.17	15.44
Middle Management	19.44	19.10	19.21	19.40	16.81	17.63
Staff	23.38	25.80	24.40	23.66	26.77	24.89
<b>Total</b>	<b>23.18</b>	<b>24.80</b>	<b>23.91</b>	<b>23.44</b>	<b>25.17</b>	<b>24.17</b>

This data was drawn from a population that represented 95.9 percent of the population for 2017 and 91.1 percent for 2016. Training hours included e-learning, classroom instruction and on-the-job training.

## Industrial Relations<sup>2</sup>

At UniCredit, we strongly believe in the importance of social dialogue, particularly regarding the Group's labor practices. Social dialogue enhances our ability to cooperate, improves our listening skills and expands our understanding of domestic and global labor needs. A consistent, Groupwide approach has maintained our high standard of social dialogue in recent years, helping us to manage the challenging goals of our business strategies.

In every country where we operate, we remain committed to improving UniCredit's social dialogue, focusing on building on our strong European identity. At the national level, workers' interests may be represented in our Group by trade unions, works councils or other representatives, in line with applicable labor laws and local industrial relations systems. At the international level, workers are represented by the European Works Council (EWC), which, since it was founded in 2007, has worked to ensure the right to information and consultation on transnational Group topics that could significantly affect workers' interests. It currently has 35 members, representing 17 countries (Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Germany, Hungary, Ireland, Italy, Luxembourg, Poland, Romania, Russia, Serbia, Slovakia, Slovenia and the United Kingdom).

Over the past 10 years, UniCredit and the EWC have achieved important results, defining a distinctive global approach to industrial relations. The 4 joint declarations signed over the last decade demonstrate their success in improving social dialogue across Europe by establishing a global strategic overview that facilitates social dialogue at local levels.

The Joint Declaration on Training, Learning and Professional Development (December 2008) is based on the principle that learning is a lifelong, continuous and effective experience. It defines guidelines and principles that, respecting the different cultural, social and historical backgrounds of each country where UniCredit is present, should support all actors involved and serve as a point of reference for all strategies, activities and initiatives in the fields of training, learning and professional development.

2. This data is drawn from the following subset of Group entities (which represents 98.6 percent of the reporting boundaries) unless stated otherwise:

- Italy: UniCredit SpA, UniCredit Business Integrated Solutions SCpA, UniCredit Leasing SpA, FinecoBank SpA
- Germany: UniCredit Bank AG, UniCredit Business Integrated Solutions SCpA
- Austria: UniCredit Bank Austria AG, UniCredit Business Integrated Solutions Austria GmbH, UniCredit Leasing (Austria) GmbH, Schoellerbank Aktiengesellschaft, Card Complete Service Bank AG
- Bosnia and Herzegovina: UniCredit Bank ad Banja Luka, UniCredit Bank dd
- Bulgaria: UniCredit Bulbank AD, UniCredit Leasing EAD, UniCredit Consumer Financing EAD
- Croatia: Zagrebačka Banka DD
- Czech Republic: UniCredit Bank Czech Republic and Slovakia as, UniCredit Business Integrated Solutions SCpA, UniCredit Leasing CZ as
- Hungary: UniCredit Bank Hungary Zrt, UniCredit Business Integrated Solutions SCpA, UniCredit Leasing Hungary Zrt
- Romania: UniCredit Bank SA, UniCredit Business Integrated Solutions SCpA, UniCredit Business Integrated Solutions Austria GmbH, UniCredit Leasing Corporation IFN SA, UniCredit Leasing Fleet Management Srl, UniCredit Consumer Financing IFN SA
- Russia: AO UniCredit Bank
- Serbia: UniCredit Bank Serbia Jsc
- Slovenia: UniCredit Banka Slovenija dd, UniCredit Leasing, leasing, doo.

The Joint Declaration on Equal Opportunities and Non-Discrimination (May 2009) is intended to be a point of reference for all employees to define the guidelines on sensitive issues such as diversity, equal opportunities and non-discrimination, with the purpose of creating a diverse corporate culture, improving the sense of belonging and enhancing the quality of life at work.

The Joint Declaration on Responsible Sales (May 2015) promotes joint principles and guidelines in UniCredit's commercial approach, defining the pillars by which they can be shared and respected: quality of products, customer centricity, employees' professional development, and organizational governance.

In November 2017, in a first for the European banking sector, UniCredit and the EWC signed a Joint Declaration on Work-Life Balance, aimed at promoting a set of specific, concrete actions to support work-life balance across the Group. The document calls for a general approach to setting target standards in all of UniCredit's legal entities and all of the countries where the Group is present, with five areas of focus: digitization, space and time flexibility, time management, well-being, and cultural change. In each of these focus areas, clear drivers are intended to guide and inspire country initiatives, in respect for local best practices already in place.

#### Percentage of employees covered by collective bargaining agreements, 2016-2017<sup>A</sup>

Country	2017	2016
Italy	100%	100%
Germany		
UniCredit Bank AG	40.95%	45.60%
UniCredit Business Integrated Solutions SCpA	49.56%	51.10%
Austria <sup>B</sup>	100%	100%
Bosnia and Herzegovina	100%	100%
Bulgaria <sup>C</sup>	59.74%	60%
Croatia	100%	100%
Czech Republic	100%	100%
Hungary <sup>D</sup>	Not applicable	Not applicable
Romania		
UniCredit Bank SA		
UniCredit Consumer Financing IFN SA	93%	Not applicable
UniCredit Leasing Corporation IFN SA		
UniCredit Business Integrated Solutions SCpA		
UniCredit Business Integrated Solutions Austria GmbH	100%	100%
Russia	100%	100%
Serbia <sup>D</sup>	Not applicable	Not applicable
Slovenia	100%	100%

A. The collective bargaining agreement refers to national, sector and company level.

B. Refers to UniCredit Bank Austria AG.

C. Refers to UniCredit Bulbank AD.

D. There is no collective bargaining agreement at the branch and country level as of yet.

#### Notice period typically provided to employees and their elected representatives prior to implementing significant operational changes that could affect them substantially, 2017

Country	Notice period	Legal number of days notice	Notice period specified in collective bargaining agreements
Italy	Yes	25	Yes
Germany	No	Not applicable	Not applicable
Austria			
UniCredit Bank Austria AG	Yes	5 <sup>A</sup>	No
UniCredit Business Integrated Solutions Austria GmbH	No	Not applicable	Not applicable
Bosnia and Herzegovina	Yes	15	No
Bulgaria <sup>B</sup>	Yes	45	Yes
Croatia	Yes	14	Yes
Czech Republic			
UniCredit Bank Czech Republic and Slovakia, as UniCredit Leasing CZ as	Yes	60	No
UniCredit Business Integrated Solutions SCpA	Yes	60	Yes
Hungary	Yes	30	No
Romania			
UniCredit Bank SA	Yes	10 <sup>C</sup>	No
UniCredit Consumer Financing IFN SA			
UniCredit Leasing Corporation IFN SA	No	Not applicable	Not applicable
UniCredit Leasing Fleet Management Srl			
UniCredit Business Integrated Solutions SCpA	Yes	30	Yes
UniCredit Business Integrated Solutions Austria GmbH			
Russia	Yes	60	No
Serbia	No	Not applicable	Not applicable
Slovenia	Yes	8	Yes

A. 5 days to give notice to individual employees. No specific period for organizational changes.

B. Refers to UniCredit Bulbank AD.

C. Notice period might change according to the situation.

## Welfare and work-life balance<sup>3</sup>

An adequate and proportionate balance between professional and private life has a positive impact on the workplace, productivity and employees' overall sense of belonging to a company, while also improving their quality of life and well-being.

Specific benefits are defined at the country level, due to differences in local laws and practices. In this respect, the Joint Declaration on Work-Life Balance represents the first step towards defining a Groupwide approach to this area.

UniCredit intends to continuously enhance its current practices, while fully respecting the specific features of individual countries. The innovative approach defined by the joint declaration aims to inspire and address local initiatives by identifying specific macro-areas of focus and promoting a set of concrete actions and clear drivers.

### Retirement plans offered to employees, 2017

Country	Principal retirement plans	Contribution from employer	Contribution from employees
Italy <sup>A</sup>	Defined contribution plan	2% or 3% <sup>B</sup>	Minimum 0.5%
Germany	Defined contribution plan	BVV: 2.5 % of gross income up to gross yearly income of €61,548 Agfa: employer pays contributions of 0.25 gross monthly salary per year (1 gross monthly salary for "first and senior vice presidents")	2.5% of gross income up to a gross yearly income of €61,548
UniCredit Bank AG	Defined contribution plan		
UniCredit Business Integrated Solutions SCpA	Defined contribution plan	2.5 % of gross income up to gross yearly income of €60,012	2.5% of gross income up to gross yearly income of €60,012
Austria	Defined contribution plan	2.9% or more	Arrangements between the pension fund and employee are made on an individual basis
UniCredit Bank Austria AG	Defined contribution plan		
UniCredit Business Integrated Solutions Austria GmbH	Defined contribution plan	2.5% of the yearly gross salary	Arrangements between the pension fund and employee are made on an individual basis
Bosnia and Herzegovina	No plans	Not applicable	Not applicable
Bulgaria	No plans	Not applicable	Not applicable
Croatia	No plans	Not applicable	Not applicable
Czech Republic	Defined contribution plan	19,500 CZK (approximately €780), not applicable for all	Not specifically required
UniCredit Bank Czech Republic and Slovakia, as	Defined contribution plan		
UniCredit Leasing CZ as	Defined contribution plan	15,000 CZK (approximately €600)	Not specifically required
UniCredit Business Integrated Solutions SCpA	No plans	Not applicable	Not applicable
Hungary	Defined contribution plan	No	Max 10% of gross base salary
UniCredit Bank Hungary Zrt	Defined contribution plan		
UniCredit Leasing Hungary Zrt	Defined contribution plan		Max 50% of the minimum wage
UniCredit Business Integrated Solutions SCpA	Defined contribution plan	Not specifically required	
Romania	Defined contribution plan	Approximately 100 RON (approximately €21) of the monthly salary	Arrangements between the pension fund and employee are made on an individual basis
UniCredit Bank SA	Defined contribution plan		
UniCredit Consumer Financing IFN SA	Defined contribution plan		
UniCredit Leasing Corporation IFN SA	Defined contribution plan		
UniCredit Leasing Fleet Management Srl	Defined contribution plan		
UniCredit Business Integrated Solutions SCpA	Defined contribution plan	Approximately 100 RON (approximately €21) of the monthly salary	Arrangements between the pension fund and employee are made on an individual basis
UniCredit Business Integrated Solutions Austria GmbH	Defined contribution plan		
Russia	Defined contribution plan	7% of the monthly base salary	7% of the monthly base salary
Serbia	No plans	Not applicable	Not applicable
Slovenia	No plans	Not applicable	Not applicable

A. The reported contribution percentages refer to the second section of the Fondo Pensione per il Personale delle Aziende del Gruppo UniCredit, the pension fund currently open to new participants.

B. A further contribution of 2 percent for newly recruited staff (art. 46, paragraph 3 - National Collective Bargaining Agreement of ABI, March 3, 2015) is added to this assumption for 4 consecutive years; consequently, the contribution from the employer amounts to 4 percent for this category.

3. The tables under this paragraph refer to the perimeter defined at page 5.41 - Industrial Relations.

### Welfare system, 2017<sup>A</sup>

Country	National mandatory welfare system	Voluntary company welfare system
Italy	Yes	Yes
Germany	Yes	Yes
Austria	Yes	Yes
Bosnia and Herzegovina	Yes	No
Bulgaria	Yes	Yes
Croatia	Yes	No
Czech Republic		
UniCredit Bank Czech Republic and Slovakia, as		
UniCredit Leasing CZ as	Yes	Yes
UniCredit Business Integrated Solutions SCpA	Yes	No
Hungary	Yes	Yes
Romania		
UniCredit Bank SA		
UniCredit Consumer Financing IFN SA	Yes	No
UniCredit Leasing Corporation IFN SA		
UniCredit Leasing Fleet Management Srl		
UniCredit Business Integrated Solutions SCpA	Yes	Yes
UniCredit Business Integrated Solutions Austria GmbH		
Russia	Yes	Yes
Serbia	Yes	Yes
Slovenia	Yes	No

A. The welfare system includes pension plan and/or health insurance plans, in accordance with different local laws. Any employee can access voluntary company welfare systems where available.

### Transition assistance programs to support employees, 2017<sup>A</sup>

Country	The program includes:				
	Pre-retirement planning for intended retirees	Retraining for those intending to continue working	Severance pay	Job placement services	Assistance transitioning to non-working life (training, counseling)
Italy	Yes	No	Yes	Yes	Yes
Germany					
UniCredit Bank AG	Yes	Yes	Yes	Yes	No
UniCredit Business Integrated Solutions SCpA	Yes	No	Yes	Yes	No
Austria					
UniCredit Bank Austria AG	Yes	Yes	Yes	Yes	Yes
UniCredit Business Integrated Solutions Austria GmbH	Yes	No	Yes	Yes	Yes
Bosnia and Herzegovina	No	No	Yes	No	No
Bulgaria <sup>B</sup>	No	No	Yes	No	No
Croatia	No	Yes	Yes	No	No
Czech Republic					
UniCredit Bank Czech Republic and Slovakia, as	Yes	Yes	Yes	Yes	No
UniCredit Leasing CZ as					
UniCredit Business Integrated Solutions SCpA	No	Yes	Yes	Yes	No
Hungary					
UniCredit Bank Hungary Zrt	No	No	Yes	Yes	Yes
UniCredit Leasing Hungary Zrt					
UniCredit Business Integrated Solutions SCpA	No	No	Yes	No	No
Romania	No	No	Yes	No	No
Russia	No	No	Yes	No	No
Serbia	No	No	Yes	No	No
Slovenia	Yes	No	Yes	No	No

A. In some cases, the programs are provided only in case of company restructuring/reorganization.

B. Refers to UniCredit Bulbank AD.

## Health and safety management<sup>4</sup>

Health and safety in the workplace requires much more than meeting specific legal obligations. It must be a core value, with the ultimate goal of guaranteeing well-being at work through a combination of actions and systems.

UniCredit has launched numerous initiatives to help reach this objective, while ensuring full compliance with all applicable laws.

These include:

- adequate evaluation of risks (e.g., analysis and verification of staff work activities, including the nature of the job, the instruments for performing the job, work spaces, individual and collective protection measures, technical infrastructure and contractual matters – both for internal and contracted positions)
- realizing a higher level of wellness at work through dedicated initiatives, workshops and training courses.

In 2017, we launched a survey in Italy to evaluate work-stress related risks. This has helped to identify the main criticalities so they can be addressed with specific actions and solutions, shared with trade unions.

### Formal joint management-worker health and safety committees, 2017

Country	Formal joint management-worker health and safety committee	Level at which the committee operates	Percentage of employees represented
Italy	No	Not applicable	Not applicable
Germany	Yes	Legal Entity	100%
Austria <sup>A</sup>	Yes	Legal Entity	100%
Bosnia and Herzegovina <sup>B</sup>	Yes	Legal Entity	100%
Bulgaria	Yes	Legal Entity	100%
Croatia	Yes	Legal Entity	100%
Czech Republic			
UniCredit Bank Czech Republic and Slovakia, as UniCredit Leasing CZ as UniCredit Business Integrated Solutions SCpA	Yes	Legal Entity	100%
Hungary	No	Not applicable	Not applicable
Romania <sup>C</sup>	Yes	Legal Entity	100%
Russia	No	Not applicable	Not applicable
Serbia	No	Not applicable	Not applicable
Slovenia	No	Not applicable	Not applicable

A. Refers to UniCredit Bank Austria AG and Schoellerbank Aktiengesellschaft.

B. Refers to UniCredit Bank ad Banja Luka.

C. Refers to UniCredit Bank SA, UniCredit Business Integrated Solutions SCpA and UniCredit Business Integrated Solutions Austria GmbH.

4. The tables under this paragraph refer to the perimeter defined at page 5.41 - Industrial Relations.

### Formal agreements with employees' representatives on health and safety issues, 2017<sup>A</sup>

Country	Existence of formal agreements with employees' representatives
Italy	No Agreements
Germany	
UniCredit Bank AG	No Agreements
UniCredit Business Integrated Solutions SCpA	Agreements at local level
Austria <sup>B</sup>	No Agreements
Bosnia and Herzegovina <sup>C</sup>	Agreements at local level
Bulgaria	Agreements at local level
Croatia	Agreements at local level
Czech Republic	Agreements at local level
Hungary	
UniCredit Bank Hungary Zrt	Agreements at local level
UniCredit Leasing Hungary Zrt	
UniCredit Business Integrated Solutions SCpA	No Agreements
Romania <sup>D</sup>	Agreements at local level
Russia	Agreements at local level
Serbia	No Agreements
Slovenia	No Agreements

A. The employees' representatives may refer to Trade Unions, Work Council, etc.

B. Refers to UniCredit Bank Austria AG and Schoellerbank Aktiengesellschaft.

C. Refers to UniCredit Bank ad Banja Luka.

D. Refers to UniCredit Bank SA, UniCredit Business Integrated Solutions SCpA and UniCredit Business Integrated Solutions Austria GmbH.

### Rates of injury, 2016-2017<sup>A</sup>

Country	2017		2016	
	Female	Male	Female	Male
Italy	2.04	1.18	2.31	1.46
Germany	3.72	1.64	4.10	1.65
Austria	0.61	0.30	1.62	0.61
Bosnia and Herzegovina	0.00	0.00	1.76	0.00
Bulgaria	0.56	0.00	0.14	0.00
Croatia	1.00	0.52	1.10	0.49
Czech Republic	0.87	0.00	0.30	0.00
Hungary	0.99	0.72	0.65	1.46
Romania	0.13	0.00	0.00	0.00
Russia	0.19	0.00	0.19	0.00
Serbia	0.00	0.00	0.00	0.00
Slovenia	2.74	2.50	4.07	0.00

A. This data was drawn from a population that represented 95.3 percent of the reporting boundaries. Injuries are recorded as per applicable local law. Country to country comparison can be misleading due to different tracking systems and differences in local laws. This was calculated as follows: (total no. of workplace injuries/total working hours)\*1,000,000.

### Rates of lost days, 2016-2017<sup>A</sup>

Country	2017		2016	
	Female	Male	Female	Male
Italy	1.13	0.95	1.10	0.92
Germany	0.02	0.00	0.02	0.01
Austria	0.01	0.03	0.00	0.00
Bosnia and Herzegovina	0.18	0.00	0.22	0.09
Bulgaria	0.03	0.00	0.06	0.00
Croatia	0.20	0.00	0.31	0.13
Czech Republic	0.01	0.00	0.03	0.00
Hungary	0.02	0.06	0.01	0.00
Romania	0.00	0.00	0.01	0.00
Russia	0.00	0.00	0.01	0.00
Serbia	0.00	0.00	0.00	0.00
Slovenia	0.43	0.33	0.57	0.37

A. Data represents 96.8 percent of the population for 2017 and 95.8 percent for 2016. Injuries are recorded as per applicable local law. Country to country comparison can be misleading due to different tracking systems and differences in local laws. This was calculated as follows: (total no. of days of absence due to injuries/total working hours)\*1,000,000.

### Rates of absenteeism, 2016-2017<sup>A</sup>

Country	2017		2016	
	Female	Male	Female	Male
Italy	8.62	7.67	8.66	7.48
Germany	8.19	5.31	7.89	5.26
Austria	10.16	8.68	10.14	9.29
Bosnia and Herzegovina	3.15	2.31	3.86	1.68
Bulgaria	4.67	1.95	4.53	2.41
Croatia	5.95	3.71	5.61	4.22
Czech Republic	5.90	2.99	5.40	2.67
Hungary	5.88	2.02	7.11	2.49
Romania	3.52	3.79	6.14	3.78
Russia	3.35	2.80	3.38	2.96
Serbia	17.04	0.91	2.13	1.77
Slovenia	9.05	4.94	8.84	4.91

A. Data represents 96.8 percent of the population for 2017 and 95.8 percent for 2016. Injuries are recorded as per applicable local law. Country to country comparison can be misleading due to different tracking systems and differences in local laws. This was calculated as follows: (total no. of days of absence/total working hours)\*1,000,000. Days of absence refers to: injuries, illness, strikes and other reasons (e.g. medical controls, election days).

## Disputes concerning labor, welfare issues, administrative bodies and discrimination<sup>5</sup>

### Number of disputes concerning labor issues, 2017

Country	Opened prior to 2017	Opened in 2017	Closed in 2017	Open as Dec. 31, 2017
Italy	670	158	196	632
Germany				
UniCredit Bank AG	19	17	18	18
UniCredit Business Integrated Solutions SCpA	2	2	3	1
Austria				
UniCredit Bank Austria AG	13	6	13	6
UniCredit Business Integrated Solutions Austria GmbH	6	1	4	3
Bosnia and Herzegovina	45	0	6	39
Bulgaria	7	1	3	5
Croatia	28	1	1	28
Czech Republic				
UniCredit Business Integrated Solutions SCpA	1	1	2	0
Hungary				
UniCredit Bank Hungary Zrt	0	1	1	0
Romania				
UniCredit Bank SA	4	4	5	3
Russia	1	2	2	1
Serbia	10	0	3	7
Slovenia	0	1	1	0

### Number of disputes concerning welfare issues, 2017

Country	Opened prior to 2017	Opened in 2017	Closed in 2017	Open as Dec. 31, 2017
Italy	67	5	12	60
Croatia	0	1	1	0

### Number of disputes concerning administrative bodies, 2017

Country	Opened prior to 2017	Opened in 2017	Closed in 2017	Open as Dec. 31, 2017
Italy	2	0	0	2
Czech Republic				
UniCredit Bank Czech Republic and Slovakia, as	0	1	1	0
UniCredit Leasing CZ as	0	2	2	0

### Number of disputes concerning discrimination, 2017

Country	Opened prior to 2017	Opened in 2017	Closed in 2017	Open as Dec. 31, 2017
Italy	1	0	0	1
Germany				
UniCredit Bank AG	1	0	0	1
Romania				
UniCredit Bank SA	1	1	1	1

5. This data is drawn from the following subset of Group entities unless stated otherwise:

- Italy: UniCredit SpA, UniCredit Business Integrated Solutions SCpA, UniCredit Leasing SpA, FinecoBank SpA
- Germany: UniCredit Bank AG, UniCredit Business Integrated Solutions SCpA
- Austria: UniCredit Bank Austria AG, UniCredit Business Integrated Solutions Austria GmbH
- Bosnia and Herzegovina: UniCredit Bank ad Banja Luka, UniCredit Bank dd
- Bulgaria: UniCredit Bulbank AD
- Croatia: Zagrebačka Banka DD
- Czech Republic: UniCredit Bank Czech Republic and Slovakia as, UniCredit Business Integrated Solutions SCpA, UniCredit Leasing CZ as
- Hungary: UniCredit Bank Hungary Zrt, UniCredit Business Integrated Solutions SCpA, UniCredit Leasing Hungary Zrt
- Romania: UniCredit Bank SA, UniCredit Business Integrated Solutions SCpA, UniCredit Business Integrated Solutions Austria GmbH, UniCredit Leasing Corporation IFN SA, UniCredit Leasing Fleet Management Srl, UniCredit Consumer Financing IFN SA
- Russia: AO UniCredit Bank
- Serbia: UniCredit Bank Serbia Jsc
- Slovenia: UniCredit Banka Slovenija dd, UniCredit Leasing, leasing, doo

Due to improved data collection process, some figures may differ from data presented in the 2016 Integrated Report.



## Customer distribution

### Number of customers by division and country as of December 31, 2017

Commercial Banking Division	Number
<b>Italy</b>	
Retail	7,433,055
Corporate	48,915
Private Banking	148,616
<b>Germany</b>	
Retail	1,220,779
Corporate	300,128
Private Banking	40,307
<b>Austria</b>	
Retail	1,618,853
Corporate	20,423
Private Banking	27,677
<b>Non-Core</b>	<b>83,917</b>
<b>Asset Gathering Division</b>	<b>1,147,387</b>
<b>CEE Retail Division</b>	
Bosnia and Herzegovina	662,186
Bulgaria	1,004,217
Croatia	977,119
Czech Republic (incl. Slovakia)	515,801
Hungary	314,090
Romania	686,582
Russia	622,080
Serbia	247,539
Slovenia	65,623
<b>CEE Corporate Division</b>	
Bosnia and Herzegovina	3,808
Bulgaria	12,458
Croatia	6,119
Czech Republic (incl. Slovakia)	25,582
Hungary	8,786
Romania	7,627
Russia	5,630
Serbia	4,005
Slovenia	2,499
<b>CEE Private Banking Division</b>	
Bulgaria	1,931
Croatia	2,510
Czech Republic (incl. Slovakia)	12,013
Hungary	1,209
Romania	1,001
Russia	1,761
Slovenia	346

## Customer satisfaction

After years of experience and acquired knowledge in gathering insights from customers and prospects, UniCredit has defined a new approach, not only based on reputation, which combines an overall view in terms of satisfaction and brand positioning, with a more complete set of KPIs business-related as acquisition potential, cross selling opportunities, attrition risk, share of wallet.

The new main KPI is the Customer First Index, based on 2 questions: overall satisfaction and preference. The name of this indicator is embedded in the first of our Five fundamentals which indicates "The ability to put the client's real problems and opportunities at the core of any activity".

Compared to what done in the past, with the Benchmarking study we simplified and made more effective and efficient the general approach with the following benefits:

- One survey cross segment and cross country with only one provider
- Double Blind approach – Random selection of UniCredit and competitors' clients by research provider
- Shorter questionnaire – reduced complexity and lowered time & cost to gain insight.

The Customer First Index is measured generally two times per year across all Group countries, while additional surveys could be carried out in line with local needs.

### Customer First Index results, 2017

Country	Retail	Retail Competitors results	Corporate	Corporate Competitors results
Italy	62	63	57	58
Germany	58	63	51	52
Austria	50	63	55	61
Bosnia and Herzegovina				
UniCredit Bank ad Banja Luka	71	70	67	66
UniCredit Bank dd	72	70	71	63
Bulgaria	64	62	62	60
Croatia	68	67	69	68
Czech Republic and Slovakia	74	65	Not available	Not available
Hungary	61	58	60	59
Romania	69	63	60	56
Russia	73	71	83	68
Serbia	64	59	54	56
Slovenia	72	63	63	50

## Handling complaints

UniCredit's approach to complaints management is driven by the belief that a continuing dialogue and swift responses are fundamental to addressing and improving our service quality and customer satisfaction. Clients can submit their complaints through a number of channels, including email, written letter or in person at one of our branches. Complaints are then managed locally or centrally, depending on the subject or type.

As far as verbal complaints are concerned, the goal is to improve the efficiency of our responses to various events (Errors, Delays, Malfunctions and Churn Rate); rapid resolutions increase customer satisfaction and enhance their confidence in the bank.

The adequate management of complaints is fundamental to achieving operational excellence and reducing risks. Complaints may highlight areas where service quality can be improved, with positive effects on risk mitigation. In addition, an effective and efficient management of complaints is an opportunity to re-establish a satisfactory relationship with the customers.

As per our Global Compliance Guidelines - Complaint Management a complaint is any form of dissatisfaction expressed by a current, potential or former customer, certainly recognizable regarding the manner in which the Group has managed a banking, finance or insurance transaction or service. Each UniCredit legal entity develops and regulates its own complaint management processes and defines the methods and timing applied to settling complaints in accordance with their type and the manner of communication chosen by the customer.

### Retail division: number of recorded complaints<sup>A</sup>

Country	2017		2016		2015	
	Recorded (written and verbal)	Written	Recorded (written and verbal)	Written	Recorded (written and verbal)	Written
Italy	298,160	38,029	350,355	38,338	367,032	32,484
Germany <sup>B</sup>	27,078	5,245	38,009	6,159	67,851	26,168
Austria	42,906	2,601	32,321	1,776	55,961	2,502
Bosnia & Herzegovina	5,892	684	6,124	1,347	4,773	1,274
Bulgaria <sup>C</sup>	2,399	2,332	2,567	2,494	2,516	2,516
Croatia	30,376	6,218	30,184	6,502	32,422	9,279
Czech Republic	12,979	8,627	7,949	4,627	7,638	4,656
Hungary	7,318	4,226	8,208	4,342	12,306	7,413
Romania	4,112	2,864	4,394	2,350	4,136	2,366
Russia	27,657	19,249	30,177	21,137	30,189	23,392
Serbia <sup>D</sup>	925	925	744	744	778	769
Slovakia	4,554	3,955	4,127	3,983	4,556	4,484
Slovenia	1,430	846	1,849	869	1,594	890

A. In Italy, Germany and Austria the complaints refer to Individuals and Small Business. In our CEE Countries the complaints refer to Retail division. Totals are not provided because definitions and recording methods have not been completely aligned across all countries.

B. In 2017 and 2016, complaints refer only to Individuals.

C. In 2015 all compliants were considered as written.

D. Since 2016, according to local law all the complaints are considered as written.

## Financial inclusion

### Percentage of total branches in sparsely settled or economically disadvantaged areas as of December 31, 2017<sup>A</sup>

Country <sup>B</sup>	Percentage
Italy	19.7%
Bosnia and Herzegovina	100.0%
Bulgaria	100.0%
Croatia	100.0%
Czech Republic	48.8%
Hungary	100.0%
Romania	100.0%
Russia	100.0%
Serbia	100.0%
Slovakia	82.8%
Slovenia	38.5%

A. Relating to EU Countries, in order to identify disadvantaged areas, we used the NUTS classification (Nomenclature of Territorial Units for Statistics: a hierarchical system for dividing up the economic territory of the EU). In particular, we considered those regions at level 2 of the NUTS classification whose GDP (Gross Domestic Product) per inhabitant is less than 75 percent of the Community average ([http://ec.europa.eu/eurostat/statistics-explained/index.php/GDP\\_at\\_regional\\_level#Regional\\_GDP\\_per\\_capita](http://ec.europa.eu/eurostat/statistics-explained/index.php/GDP_at_regional_level#Regional_GDP_per_capita)). Based on this classification, there are no sparsely settled or economically disadvantaged areas in Austria and Germany.

B. In Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Romania, Russia and Serbia, we considered as disadvantaged areas the whole territory, since for a study of the IMF published in October 2017 these countries are considered emerging markets and developing economies (<https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>).

## Adherence to legal standards and voluntary codes related to marketing and communications

UniCredit follows the Code of Marketing Communication Self-Regulation ([www.iap.it](http://www.iap.it)) disseminated by the Istituto dell'Autodisciplina Pubblicitaria (IAP), which commits its subscribers to transparent and honest advertising practices.

UniCredit is also a member of the Utenti Pubblicità Associati (UPA), which supports the IAP. All UniCredit entities follow the regulations disseminated by these bodies, particularly when local codes do not provide guidance on topics covered by the UPA.

All advertising and communication activities at UniCredit are managed by our Group Identity & Communications department, which is responsible for assuring the effective application of the IAP's code, as well as the oversight of the UniCredit Supervisory Body.

In advertising related to investment products, all texts are submitted to the Commissione Nazionale per le Società e la Borsa (CONSOB) in Italy so they can be evaluated for regulatory compliance and consistency with the principles of truth and transparency.

### Main legal standards and voluntary codes related to marketing and communications adopted by Group Legal Entities

Country	Description
Austria	Advertising Industry Ethics Code of the Austrian Society for Self - Regulation in Advertising (Werberat)
Bosnia and Herzegovina	Consumer Financial Protection Act which covers products and services advertisement, regulated by the Communications Regulatory Agency (CRA), which is established by the Law on Communications of Bosnia and Herzegovina and operates as an independent agency
Bulgaria	Code of Ethics of the Association of Banks in Bulgaria
Croatia	Code of Advertising issued by the Croatian Association of Advertising Agencies

## Environmental performance indicators<sup>1</sup>

### Scope 1: direct GHG emissions (tons CO<sub>2</sub> e), 2015-2017<sup>A</sup>

Country	2017	2016	2015
Italy	27,488	40,042	40,147
Germany	19,622	17,825	16,466
Austria	2,721	2,560	2,716
CEE	13,480	10,922	10,559
<b>Total</b>	<b>63,310</b>	<b>71,349</b>	<b>69,887</b>

A. GHG emissions from sources owned or controlled by our Group, which includes direct energy consumption, road business travel and refrigerant gas leakages. Data for 2016 covers a number of Legal Entities corresponding to a full-time equivalent of more than 93,000 for direct energy consumption and more than 84,000 for road business travel. Data for 2015 covers a number of Legal Entities corresponding to a full-time equivalent of more than 96,000 for direct energy consumption and more than 87,000 for road business travel.

### Scope 2: indirect GHG emissions (tons CO<sub>2</sub> e), 2015-2017<sup>A</sup>

Country	2017	2016	2015
Italy	95,729	98,139	107,234
Germany	65,843	67,770	67,801
Austria	16,589	17,055	17,398
CEE	49,305	47,622	47,199
<b>Total</b>	<b>227,467</b>	<b>230,587</b>	<b>239,632</b>

A. GHG emissions from purchased electricity, steam and heating/cooling consumed by equipment or systems owned or controlled by our Group. Data for 2016 and 2015 covers a number of Legal Entities corresponding to a full-time equivalent of more than 93,000 and more than 96,000, respectively.

The table above reports our Scope 2 emissions according to the location-based calculation method. The GHG Protocol Scope 2 Guidance issued in 2015 details a parallel emissions calculation according to the market-based method: under this approach our 2017 Scope 2 emissions are 82,808 tons CO<sub>2</sub>e. The source for the Residual Mix emission factors we applied in this calculation (where available) is the 2016 European Residual Mixes, V.1.2, published by Association of Issuing Bodies (AIB) in June 2017.

The Scope 2 component of Group GHG emission reduction objectives refers to emissions calculated in accordance with the location-based method.

### Scope 3: other indirect GHG emissions (tons CO<sub>2</sub> e), 2015-2017<sup>A</sup>

Country	2017	2016	2015
Italy	4,581	5,031	6,092
Germany	2,362	2,555	2,938
Austria	813	871	1,261
CEE	2,051	1,948	2,097
<b>Total</b>	<b>9,806</b>	<b>10,406</b>	<b>12,388</b>

A. GHG emissions from air and rail business travel, from copy paper consumption, and from glass, paper and plastic disposal. Data for 2017 covers the full 2017 Integrated Report perimeter, except for rail business travel which covers a full-time equivalent of more than 86,000. Data for 2016 covers a number of Legal Entities corresponding to a full-time equivalent of more than 92,000 for copy paper consumption, more than 84,000 for air and rail business travel, and more than 90,000 for glass, paper and plastic disposal. Data for 2015 covers a number of Legal Entities corresponding to a full-time equivalent of more than 94,000 for copy paper consumption, more than 87,000 for air and rail business travel, and more than 93,000 for glass, paper and plastic disposal.

1. The sale in 2017 of Bank Pekao and Pioneer Global Asset Management, including their subsidiaries, may limit the comparison of 2017 data with that of 2016 and 2015. Furthermore, due to new reporting requirements, the 2017 data perimeter differs to that of previous years, including now the full set of legal entities included in the 2017 Integrated Report perimeter, corresponding to more than 89,000 full-time equivalents. Due to improved processes in data collection, calculation and to periodical updates of GHG emission factors, several figures may differ from data presented in the 2016 Integrated Report. Country-to-country comparisons may be misleading as different tracking systems should be taken into account.

### Energy consumption per employee (GJ/capita), 2015-2017<sup>A</sup>

Country	2017	2016	2015
Italy	32	33	34
Germany	47	44	43
Austria	60	61	54
CEE	23	23	24

A. Data for 2016 and 2015 covers a number of Legal Entities corresponding to a full-time equivalent of more than 93,000 and more than 96,000, respectively.

### Copy paper consumption per employee (kg/capita), 2015-2017<sup>A</sup>

Country	2017	2016	2015
Italy	57	61	50
Germany	30	31	31
Austria	36	40	39
CEE	50	51	52

A. Data for 2016 and 2015 covers a number of Legal Entities corresponding to a full-time equivalent of more than 107,000 and more than 110,000, respectively.

Approximately 97 percent of copy paper used Groupwide holds an environmental label: 20 percent Total Chlorine-free (TCF) or Elementary Chlorine-Free (ECF), 52 percent Forest Steward Council (FSC) certified, 24 percent both TCF/ECF and FSC.

### Water usage per employee (m<sup>3</sup>/capita), 2015-2017<sup>A</sup>

Country	2017	2016	2015
Italy	36	30	31
Germany	17	15	20
Austria	39	37	34
CEE	11	13	13

A. Data for 2016 and 2015 covers a number of Legal Entities corresponding to a full-time equivalent of more than 106,000 and more than 110,000, respectively.

### Waste production per employee (kg/capita), 2015-2017<sup>A</sup>

Country	2017	2016	2015
Italy	88	73	84
Germany	387	451	358
Austria	288	243	213
CEE	151	175	170

A. Data for 2016 and 2015 covers a number of Legal Entities corresponding to a full-time equivalent of more than 90,000 and more than 93,000, respectively.

### Waste by disposal method (%), 2016-2017<sup>A</sup>

Country	Separation and recycling of valuable materials		Incineration		Disposal in landfill		Other treatment	
	2017	2016	2017	2016	2017	2016	2017	2016
Italy	97.14	96.37	1.42	1.80	0.00	1.75	1.44	0.08
Germany	67.88	73.07	32.08	26.89	0.00	0.00	0.04	0.04
Austria	86.49	91.33	13.51	8.67	0.00	0.00	0.00	0.00
CEE	24.20	23.00	4.08	4.13	67.68	70.58	4.03	2.29

A. Data for 2016 and 2015 covers a number of Legal Entities corresponding to a full-time equivalent of more than 90,000 and more than 93,000, respectively.

The emissions related to the printing and distribution of the 2017 Integrated Report have been compensated with the support of OV Group, which uses Gold Standard credits gained through the development of a landfill gas capture project in China. The Gold Standard is supported by WWF as it is the most rigorous global certification standard for carbon offset projects.



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The Integrated Report and Supplement have been made available at [www.unicreditgroup.eu](http://www.unicreditgroup.eu) and also available for download by activating the QR code below.



You may also request a copy from: UniCredit - Group Sustainability Piazza Gae Aulenti, 20154 Milan, Italy  
 e-mail: [groupsustainability@unicredit.eu](mailto:groupsustainability@unicredit.eu)



**UniCredit S.p.A.**

A joint stock company

**Registered Office and Head Office in Milan:** Piazza Gae Aulenti 3 - Tower A - 20154 Milano

Share capital €20,880,549,801.81 fully paid in, Fiscal Code, VAT number and Registration number with the Company Register of Milan-Monza-Brianza-Lodi:00348170101

Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1; Cod. ABI 02008.1

Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund

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By choosing to print 2017 Integrated Report on 100% recycled and Ecolable certified (no. FR/011/003) paper, UniCredit has avoided:



Sources : Carbon footprint data evaluated by Labelia Conseil in accordance with the Bilan Carbone® methodology. Calculations are based on a comparison between the recycled paper used versus a virgin fibre paper according to the latest European BREF data (virgin fibre paper) available. Results are obtained according to technical information and subject to modification.

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