



GRUPPO

CREDEM

Consolidated Non-Financial Statement

2017

**Pursuant to Italian Legislative
Decree no. 254/2016**

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An abstract painting by Giacomo Balla titled 'Velmare'. The composition is dominated by large, overlapping, pinkish-red sail-like shapes that curve upwards from a base of dark blue and green wavy lines representing the sea. The background is a pale, off-white color. The overall style is Futurist, emphasizing dynamic movement and geometric forms.

Introduction

Letter to Stakeholders

2017 proved to be an important year for the Credem Group.

Profitability, stability, credit quality and the growth of the workforce during the year confirmed the efficacy not only of our business and governance model but also of our widespread corporate culture that continues to create value over time.

Our results were achieved thanks to the strategic decisions we have always diligently pursued, recognising that our Employees represent the true distinguishing feature of the Group and that, as such, our results are the direct consequence of their quality, competence, efficiency and sense of belonging.

The publication of the Non-Financial Statement highlights the link between strategy, performance and the environmental and social context in which the Group operates. The report aims to interpret the role that we play within our country in our capacity as a business that generates employment, profit and support for the economy.

We want to provide easier access to information relating directly or indirectly to our business activities for all of our stakeholders, from shareholders and employees to customers, suppliers and businesses.

We are aware of the challenges that await us in a continually evolving socio-economic context and the flexibility and far-sightedness required to confront them.

*As such, we are committed to continuing to believe and invest in **human capital** and **technology** to maintain the Credem Group's position as a company of absolute value.*

The Chairman

Giorgio Ferrari

Note on Methodology

The Credem Group has always focused on business sustainability, both in the definition of its policies and in its everyday activities, considering the impact of its operation at financial, environmental and social levels in line with its mission to *"create value over time"*.

This document represents the first annual report on non-financial information and constitutes the Consolidated Non-Financial Statement (hereinafter also "Non-Financial Statement" or "NFS") prepared in accordance with Italian Legislative Decree no. 254/16.

The NFS was produced in order to provide a comprehensive understanding of the Group's activity, performance, results and associated impact and covers the relevant topics envisaged by Articles 3 and 4 of Italian Legislative Decree no. 254/16 with reference to the 2017 financial year (from 01 January to 31 December).

The content of the report was selected based on the materiality analysis¹, which identified the sustainability topics deemed most relevant to the Group and its stakeholders.

As regards the financial data, the scope is the same as those of the Consolidated Financial Statements of the Group.

As regards qualitative and quantitative information regarding social and environmental aspects, the scope includes the Parent Company and its subsidiaries consolidated on a line-by-line basis included in the Consolidated Financial Statements of the Group².

Any changes to the scope of consolidation are duly indicated in the document. The exclusion of one or more companies does not in any case affect the full understanding of the Group's activities, performance, results and general impact.

This NFS has been prepared according to the "GRI Sustainability Reporting Standards" (2016) - "In accordance - Core" option and the "GRI G4 Financial Services Sector Disclosures" (2013), both published by the Global Reporting Initiative (GRI). For the preparation of the data and information contained in the "Our environmental impacts" section, the "ABI Lab Guidelines for the Application of GRI-G4 Environmental Indicators in Banks - December 2017 Version" were also considered.

In order to guarantee the reliability of the report, the content and quality standards provided by the Global Reporting Initiative were considered.

To enable the comparison of data over time, data pertaining to 2016 has also been included; to ensure the reliability of the data, the use of estimates has been kept to a minimum and, where present, these are duly indicated in the document.

This report was subject to review by the Group Risk Committee of the Group on 06 March 2018 and was approved by the Board of Directors on 15 March 2018.

The NFS was also subject to a "limited assurance engagement" review according to the criteria envisaged by standard ISAE 3000 Revised by the Independent Auditors EY S.p.A. which, at the end of the work carried out, issued a report on the compliance of the information provided in the Consolidated Non-Financial Statement of the Credem Group pursuant to Legislative Decree no. 254/16.

Future reports will be issued on an annual basis.

The NFS 2017 is available to the public on the website www.credem.it.

¹ For more information on the materiality analysis, refer to the "Materiality Analysis" chapter of this report.

² For the list of fully consolidated Group companies refer to Section 3 - *Scope and methods of consolidation* of the Notes to the Consolidated Financial Statements of the Credem Group.

The table below illustrates the most relevant topics to be considered in order to provide a comprehensive overview of the Group's activities, performance, results and associated impact. These topics form the basis for the content of the NFS of the Credem Group. The table shows the correlation with the area of application referred in Article 3 of Italian Legislative Decree no. 254/2016.

Material themes	Area of application of Legislative Decree no. 254/2016
Environmental impacts	Environmental aspects
Operation in the region; Relations with institutions, regulatory bodies and external relations; Procurement practices	Social aspects
Diversity; Welfare; Health and Safety; Staff development and management	Staff-related aspects
Ethics and integrity in Business Management	Anti-corruption

In the light of the results of the materiality analysis, respect for human rights did not emerge as an aspect towards which further efforts or alternatives to the current provisions of the Group should be directed.

To date, no risks of breaches to human rights by consolidated companies or their direct suppliers have been identified; the Group operates in **compliance with current human rights legislation and regulations** and has not received any reports concerning breaches or cases of discrimination. In particular, the Organisational and Management Model pursuant to Italian Legislative Decree no. 231/01 was recently amended with the inclusion of the crime "illicit brokering and exploitation of labour" (so-called "Gangmaster System") which aims to protect human dignity from the deprivation of liberty and objectification of the individual and extends to those who consciously facilitate, even if only financially, such conduct (for example, in the context of grants to institutions or companies operating in sensitive sectors). Furthermore, as specifically stated in the NFS, an internal whistleblowing system has been established which defines, for all Group companies affected by the legislation in question, a series of specific procedures for the reporting of events that may constitute a breach of company policy.

For the purposes of completeness with regard to the information on human rights and as indicated in the NFS, the Parent Company has formalised its commitment to respecting the fundamental rights and physical and moral integrity of the people with whom it interacts through the disclosure of the "Code of Ethics", referred to in a specific clause in all agreements signed with suppliers.

For clarifications and more information, contact

Credito Emiliano S.p.A. - VALUE Service - Institutional Relations Office

Email: sostenibilita@credem.it

The Business Model

Group Overview

The Banking Group "Credito Emiliano - Credem" (hereinafter the "Group" or "Credem Group") represents one of the top ten listed banking groups in Italy, with **total assets of EUR 41.6 billion** (Statutory Group³) as at 31 December 2017 and over one million customers.

Credito Emiliano S.p.A. (hereinafter "Credito Emiliano", "Credem" or the "Bank"), Parent Company of the Banking Group, originated as Banca Agricola Commerciale di Reggio Emilia founded in 1910. The current name dates back to 1983, coinciding with the acquisition of control of Banca Belinzaghi (Milan).

In the 1990s, Credem underwent significant development and the Parent Company and its subsidiaries now form a medium-large scale corporation with a national presence, maintaining its historic roots in the region of Emilia Romagna.

As at 31 December 2017, the Banking Group⁴ is composed of twelve companies operating in sectors related to financial services, while the Corporate Group⁵ also includes Euromobiliare Advisory SIM S.p.A. (pending authorisation by CONSOB to operate as a Property Brokerage Company), Credemvita S.p.A., an insurance company operating in the life insurance sector wholly owned by Credito Emiliano and consolidated on a line-by-line basis, and Credemassicurazioni S.p.A., an insurance company operating in the non-life sector, 50% owned by the Parent Company and consolidated with the equity method.

The Group structure

The Statutory Group includes all companies listed in the scope of consolidation of Credem S.p.A.. As regards the ownership structure of the Parent Company, the majority shareholding is held by Credito Emiliano Holding S.p.A. (hereinafter "Credemholding"): at the end of 2017, Credemholding owned 77.3% of the Parent Company.

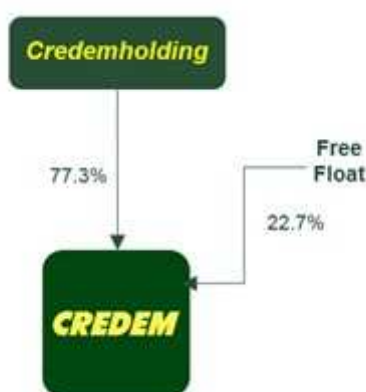


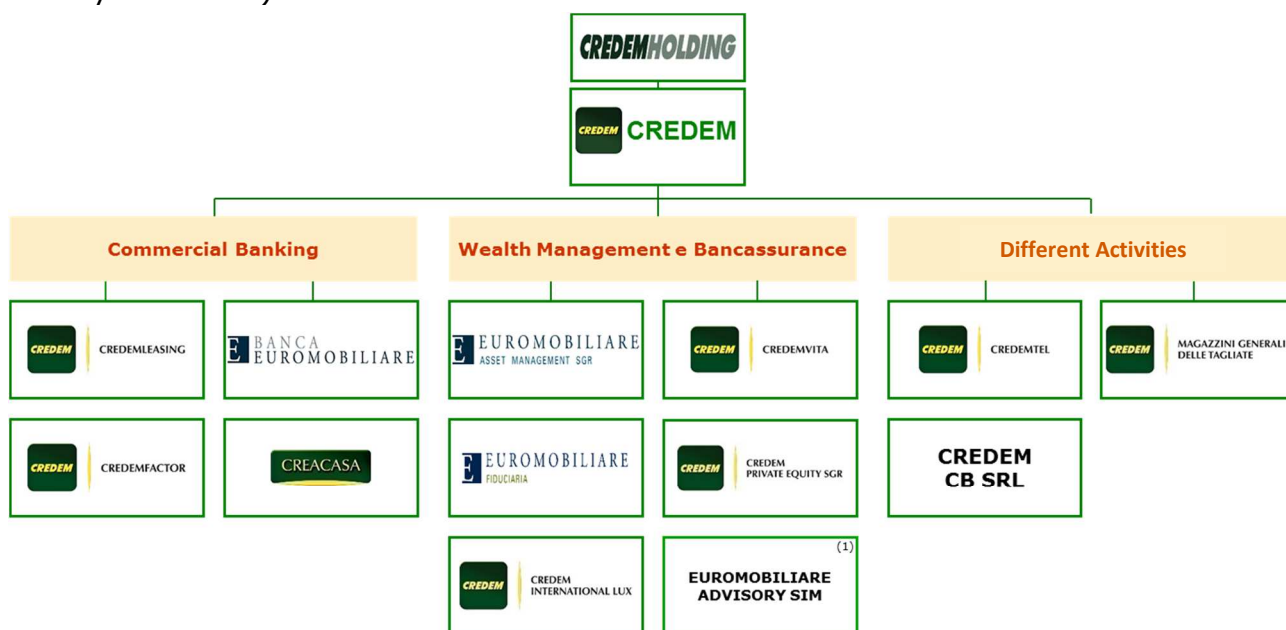
Figure 1: Shareholder Structure of Credem as at 31 December 2017

³ The Statutory Group comprises all of the companies represented in Figure 2, including Credemholding (Parent Company of Credito Emiliano), a financial holding company which carries out private activities and which has relinquished the role of Parent Company of the Banking Group and the performance of management and coordination activities on subsidiaries, transferring such duties to Credito Emiliano.

⁴ The Banking Group is registered in the Banking Groups Register and is composed of the Parent Company Credito Emiliano and its banking, financial and instrumental subsidiaries: the two insurance companies Credemvita and Credemassicurazioni and the financial holding company Credemholding are not part of the Banking Group.

⁵ The Corporate Group includes companies consolidated on a line-by-line basis (the Statutory Group) and companies consolidated with the equity method in the Consolidated Financial Statements.

The following table describes the structure of the Credem Group (subsidiaries on a line-by-line basis):



NOTE:

(1) Società in attesa dell'autorizzazione da parte di Consob ad operare in qualità di SIM.

Figure 2: Structure of the Credem Group indicating subsidiaries consolidated on a line-by-line basis

The table below provides a brief description of the business activities of Credem Group companies consolidated on a line-by-line basis:

Group companies	Description
Credito Emiliano S.p.A.	The Parent Company of the Credem Group specialises in commercial banking through the provision of services aimed at retail, corporate and private customers. Such services are also provided by networks of financial advisors enabled with off-site permissions through agency agreements.
Banca Euromobiliare S.p.A.	A Private Bank of the Credem Banking Group. The bank operates in the private banking and financial consultancy sectors.
Creacasa S.r.l.	A financial agent specialised in loans for families and the commercialisation of insurance products for home buying, renovation and management.
Credemleasing S.p.A.	A company specialising in the development and commercialisation of leasing packages. The company is active in all financial leasing sectors including vehicle, asset, real estate and shipping leases.

Credemfactor S.p.A.	A company specialising in factoring activities, offering a variety of services ranging from the management of trade receivables to continuous risk monitoring and guaranteeing and advancing credit. The company also specialises in the management of receivables from public bodies and the development of agreements with suppliers.
Euromobiliare Asset Management SGR S.p.A.	A company specialising in collective investment management (SICAV funds and segments) and asset management. It also offers personalised services for institutional customers and investment consultancy services to support the sales network.
Credem International (Lux) S.A.	A bank under Luxembourgian law operating in the international private corporate banking sector. The bank carries out fund administration services in Luxembourg under delegation of Euromobiliare International Fund Sicav (Variable Capital Investment Company under Luxembourgian law whose funds are distributed throughout the branches and financial advisers of Credito Emiliano and Banca Euromobiliare). This activity was subject to a partial cross-border demerger in favour of Euromobiliare Asset Management SGR S.p.A. on 01 February 2018.
Credemvita S.p.A.	An insurance company operating in the life insurance and pension sectors which operates exclusively through the distribution networks of the Credem Group.
Euromobiliare Fiduciaria S.p.A.	A trust fund pursuant to Law no. 1966 of 23 November 1939 which carries out asset management services for trustors on the basis of a trust mandate.
Credem Private Equity SGR S.p.A.	A company authorised to provide collective investment management services, carrying out investments in venture capital through the establishment and management of closed-end mutual investment funds.

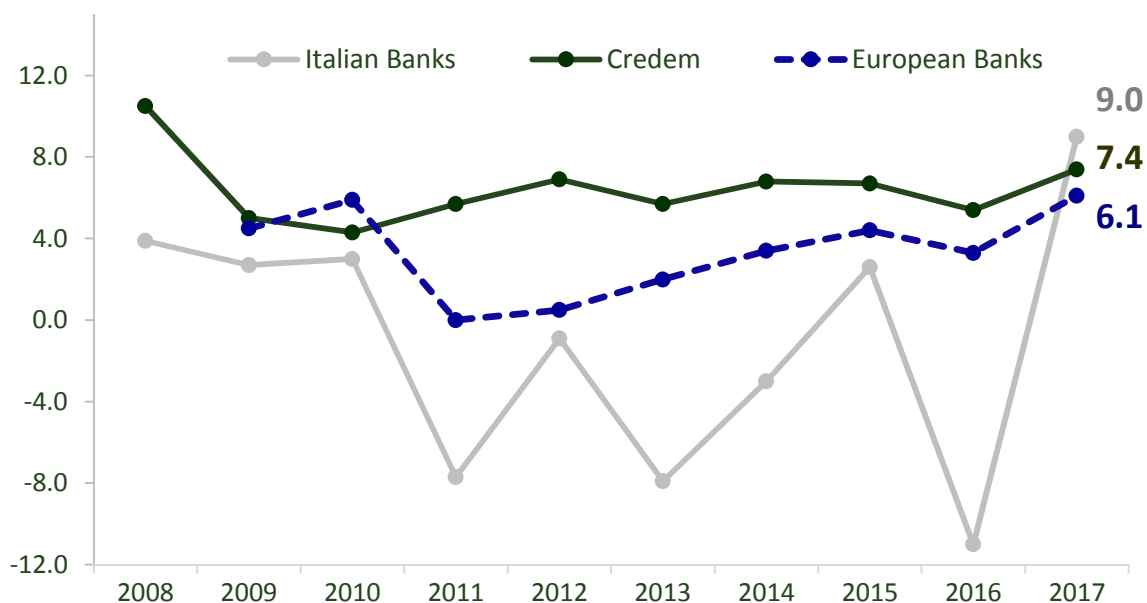
Euromobiliare Advisory SIM S.p.A.	A company pending authorisation from CONSOB to operate as a Property Brokerage Company [SIM]; the company is therefore not included in the content of this NFS.
Magazzini Generali delle Tagliate S.p.A.	A company operating in the Parmigiano Reggiano and Grana Padano cheese aging and storage sector. The company is an integral part of the Group as the wheels of cheese are used as collateral for loans to producers.
Credemtel S.p.A.	A company specialising in the provision of telematics services to banks, businesses and public authorities.
Credem CB S.r.l.	<p>A special purpose vehicle established pursuant to Law no. 130 of 30 April 1999 to support the structuring of specific issuing programmes of Covered Bonds.</p> <p>Given its characteristics, the company is not included in the content of the NFS.</p>

The sustainability of the Group's business model

Thanks to its particularly diverse business model and the careful management of risks, during the prolonged recession which began in 2009 the Credem Group was able to guarantee the best capital returns of the main Italian Banks, increasing its support for the Italian economy thanks to an increase in the Loans portfolio of over 40% during the same period.

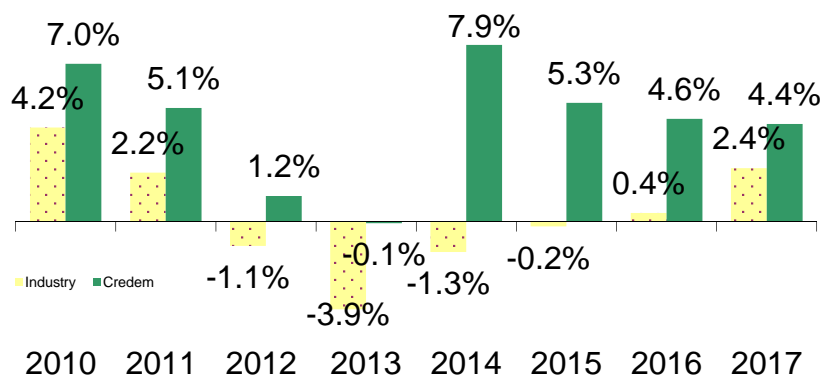
Evolution of ROE of the Credem Group compared to the Banking System⁶

⁶ The Italian System in 2017 benefited from the extraordinary effects of the consolidation operations which generated significant gains.



Source: ECB - SSM for data regarding the Italian System and the Average of EU banks.

Annual growth of "Loans to Customers" of the Credem Group compared to the Banking System



Source: ABI Monthly Outlook for the information on the Italian Banking System

The business model of the Group focuses mainly on the Retail and Corporate sector, subdividing its activity into four business lines:

1. commercial banking
2. wealth management
3. Bancassurance
4. financial Banking Book management.

Governance

The overall Corporate Governance framework, understood as the system of rules and procedures referred to by Corporate bodies in order to guide their conduct and comply with the various obligations to stakeholders, has been defined according to the provisions and principles provided:

- by the legislation concerning listed issuers envisaged by the Consolidated Law on Finance [TUF] and relative implementing regulations adopted by CONSOB;
- by banking regulations;
- in the Corporate Governance Code issued by Borsa Italiana S.p.A. (hereinafter the "Code")

and considering the specific characteristics of Credem, a listed company whose "controlling capital" is profoundly concentrated in a sole Shareholder with a majority interest of 77.3% (Credemholding).

Credito Emiliano S.p.A., in its capacity as Parent Company of the Credito Emiliano Banking Group, has adopted a traditional governance and control model⁷ characterised by a Shareholders' Meeting and two bodies appointed by the Shareholders' Meeting: the **Board of Directors** and the **Board of Statutory Auditors**. The statutory audit is entrusted to an Independent Auditor in line with current regulatory provisions.

More specifically:

- strategic guidance and supervision is carried out by the **Board of Directors of Credito Emiliano** (hereinafter **BoD**) which approves the strategic decisions and ensures their implementation;
- management, including the implementation of the strategic guidelines and company management, is carried out by the **BoD** for all matters not otherwise expressly delegated to other bodies, and by the **Executive Committee** for the assignments delegated to it. The General Manager represents the highest representative of the internal management structure;
- control activities are entrusted to the **Board of Statutory Auditors**, the body which supervises compliance with legal, regulatory and statutory provisions, compliance with the principles of correct administration, the suitability of the organisational structure in its various areas of competence, the internal control system and the administrative accounting system as well as the ability of the latter to accurately represent the management results and the methods of implementation of the Corporate Governance Code for listed companies to which the Bank subscribes. The Board of Statutory Auditors of Credito Emiliano also carries out the role of Supervisory Body pursuant to Italian Legislative Decree no. 231/2001.

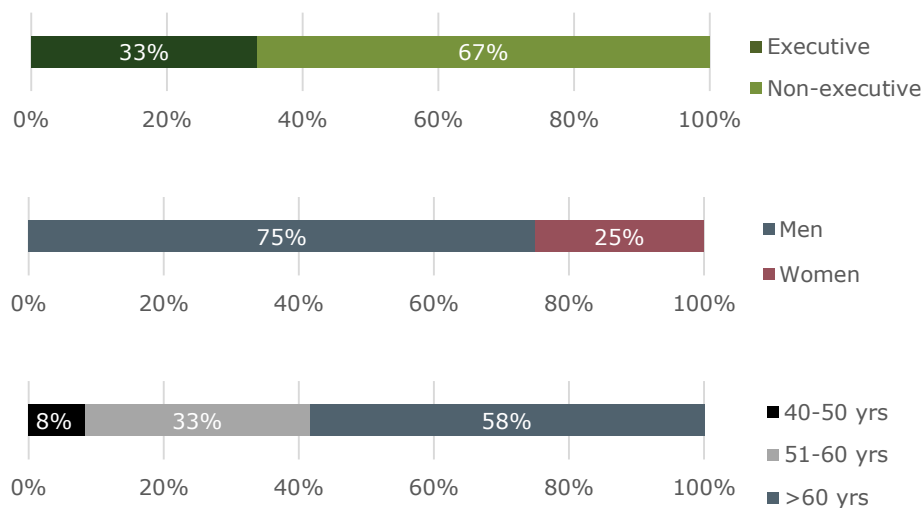
The Board of Directors

The **Board of Directors** of the Parent Company Credem, in office as of 31 December 2017, is composed of twelve Directors, three of which are Independent Directors pursuant to the Corporate Governance Code and the Consolidated Law on Finance [TUF].

⁷ For more information on the Corporate Governance of the Group, refer to the "Report on Corporate Governance and Ownership Structure" available in the "Corporate Governance" section of the Group's website.

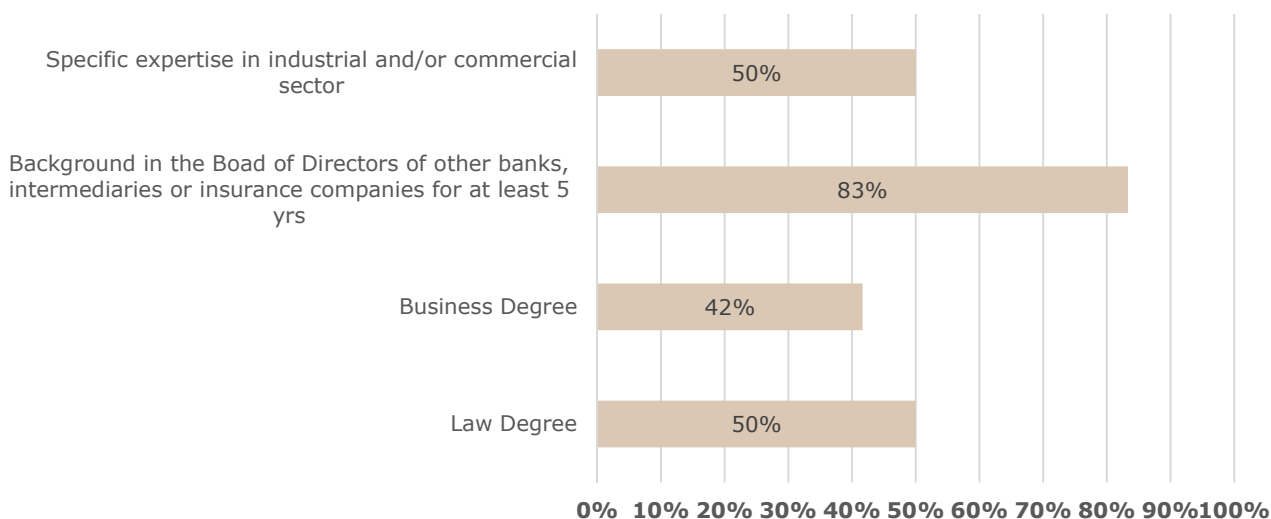
Disclosure 405-1 Diversity of Governance Bodies

Diversity



Experience

Background



The qualitative and quantitative composition of the Board of Directors is such to satisfy the criteria of professionalism, gender balance, category and variety of expertise.

In accordance with the provisions issued by the Bank of Italy concerning the corporate governance of banks (Circular 285), the **Chairperson** of the Board of Directors has a non-executive role aimed at promoting internal dialectics; as such, the Chairperson does not receive any managerial powers from the Board itself.

The statutory position of **Managing Director** has not been appointed.

The Committees⁸

In line with the regulatory provisions contained in Circular 285 and the Code, the BoD has established three specialised committees:

- The **Group Appointments Committee**, which provides support in the form of proposals and advice to the BoD and the other decision-making bodies of the Parent Company on matters concerning "Appointments" in cases with a high risk of conflicts of interest;
- The **Group Remuneration Committee**, which provides support in the form of proposals and advice to the BoD and the other decision-making bodies of the Parent Company on matters concerning "Remuneration" in cases with a high risk of conflicts of interest;
- The **Group Risk Committee**, which plays a supporting role entailing preliminary consultation, examination and the formulation of proposals and opinions, with a view to assisting the BoD in its assessments and decisions relating to risk management and in general to the internal control system, to guarantee the adequacy of the same in terms of the characteristics of the business and of the Group with relation to the development of the organisation and its operations, as well as of the relevant legislative scenario.

The aforementioned committees are mainly composed of Independent Directors in order to facilitate the decision-making process particularly in reference to more complex areas of activities or in cases with a particularly high risk of conflicts of interest.

Self-Assessment of the Governance Bodies

The Board of Directors and its Internal Committees are subject to annual self-assessment in accordance with the provisions issued by the Bank of Italy Circular 285. The self-assessment process is conducted by the persons appointed by the Chairperson on the proposal of the Appointments Committee; it is good practice for an external professional to carry out the self-assessment at least once every three years to ensure sufficient independence of judgement.

The Board of Statutory Auditors is also subject to an annual self-assessment process in accordance with the provisions of Circular 285.

Additional aspects related to the Governance System of the Credem Group

Pursuant to the Articles of Association, the BoD of Credembanca adopts a specific Internal Regulation concerning the Governance of Credembanca and the Credem Group which:

⁸ For more information on the Regulations of the individual Committees, refer to the "Report on Corporate Governance and Ownership Structure" available in the "Corporate Governance" section of the Group's website.

- defines the mechanisms with which it may carry out its duties in its capacity of Parent Company and, in particular, the exclusive performance of the management and coordination activities of subsidiaries, which include the establishment of specialised inter-departmental Committees and the issue of specific Group regulations;
- ensures, in all companies belonging to the Group:
 - transparency and compliance of values and conduct;
 - clarity of relations between the Parent Company and its subsidiaries;
 - achievement of synergies and efficiency levels;
 - uniformity of organisational and management models;
 - uniformity of internal regulations.

The Internal Control System, understood as the system of rules, procedures and organisational structures aimed at enabling, through a process of identification, measurement, management and monitoring of the main risks, the healthy and prudent management of banking activities, is an integral part of the Group's Governance structure, defined by the Board of Directors of the Parent Company and supported by the Group Risk Committee and the activities of the Company Control Departments⁹.

Focus of the Governance Bodies on Sustainability

In line with its mission to "*create value over time*", sustainability is a key focus of the business model of the Group, as demonstrated by the environmental and social initiatives described in this NFS.

Since 2015, the Group has participated in the ABI "Sustainability" work group and in 2017, seizing the opportunity presented by the observance of Legislative Decree no. 254/16, the Parent Company took part in the "Sustainability reporting: the contribution of the Italian banking sector" project organised by ABI in cooperation with the Global Reporting Initiative and LUISS Guido Carli University of Rome.

At the same time, the Group began the process of preparing an **annual report of non-financial information** at various organisational levels, from operational departments to Group companies.

The Board of Directors of the Parent Company and the senior management attended a training session which explored the theme of Sustainability and shared the results of the materiality analysis carried out to identify the content of this NFS.

The project was supervised by the VALUE Service, coordinating the preparation of the NFS through the involvement of Senior Management, the Group Risk Committee and the Board of Directors: the **Bank Departments** and **Group companies relevant to the topics to be reported** were involved in the process of collecting and validating the data and information; the **Group Risk Committee**, assisted by the AUDIT Service, supervised the reporting activity and the assessment of the completeness and reliability of the statement; the Board of Statutory Auditors ensured compliance

⁹ Cf. Risk management section of this NFS and the *Report on Corporate Governance and Ownership Structure*.

with legal provisions and the suitability of the organisational, administration, reporting and control systems; and the **Board of Directors** analysed and approved this NFS.

The Group has also adapted its own Governance system to ensure operational compliance with Legislative Decree no. 254/16 through the definition of a Regulation aimed at defining the organisational and preliminary procedure for the preparation of the NFS, defining roles and responsibilities and assigning to the Institutional Relations Department the task of overseeing the reporting process and stakeholder engagement activities.

Our Stakeholders

The Group recognises the importance of constructive dialogue with its stakeholders as a stimulus to innovate and rejuvenate its business activities.

In the first half of 2017, Senior Management implemented a project to identify and prioritise stakeholders as part of a stakeholder mapping process.

The project involved the distribution of a questionnaire to Bank Departments and Group companies aimed at defining a list of individuals or groups of individuals who influence or are influenced by the business, its activities, its products or services and its performance.

The results obtained were subsequently consolidated and shared with General Management and Senior Management during dedicated workshops and presented to the Group Risk Committee and the Board of Directors.



Figure 3: Stakeholders of the Credem Group

In January 2018, as part of a project to continuously improve communications with its stakeholders, the Credem Group formally assigned to the Institutional Relations Department the responsibility for:

- coordinating Stakeholder Engagement activities with reference to the themes of the NFS, maintaining direct control of the strategies for relations with regional bodies and communities, regulatory bodies, industry associations and public authorities;
- managing and facilitating synergies with external stakeholders and General Management.

Furthermore, in 2017 communications initiatives (listening and dialogue) with the main stakeholders of the Group were continued:

Stakeholder	Theme	Main dialogue techniques
Customers	<ul style="list-style-type: none"> - Customer satisfaction - Innovation - Privacy and security - Accessibility and transparency of financial services - Financial stability and sustainability 	<ul style="list-style-type: none"> - Corporate website - CoDesign sessions relating to products and services - Assessment of customer satisfaction through telephone interviews and questionnaires - Complaints management - Customer Services - Regional events - Visits to <i>Credem Area</i> [<i>Spazio Credem</i>]
Employees	<ul style="list-style-type: none"> - Optimisation, motivation and development - Work-life balance - Employee welfare - Health and safety in the workplace - Equal opportunities 	<ul style="list-style-type: none"> - Internal environment survey - Agorà Group Intranet Portal - Communications from Senior Management - Streamed company conferences - Collective and Second-Level Labour Agreements
Agents and Distributors	<ul style="list-style-type: none"> - Transparency - Optimisation, motivation and development 	<ul style="list-style-type: none"> - Communications from Senior Management - Agorà for Financial Advisors - Conventions - Trade events - Training events - CF Academy (Training for Financial Advisors)
Industry Associations	<ul style="list-style-type: none"> - Representation of sector interests - Training and education 	<ul style="list-style-type: none"> - Corporate website - Representation on the boards of industry associations - Participation in groups, work groups and technical committees
Suppliers and Commercial Partners	<ul style="list-style-type: none"> - Continuity of relations - Qualification and assessment - Negotiation of conditions - Development of partnerships 	<ul style="list-style-type: none"> - Corporate website - Meetings and phone calls - Supplier participation in online invitations to tender

The Region / Community	<ul style="list-style-type: none"> - Support for social initiatives - Support for employment opportunities 	<ul style="list-style-type: none"> - Corporate website - Meetings and events in central and remote locations
Public Authorities	<ul style="list-style-type: none"> - Contribution to the national economy through payment of taxes 	<ul style="list-style-type: none"> - Corporate website - Meetings with local and regional institutions - Institutional representation activities
Regulatory Bodies	<ul style="list-style-type: none"> - Compliance with laws and regulations - Compliance with industry recommendations and best practices 	<ul style="list-style-type: none"> - Corporate website - Reports and Financial Statements - Regular data streams - Meetings with representatives of regulatory bodies
Media	<ul style="list-style-type: none"> - Transparency - Group business strategy - Financial results of the Group - Institutional themes 	<ul style="list-style-type: none"> - Corporate website - Press conferences - Press releases - Social media - Analysis of Credem's media presence - Meetings with journalists/editors
Shareholders	<ul style="list-style-type: none"> - Transparency - Stability and financial sustainability - Economic performance 	<ul style="list-style-type: none"> - Participation on the Company Board - Shareholders' Meeting - Reports and Financial Statements - Investor Conferences - Roadshows - Information on request - Corporate website
Financial Community	<ul style="list-style-type: none"> - Market transparency - Financial stability and sustainability - Economic performance - Corporate Governance 	<ul style="list-style-type: none"> - Corporate website - Information on request - Reports and Financial Statements - Annual meetings and updates with ratings agencies and financial analysts - Investor Conferences - Roadshows

Relations with institutions, regulatory bodies and external relations

<i>Business Management and Organisational Model</i>	The Group recognises the importance of engaging in effective dialogue with its stakeholders , structured through the proactive management of relations with institutions, regulatory bodies and the media, the continuous monitoring of changes to the regulatory structure and the supervision of institutional activities and significant reporting initiatives.
<i>Policies implemented and results achieved</i>	<p>Stakeholder relations are characterised by coherent, unambiguous and effective communications in line with the company mission.</p> <p>The Institutional Relations Department promotes Group identity by engaging in dialogue with reference institutions to fulfil reciprocal requests for information, implementing all necessary measures to develop mutual opportunities and interests.</p> <p>With regard to compliance with industry recommendations and best practices, interaction with regulatory bodies is pursued at national, European and international levels.</p> <p>The European Regulatory Affairs Department proactively manages relations and data streams with the European Central Bank, represented in particular by the Joint Supervisory Team (JST), with regards to the Single Supervisory Mechanism.</p> <p>In 2017, various JST events on specific topics, roadshows, conferences and meetings with investors, institutions and ratings agencies were held, which allowed to obtain a more comprehensive understanding of the environment and the unique characteristics of the context in which the Group operates as well as market developments, promoting opportunities for listening and dialogue and enabling the flow of information and ideas to develop business activities and strategies.</p>

Disclosure 102-13 Main partnerships and affiliations

Body / Association	Description
<i>Business Context</i>	
ABC <i>Procurement and Cost Management</i>	<p>Consortium responsible for procurement and cost management of member companies, aimed at providing services to prevent procurement risks and support the entire procurement process of member companies.</p>

ABI <i>Italian Banking Association</i>	<p>Association that promotes the social values and principles of a healthy and correct business banking approach. Credem is also a member of the ABI Lab Consortium.</p>
ANORC <i>National Association of Digital Preservation Operators and Managers</i>	<p>Association that aims to promote and channel the know-how and needs of businesses, public bodies, professionals and experts operating in various capacities in the digitalisation and digital preservation sector.</p>
AODV <i>Association of Members of Supervisory Bodies pursuant to Legislative Decree no. 231/2001</i>	<p>Association of professionals and company representatives who operate first-hand within the Supervisory Bodies envisaged by the Organisational Models adopted pursuant to Legislative Decree no. 231/2001.</p>
ASSOFIN <i>Italian Association of Consumer Credit and Mortgages</i>	<p>Association of the leading financial operators in the family credit sectors.</p>
ASSONIME <i>Association of Public Liability Companies</i>	<p>Association that operates to improve business governance and promote the cultural development of the financial environment.</p>
ASSORETI <i>Association of Investment Consultancy Firms</i>	<p>Association that aims to offer leading players in the financial market an array of services ranging from professional training and scientific research to market research on current trends for the distribution of products and services in the banking, financial and insurance sector.</p>
ASSOSIM <i>Italian Association of Financial Market Brokers</i>	<p>Association that represents operators on the Italian stock market; its activities include research, legislative advice, training, the production of publications and the organisation of conferences and seminars.</p>
CBF <i>Conciliatore Bancario Finanziario</i>	<p>Conciliatore Bancario Finanziario is an association that offers various methods of handling and resolving disputes that may arise between a customer and a bank or financial broker.</p>
CETIF <i>Centre for Research in Technology, Innovation and Financial Services</i>	<p>CETIF carries out studies and promotes research into the dynamics of strategic and organisational changes in the financial, banking and insurance sectors.</p>

CREDIMPEX	Association aimed at the study and communication to its members of the most complex instruments regulated by international regulations issued by the International Chamber of Commerce such as documentary credits, letters of credit and international guarantees.
FIG <i>Interbank Guarantee Fund</i>	Fund offering subsidiary guarantees for agricultural credit operations that contribute to the repayment of losses suffered by banks after the enforcement of compulsory collection procedures.
FITD <i>Interbank Deposit Protection Fund</i>	Consortium whose purpose is to guarantee depositors of the member banks, which provide the financial resources necessary for its activities.
FNG SIM <i>National Guarantee Fund</i>	Investor credit guarantee fund, aimed at protecting receivables deriving from the provision of investment services such as bonds, government securities and all other instruments characterised by capital return risks.
FONDAZIONE GIUSTIZIA [JUSTICE FOUNDATION]	Foundation aimed at promoting the development and exchange of synergies and experiences between Magistrates, Professionals, Businesses, Universities and Institutions, established to respond to the demand of justice of citizens and businesses.
ISDA <i>International Swaps Derivatives Association</i>	Association aimed at promoting market practices, and preparing and continually updating contractual standards, with the purpose of increasing the efficiency and security of the swap derivatives market.
SGFA <i>Agri-Food Investment Management Company</i>	Company aimed at improving the financial management of agricultural businesses and promoting access to credit.
UPA <i>Associated Advertising Users</i>	Association promoted and coordinated by member companies in order to consider and resolve common issues concerning advertising and to represent company interests in relations with all stakeholders of the commercial communications market.

Cultural and Social Context





ADSI <i>Italian Association of Historical Buildings</i>	Association which aims to promote the conservation and enhancement of private historical residences.
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Amici della Pilotta [Friends of the Pilotta]	Parma-based association aimed at promoting awareness of artistic works and sites, incentivising links with museum collections and promoting a culture of protection and respect to bring citizens closer to artistic heritage.
FEDUF <i>Foundation for Financial Education and Investments</i>	Foundation which pursues social objectives, promoting financial education as part of the broader concept of conscious and active Education on Financial Citizenship.
Environmental Context	
AiCARR <i>Italian Air-Conditioning, Heating and Refrigeration Association</i>	Association aimed at creating and promoting culture in the sector of systems technology for the production, distribution and utilisation of thermal energy in civil and industrial contexts, aiming to promote sustainable wellbeing.
FIRE <i>Italian Federation for the Rational Use of Energy</i>	Technical and scientific association whose objective is to promote an efficient use of energy, organising institutional activities and providing services to support industry operators and promoting the positive evolution of the regulatory and legislative framework.

Materiality Analysis

In the first half of 2017, in line with the GRI Sustainability Reporting Standards the Group carried out a **materiality analysis** aimed at defining the significant aspects that reflect the main economic, environmental and social impacts of the Group which may significantly influence the assessments and decisions of its stakeholders.

The process was structured as follows:

- 
Identification of Stakeholders
 As described in more detail in the previous section, the process of stakeholder identification involved the distribution of a questionnaire to individual departments of the Bank and Group companies.
- 
Identification of Sustainability Topics
 In order to identify the topics to be considered in the materiality analysis, reference was made to internal and external sources (GRI Sustainability Reporting Standards, the Sustainability Accounting Standard Board (SASB) for the Commercial Banks and Insurance Sectors, the survey "*Sustainability Topics for Sectors: What do stakeholders want to know?*", published by the GRI in 2013, and the ESG questionnaire issued by the ABI).
- 
Assessment of Material Topics
 The assessment of the identified topics involved an **initial quantitative evaluation phase** through the compilation of specific questionnaires; this process enabled the departments of the Bank and the Group companies to produce, for each of the identified topics, an assessment of its significance for the Group and its correspondence to the outcome of stakeholder engagement activities.
- 
Materiality Matrix
 The Materiality Matrix, generated from the materiality analysis, offers a brief representation of the significant topics, cross-referencing them with the level of significance to stakeholders.
 In order to better reflect the values, policies, strategies and impacts of the Group, as well as stakeholder expectations, the initial quantitative approach was then integrated with qualitative analysis through dedicated workshops held with General Management and Senior Management.

This document is the first Non-Financial Statement produced by the Group; as such, the materiality analysis did not provide for the direct involvement of external stakeholders. However, with a view to continuous improvement, the Group intends to progressively update this analysis process and is assessing the efficacy of directly involving stakeholders.

In 2017, the VALUE Service analysed possible methods of direct involvement of stakeholders which will be implemented in 2018, assigning to the Institutional Relations Department the responsibility for stakeholder engagement activities, including through relative training procedures, in order to involve and interact with stakeholders and satisfy reciprocal requests for information.

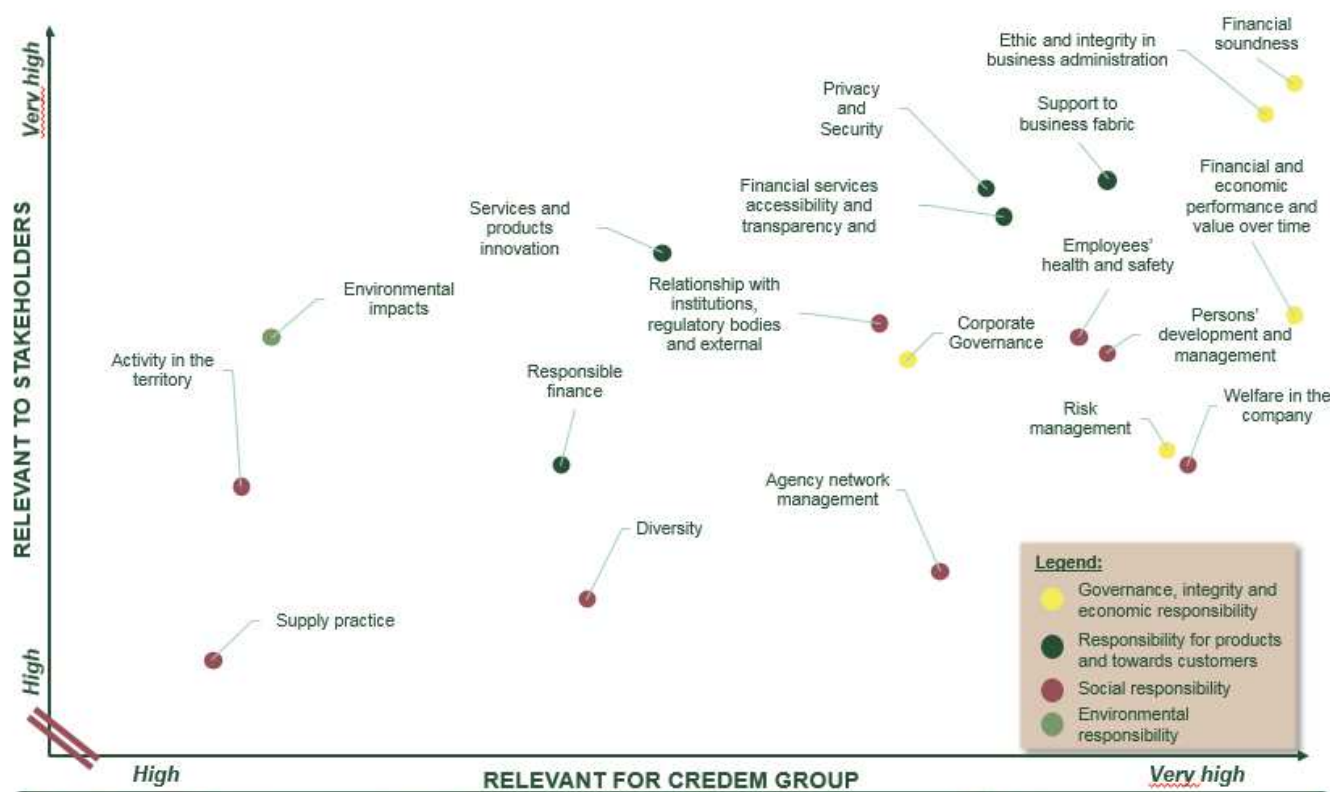


Figure 4: Materiality Matrix of the Credem Group

Disclosure 103-1 Explanation of the material topic and its Boundary

Macro Topics	Material Topics	Description of Topics	Boundaries	
			Location of Impact	Group Engagement
Governance, integrity and responsibility	Financial stability	Capacity of the Group to endure over time, thanks to its adaptability to changing external and internal conditions.	Credem Group	Direct
Governance, integrity and responsibility	Ethics and integrity in Business Management	Capacity of the Group to operate in compliance with laws, regulations and ethical standards; fight against active and passive corruption.	Credem Group	Direct
Governance, integrity and responsibility	Economic - financial performance and creation of value	Capacity of the Group to create economic value for the Group and its stakeholders.	Credem Group	Direct
Governance, integrity and responsibility	Relations with institutions, regulatory bodies and external relations	Capacity of the Group to maintain concrete relations with stakeholders.	Credem Group	Direct
Governance, integrity and responsibility	Corporate Governance	Corporate Governance Model adopted by the Group and corresponding characteristics such as structure, composition of the governance bodies and assessment of Board performance.	Credito Emiliano S.p.A. in its capacity as Parent Company	Direct

Governance, integrity and responsibility	Risk management	Capacity of the Group to mitigate and prevent risks, including business risks linked to the macro-economic context, the competitive and regulatory context and reputational, environmental and social risks.	Credem Group	Direct
Product and customer responsibility	Support for the business network	Capacity of the Group to define credit policies and instruments able to support businesses (SMEs, start-ups, regional businesses) which respond to emerging needs through dedicated products.	Credem Group	Direct
Product and customer responsibility	Privacy and security	Capacity of the Group to protect the privacy of customer data and transactions.	Credem Group	Direct
Product and customer responsibility	Accessibility and transparency of financial services and customer satisfaction	Capacity of the Group to define policies aimed at promoting access to financial products and services and providing maximum transparency in its services and activities. Alignment of the service quality to customer expectations and capacity to improve the customer experience.	Credem Group	Direct
Product and customer responsibility	Innovation of products and services	Capacity of the Group to develop innovative products that bring significant benefits to customers.	Credem Group	Direct

Product and customer responsibility	Responsible finance	Adoption by the Group of socio-environmental screening practices for asset management activities, excluding investments in businesses and institutions whose values are not in line with those of the Credem Group. Development of products and services with specific environmental and/or social aims.	Credem Group	Direct
Product and customer responsibility	Management of the agency network	Capacity of the Group to maintain stable relations with its sales network, including financial advisors and agents.	Group companies which include an agency network (Credito Emiliano S.p.A. and Banca Euromobiliare S.p.A.)	Direct
Product and customer responsibility	Operation in the region	Capacity of the Group to promote and support regional development in the areas in which it operates, generating social value through donations, sponsorships and partnerships to support local communities. Capacity of the Group to promote financial education in order to ensure the correct use of products and services and the proper management of financial resources.	Credem Group	Direct
Social responsibility	Employee health and safety	Capacity of the Group to protect the health and safety of its employees through the adoption of preventive and educational measures, health training procedures and the monitoring of occupational incidents.	Credem Group	Direct

Social responsibility	Staff development and management	Capacity of the Group to attract and retain talent through professional development programmes for employees and the sales network, including remuneration and incentivisation policies aimed at promoting staff satisfaction.	Credem Group	Direct
Social responsibility	Corporate welfare	Capacity of the Group to provide a good working environment and a healthy work-life balance through the provision of financial and social benefits and corporate welfare initiatives.	Credem Group	Direct
Social responsibility	Diversity	Capacity of the Group to ensure equal opportunities in regard to gender, disability, age, minority group, etc. and equal pay for men and women.	Credem Group	Direct
Social responsibility	Procurement practices	Adoption by the Group of socio-environmental screening practices in supplier selection procedures.	Credem Group	Direct
Environmental responsibility	Environmental impacts	Capacity of the Group to manage the environmental impacts of its activities, including with regards to energy and water use, greenhouse gas emissions, paper use, waste disposal and employee mobility.	Credem Group; Office materials suppliers	Direct; Associated with business partnerships

Ethics and Integrity in Business Management

<p><i>Business Management and Organisational Model</i></p>	<p>The Group recognises the strategic value of performing business activities ethically and responsibly, implementing the necessary measures required to prevent fraud, conflicts of interest, money-laundering, the financing of terrorism and corruption through:</p> <ul style="list-style-type: none"> - a Compliance Department, a second-level control function which collaborates with other company departments to ensure healthy and correct business management, overseeing compliance risk management and promoting a culture of compliance and ethical conduct; - an internal Audit Department, a third-level control function aimed at verifying the correct application of Group policies and analysing any instances of internal/external fraud to identify the necessary measures to prevent recurrence.
<p><i>Policies implemented and results achieved</i></p>	<p>The Group has defined and formalised specific Policies and Regulations to ensure that its business activities are characterised by the principles of ethics and integrity:</p> <ul style="list-style-type: none"> - Internal Code of Conduct: this outlines the ethics, company values and rules of conduct with regard to employees and external collaborators, personal operations, internal organisation and customer relations; - Code of Ethics and Conduct for off-site financial advisors and agents: with regard to off-site financial advisors and agents used by certain Group companies (in line with the independence that characterises agency relations), this provides certain general principles aimed at ensuring correctness, morality and honesty in relations with the company and its customers; - Group Regulation on the Internal Whistleblowing System: for all Group companies affected by above Regulation, this defines the specific procedures for reporting events or actions that may constitute breaches to the standards which regulate banking activities and the activities carried out by qualified entities pursuant to the Consolidated Law on Finance [TUF], the prevention of money-laundering and the financing of terrorism, corporate liability of companies and institutions or breaches to the Organisational, Management and Control Model pursuant to Legislative Decree no. 231/01; - Group Policy and Regulation on the Management of the Risk of Money Laundering and Financing of Terrorism: for the Group companies affected by the above regulation, these identify the reference principles and guidelines for the management of the risks of money-

laundering, the financing of terrorism and the management of embargoes;

- Group Regulation on the **Group Procedure for the Management of Conflicts of Interest**: this defines the guidelines aimed at promoting the correct and full observance by Group companies of the obligations of correct conduct and transparency with regard to conflicts of interest in the performance of investment services, activities and related activities;
- Regulation on the **Procedure for Associated-Party Transactions**: this aims to manage the risk that the proximity of certain subjects to the decision-makers of the Credem Banking Group may compromise the subjectivity and impartiality of decisions regarding certain types of transaction;
- Regulation on the **Procedure for Related-Party Transactions**: this defines the rules and methods aimed at ensuring transparency and the actual and procedural correctness of Related-Party Transactions carried out directly or by subsidiaries;
- Regulation on the **Management and Public Disclosure of Insider Information**: this regulates the management of insider information, as defined by Article 7 of the Market Abuse Regulation (MAR) by Credem and its subsidiaries.

The Parent Company and other Group companies, aware of the need to ensure the conditions of correctness and transparency in the performance of its business and business activities, have implemented the indications of Legislative Decree no. 231/01 regarding the "Guidelines for the administrative liability of legal entities, companies and associations without legal responsibility" through the adoption of an **Organisational, Management and Control Model** aimed at preventing and combating the risk of the crimes provided for in the aforementioned Decree.

The **Board of Statutory Auditors** of each Group company that has adopted an Organisational, Management and Control Model has been allocated the role of **Supervisory Body pursuant to Legislative Decree no. 231/01** and is entrusted, *inter alia*, with the task of supervising the operation, efficacy and observance of the Model and ensuring its update, as well as coordinating informative and training activities regarding the Decree and the Model.

In this regard, the Board of Directors has adopted the **Operating Manual "Risks and Controls pursuant to Italian Legislative Decree no. 231/2001"**, the **Internal Code of Conduct** and the **Code of Ethics and Conduct for off-site financial advisors and agents** (the latter applies to Group companies which use off-site financial advisors and agents),

and the **Disciplinary System** aimed at penalising breaches to the provisions indicated in the Model.

The Organisational and Management Model of the Credem Group and other Group companies is **structured by business unit**, indicating for each unit the sensitive activities that may determine the commission of a crime. The Organisational, Management and Control Model translates the opportunities for the performance of unlawful conduct relating to each business unit into specific crime risks. Such risks are described in the **Risk and Control Manual** and are subdivided by:

1. The business unit exposed to the crime risk;
2. The opportunity of the unlawful conduct;
3. The method of the unlawful conduct.

Once the effective existence of a crime risk concerning one or more business unit(s) is identified, the system of controls (**control protocols**) is defined regardless of the likelihood of the crime actually being committed, in order to ensure the maximum efficacy of the controls with regard to each specific risk.

The control protocols envisage the separation of the **rules of conduct**, defined by the Internal Code of Conduct (or the Code of Ethics and Conduct for off-site financial advisors and agents), and the **operating rules** which define the procedures regulating the methods and time-frames for the performance of activities and assign duties and responsibilities.

In 2017, **955 hours of training** on Legislative Decree no. 231/2001 were provided.

Disclosure 102-17 Mechanisms for advice and concerns about ethics

In 2017, the internal whistleblowing system, which had already been adopted by Credem, Banca Euromobiliare, Euromobiliare Asset Management SGR and Credem Private Equity, was extended to the companies Credemvita, Credemleasing, Credemfactor, Creacasa and Euromobiliare Fiduciaria, not only to prevent breaches of the regulations governing banking activities and activities carried out by qualified entities pursuant to the Consolidated Law of Finance [TUF] but also to prevent breaches of regulations concerning money-laundering and the financing of terrorism.

Furthermore, amendments to the Group regulations are currently being formalised in order to adapt to recent developments. In particular, the entry into force of Law no. 179/2017 envisages the further extension of the scope of application (unlawful conduct pursuant to Legislative Decree no. 231/2001, or breaches of the Organisational and Management Model of the Company) and, therefore, the inclusion of additional subjects within the scope of application (the other Group companies which have adopted an Organisational, Management and Control Model: Credemtel, Magazzini Generali delle Tagliate).

The internal whistleblowing system is characterised by the presence of a single manager for all Group companies (Compliance Officer of the Parent Company) and an assistant manager (Audit Service Manager of the Parent Company).

The system, which aims to ensure the maximum protection and confidentiality of the personal data of the whistleblower and the reported party, offers each employee, advisor or agent the opportunity to report to the supervisory bodies any unlawful conduct that may come to their knowledge. Reports may be made in writing or by email to a dedicated email address; anonymous reports are not permitted.

The reports are received, examined and evaluated through specific, autonomous and independent channels, which differ from the ordinary reporting lines so as to ensure that the subject in charge of receiving, examining and evaluating the report is not hierarchically or functionally subordinated to the reported subject. Furthermore, a set of rules has been identified to guarantee the confidentiality of the personal data of the whistleblower, as well as the alleged perpetrator, and to adequately protect the whistleblower from any retaliatory or discriminatory behaviour resulting from the report.

In order to guarantee the correct implementation of the system within the Group, training and operational communications regarding the whistleblowing system are sent to, and must be acknowledged by, all employees.

Finally, an annual report is produced for each company regarding the correct implementation of the internal whistleblowing system; this report is presented to the Board of Directors and distributed to all employees of the relevant company.

Disclosure 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and relative outcomes

In 2017 no legal actions were taken against the Credem Group regarding anti-competitive behaviour, anti-trust and monopoly practices.

Disclosure 307-1 Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations

In 2017, the Credem Group was not subject to any significant administrative penalties regarding non-compliance with environmental laws and regulations.

Risk Management

Business Management and Organisational Model

The Group has always strived to achieve a high level of quality in its management of risks.

The responsibility for the internal control system lies with the **Board of Directors**, which analyses the adequacy of the rules, procedures and organisational structures aimed at facilitating healthy and prudent business management.

The Board of Directors is supported by the **Group Risk Committee**, which is supervised by an independent Director and assists with the assessment and decision-making process for the management of risks and the internal control system.

The organisational principle that guides the identification of the persons involved in the risk management process envisages the separation of the three essential activities, which are:

- the definition of risk management strategies;
- the assessment and control of risks;
- the verification of the adequacy of the risk assessment and management system.

All three areas are defined and acted upon in line with the Group's Risk Appetite Framework.

In compliance with the indications of the Supervisory Bodies, the Group has implemented organisational solutions aimed at:

- ensuring the required **separation** between operational and control functions in order to avoid conflicts of interest in the allocation of roles;
- enabling the adequate **identification, assessment and supervision** of all risks which have been or may be taken by the various operational units and by the Group;
- establishing **control activities** at each operational level and enabling the unambiguous and formal identification of duties and responsibilities, in particular as regards duties to control and correct any irregularities;
- providing **reliable information systems** and appropriate reporting procedures at the various levels of management with control responsibilities;
- ensuring that any anomalies detected by the operating units, by the internal audit department or by other control personnel are **promptly brought to the attention** of appropriate company managers and are handled immediately;
- enabling the **registration of all management activities** and, in particular, of every transaction to an adequate degree of detail, ensuring its correct allocation within the relevant time-frame.

**Policies
implemented
and results
achieved**

The compliance risk applies to all levels of the corporate structure, particularly at operational level.

Prevention measures must first of all be implemented where the risk is generated; adequate accountability for all staff is therefore necessary.

The compliance risk management process¹⁰ is structured according to the following phases:

- definition of the compliance risk assessment methodology;
- control of new regulations: continuous identification of applicable regulations. These activities are carried out with the support of the Legal Departments identified by the "Group Policy for Legal Issues and Non-Credit Related Disputes";
- assessment of the impacts of applicable regulations through i) the identification of gaps and guidelines for corrective measures concerning processes, procedures, information and contracts for the prevention of the detected risk; ii) the identification of the departments/offices charged with carrying out the analysis for their implementation; preventive validation of the implementation of the identified solutions;
- *ex post* evaluation of the adequacy and efficacy of the procedures, processes and, more generally, the controls identified for each requirement included in the legislative scope of application, with the relative verification of their correct implementation;
- definition of mitigation measures and related follow-ups: this envisages the proposal of organisational and procedural changes aimed at ensuring the adequate control of the identified compliance risks and the verification of the efficacy of the suggested changes for the prevention of the risk of legislative non-compliance;
- consultancy: the provision of advice and assistance to company bodies and departments regarding all matters to which compliance risk may pertain;
- training: collaboration in staff training activities at all levels of the organisational structure regarding the provisions applicable to the activities carried out, in order to promote a "corporate culture" characterised by the principles of honesty, correctness and respect for the letter and spirit of the law;
- reporting procedures to control bodies and departments: establishment of direct data streams between management bodies (Board of Directors, Executive Committee, Board of Statutory Auditors, General Management) and the company departments concerned, such as those

¹⁰ The intervention of the Compliance Department in the compliance risk management process occurs, depending on the regulatory area, **directly** (for the most pertinent standards), **indirectly** (jointly with Specialist Control units) or **in an integrated manner** (jointly with Integrated Specialised Control units with additional controls by the department).

responsible for the management of operational risks.

With regard to non-financial material topics, the Group recognises their association with financial risks and aims to broaden the scope of the risk analysis of the topics relevant to and envisaged by Article 3 of Italian Legislative Decree no. 254/16. In this regard, the concept of reputational risk has been considered.

Reputational risk is defined as the *"current or future risk of a reduction in profit or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors or supervisory authorities"* (cf. Bank of Italy Circular no. 285 of 17/12/2013, Part I, Section III, Chapter I, Annex A).

Due to its nature and characteristics, "reputational risk" is understood as one that does not manifest independently but rather as a secondary side effect of other triggering factors, quantified within the operational risk management processes. The Group has identified the main sources of reputational risk as non-compliance with regulations and product performance.

In 2017, an assessment of the potential impact of reputational risk on Credembanca was carried out, adapting the methodology defined by the project coordinated by the ERISK service.

The project was developed in the following stages:

- 1) strategy definition: Credembanca retail customers were identified as significant stakeholders while customer churn was used as an index to assess reputational damage;
- 2) identification of primary events:
 - distribution of a questionnaire to a representative sample of retail customers in order to assess the reaction to a series of specific events associated with various types of risk (operative, strategic, market, liquidity, credit, governance and IT, as a subset to operational risk);
 - evaluation of customer responses to a series of specific events in terms of indifference, the substantial maintenance, significant reduction or complete termination of relations with the Bank;
 - the reference target was a statistically representative sample of Credem's customers subdivided by various factors;
- 3) impact assessment and probability: to assess the likelihood that an event might occur (low, low-medium, medium-high, high), "anonymous Top Management questionnaires" were distributed, differentiated according to the specific areas of expertise. The probability scale was aligned with that of operational risk to ensure methodological consistency. The level of impact was obtained by comparing the outcome of the customer questionnaire, assessing the reduction in revenues following the termination or significant reduction of relations with the bank, with the respective profitability.

The results of the analysis were processed according to the RSA

methodology already in use for the assessment of operational risks.

The application of the method used to estimate "Reputational Loss", expressed in terms of lower expected revenues, led to the following findings:

- the confirmation of the theory that reputational risk predominantly manifests as an indirect risk;
- the primary risks which generate reputational risks are, in terms of impact, predominantly attributable to operational risk (particularly conduct-related risk).

Training activities

With a view to maintaining a high level of attention to the management of risks relating to banking activities, including through the adoption of a prospective approach, for several years now the Group has organised a **training programme** at all levels of the organisation, including Management Bodies. In the latter regard, **nine Board Meetings** were held in 2017 dedicated to training related to regulatory and business topics and related processes, risks and controls. The meetings were organised in collaboration with University lecturers and consultants and were also attended by the members of the Board of Statutory Auditors and Top Management

In 2017, the following training courses were provided:

- Impact of the Markets in Financial Instruments Directive (**MiFID II**) on investment services;
- **IFRS9**: business models, classification and measurement, impairment;
- **Cyber-Security and Cloud Computing**;
- **Area Wealth Management**: business model;
- **Distribution Process** through networks of private bankers, financial consultants, agents;
- **Non-financial information** (Non-Financial Statement);
- **Credit Management**;
- **Internal Control Departments**: Auditing, Compliance, Risk Management.

Disclosure 102-15 Key impacts, risks and opportunities

Macro Topics	Material Topics	Risks	Control Methods - Departments involved	Boundary
Governance, integrity and responsibility	<p>Financial stability</p> <p>Ethics and integrity in Business Management</p> <p>Economic - financial performance and creation of value</p> <p>Relations with institutions, regulatory bodies and external relations</p> <p>Corporate Governance</p> <p>Risk management</p>	<p>Reputational risk relating to compliance risk</p> <p>Reputational risk associated with product performance</p> <p>Reputational risk aimed at providing an estimate of the potential financial impact resulting from reputational damage (Corporate Governance, Bank-Customer Relations, Internal Incidents)</p> <p>Governance risk</p> <p>Operational risk: Conduct risk</p>	<p>First-level risk monitoring is carried out by the following departments:</p> <ul style="list-style-type: none"> - General Secretariat for conflicts of interest, management of insider information, 231 Organisational, Management and Control Model; - Compliance Department for whistleblowing, conflicts of interest, MiFID, market abuse detection and personal transactions of significant subjects; - Anti-money laundering Department for anti-money laundering and anti-terrorism controls; - PEOPLE service for the internal code of conduct. <p>Direct second-level controls are also carried out on the above topics by the Compliance and Anti-Money Laundering Departments and by the 231 Supervisory Body, particularly on non-compliance risks.</p> <p>The risk is supervised by the ORGAN Service and the General Secretariat which ensure the adequacy and consistency of the organisational model and the operational governance mechanisms.</p> <p>Legislation regarding Corporate Governance also falls under the direct second-level control of the Compliance Department.</p>	Credem Group

Macro Topics	Material Topics	Risks	Control Methods - Departments involved	Boundary
Product and customer responsibility	Support for the business network	Risk of non-compliance with regulations governing personal data protection and the transparent distribution of banking and financial services	Compliance risk with regard to personal data protection regulations and customer operations is managed through the direct second-level control of the Compliance Department.	Credem Group
	Privacy and security			
	Accessibility and transparency of financial services and customer satisfaction	Operational risk: Conduct Risk	Compliance risk with regard to the transparency of banking and financial services is managed through the direct second-level control of the Compliance Department.	
		IT risk		
		Strategic risk	The product creation process envisages the formalised involvement of the various Company and Group departments responsible for the various areas; second level controls are carried out by the Risk Management and Compliance Departments, with the involvement of various Specialised Control Units (regarding tax matters, product branding, etc.).	
	Innovation of products and services	Reputational risk associated with product performance		
	Responsible finance	Reputational risk aimed at providing an estimate of the potential financial impact resulting from reputational damage (Bank-Customer Relations, Internal Incidents)	Adoption of socio-environmental screening practices for asset management activities, excluding investments in businesses and institutions whose values are not in line with those of the Credem Group. Development of products and services with specific environmental or social aims.	
	Management of the agency network			
	Operation in the region			

Macro Topics	Material Topics	Risks	Control Methods - Departments involved	Boundary
Social responsibility	<p>Employee health and safety</p> <p>Staff development and management</p> <p>Corporate welfare</p> <p>Diversity</p> <p>Procurement practices</p>	<p>Risk of non-compliance with occupational health and safety regulations and labour regulations</p> <p>Reputational risk aimed at providing an estimate of the potential financial impact resulting from reputational damage (Internal Incidents)</p>	<p>Risk monitoring is entrusted to the Safety and Prevention Department (SPD) which ensures observance of regulations currently in force and is also a Specialised Control Unit for the second-level controls of compliance risk.</p> <p>The management of human resources is the responsibility of the People Service (also appointed as a Specialised Integrated Control Unit for the second-level controls of compliance risk) which aims to ensure employee welfare and promote personal development.</p> <p>First-level controls regarding compliance with labour regulations, including the corporate welfare measures, are carried out centrally by the HR office (PER) of the Parent Company which fulfils the role of Specialised Integrated Control Unit for the second-level controls of compliance risk.</p>	<p>Credem Group (excluding MGT for the material topic "Employee Health and Safety")</p>

Macro Topics	Material Topics	Risks	Control Methods - Departments involved	Boundary
Environmental responsibility	Environmental impacts	<p>Risk of non-compliance with environmental laws and/or regulations</p> <p>Reputational risk aimed at providing an estimate of the potential financial impact resulting from reputational damage (external incidents)</p>	<p>The risk is centrally monitored by the</p> <ul style="list-style-type: none"> • Property Governance and Control Office for the management of real estate and the continuous operation in case of emergency; • by the Logistical Coordination Office for the collection and disposal of waste. <p>The above-mentioned departments constantly monitor the main environmental risks and represent Specialised Integrated Control Units for the second-level controls of compliance risk.</p>	Credem Group

Anti-Corruption

<p>Business Management and Organisational Model</p>	<p>The Group focuses much attention of the prevention of risks associated with corruption.</p> <p>As such, it has adopted an Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 which defines a structured system of procedures and control activities aimed at preventing crimes of corruption, including:</p> <ul style="list-style-type: none"> - corruption, collusion and wrongful incitement to give or promise benefits (Article 25 of Legislative Decree no. 231/01); - corporate crimes (Article 25-ter of Legislative Decree no. 231/01) - corruption between private individuals and incitement to corruption between private individuals
<p>Policies implemented and results achieved</p>	<p>From the analysis conducted as part of the Organisational, Management and Control Model aimed at identifying activities exposed to corruption risks, the following sensitive activities emerged: 14 activities at risk of the crimes of "<i>Direct or indirect corruption / Incitement to corruption / Incitement to give or promise money or other benefits</i>", one activity at risk of the crime of "<i>Corruption in judicial acts</i>", one activity at risk of the crime of "<i>Collusion</i>" and one activity at risk of the crime of "<i>Corruption between individuals</i>" and "<i>Incitement to corruption between individuals</i>".</p> <p>For each identified activity, a series of conduct-related and operational controls (control protocols) was identified to regulate the methods and time-frames for the performance of the activities and to assign duties and responsibilities.</p> <p>In testament to the Group's constant focus on prevention and training activities in regard to Legislative Decree no. 231/2001, all employees were required to complete a mandatory e-learning course.</p> <p>During 2017, 746 participants completed the course, equating to a total of 955 hours of training.</p> <p>Furthermore, each year the Board of Statutory Auditors of the Parent Company organises a Group-wide training seminar focused on matters relating to Legislative Decree no. 231/01; this event is attended by directors, auditors and employees.</p> <p>In 2017, 90 participants completed the course for a total of three hours' training.</p>

Disclosure 205-2 Communication and training about anti-corruption policies and procedures¹¹

ANTI-CORRUPTION Training on policies and procedures	2017			2016		
	Number of participating members of the Management Bodies	Number of participating employees	Total hours of training	Number of participating members of the Management Bodies	Number of participating employees	Total hours of training
E-learning course on "Legislative Decree no. 231/01: Corporate Liability of Institutions"	0	746	955	0	473	1,824
Classroom-based training seminar on Legislative Decree no. 231/01	24	66	270	24	64	264

Disclosure 205-3 Confirmed incidents of corruption and actions taken

In 2017, no cases of non-compliance with regulations representing a confirmed incident of corruption were reported.

¹¹ In 2017 the business partners of the Credem Group did not take part in any training activities regarding anti-corruption policies and procedures.

Economic Sustainability and Financial Stability

<p><i>Business Management and Organisational Model</i></p>	<p>On 1 January 2016, the Group became subject to the direct supervision of the European Central Bank (ECB) as a "significant institution" within the European Union.</p> <p>Economic and financial performance is a valuable asset not only for the Group but for all of its stakeholders.</p> <p>As well as implementing processes and mechanisms to meet legal requirements, strategies and concrete procedures have been established to assess, maintain and distribute capital and issue credit.</p>
<p><i>Policies implemented and results achieved</i></p>	<p>In 2017, in line with its strategic plan, the Group maintained a pronounced focus on its growth objectives through:</p> <ul style="list-style-type: none"> - the review of the organisational model, focusing on a multi-channel approach and digitalisation, - the maintenance of the centrality of wealth management business, reinforcing the production and distribution model; - the diversification of the range of products and sales channels; - significant investments in Technology and Regulatory Compliance. <p>As well as the substantial mandatory contributions which had already been made or are due to be paid, the Group's commitment to supporting the economy was particularly significant; in 2017 alone, the Group allocated over EUR 1 billion to this regard, an increase of 4.4% on the previous year.</p> <p>Through its various activities, the Group has generated a total economic value of over EUR 1.2 billion, of which 85% has been distributed to its stakeholders. In particular, approximately 56% of distributed economic value was aimed at employees and collaborators; almost 22% was allocated to suppliers, 6% went to shareholders and approximately 16% was distributed to the Public Authorities. An economic value of over EUR 540 thousand was distributed to Local Communities in the form of grants and sponsorships.</p> <p>In order to maintain and improve upon this positive trend, various performance indicators have been identified to measure financial stability, cost of risks, ratings of reference agencies, liquidity and credit quality.</p> <p>Capital ratios demonstrate that financial stability is in line with the minimum requirement (SREP) assigned by the European Central Bank, which envisages a minimum CET1 ratio of 6.75% in 2017; in 2016, the Bank of Italy set this</p>

threshold at **7.0%**.

In 2017, the Group received the new minimum CET1 ratio for 2018, set at **7.375%**; this increase on 2017 was solely as a result of the progressive regulatory adjustment of the Capital Conservation Buffer. The **CET1 ratio of the Group** at the end of **2017** was **13.69%**, compared to 13.15% in 2016.

The **cost of risk** stabilised at a significantly lower level than the average of the Italian Banking System and was mainly in line with that of 2016: **34 bps at the end of 2017** compared to 32 bps in the previous year.

The **credit quality** indicators show that the impact of non-performing loans against total customer loans was in line with the average of European banks and significantly lower than the average of Italian commercial banks¹², with Credem's **Gross NPL ratio** (Q4 2017) coming in at 5.2% compared to an average of 11.9% recorded for other "Significant" Italian banks as at 30 September 2017.

Liquidity indicators are considerably higher than the legal minimums (which in any case enter into force in 2018), with an **LCR of 166%** in **2017**, albeit penalised by the lower impact of financial securities in foreign currencies.

Return on equity (**ROE**) was **7.4% in 2017**, compared to 5.4% in 2016.

All of the **ratings** issued by ratings agencies to Credito Emiliano identified the Group's creditworthiness as "investment grade". In particular, Fitch Ratings assigned the same rating as for sovereign debt, while the rating issued by Moody's was one "notch" above.

¹² For more information on national and European Gross NPL ratios, refer to the document "Supervisory Banking Statistics" published each quarter by the European Central Bank.

Financial performance indicators

FINANCIAL STABILITY¹³	2017	2016
CET1 ratio [%]	13.69	13.15
Tier 1 ratio [%]	13.76	13.15
Total capital ratio [%]	15.57	14.44
SREP requirement (ECB) on the CET1 ratio issued by ECB / Bank of Italy [%]	6.75	7.00
Cost of risk [bps]	34	32
RATINGS FROM AGENCIES¹⁴	2017	2016
S&P	BBB-	BBB-
FITCH	BBB	BBB+
MOODY'S	Baa1	Baa1
FINANCIAL LIQUIDITY [%]	2017	2016
NSFR	123	125
LCR	166	211
CREDIT QUALITY [%]	2017	2016
Gross NPL ratio	5.2	5.8
Net NPL ratio	2.9	3.4
Net Bad Loans ratio	1.3	1.5

¹³ CET1, Tier 1 and Total Capital ratios represent phased-in data calculated at Credito Emiliano Holding level (scope of prudential supervision).

¹⁴ Long-term ratings

Disclosure 201-1 Direct economic value generated and distributed¹⁵

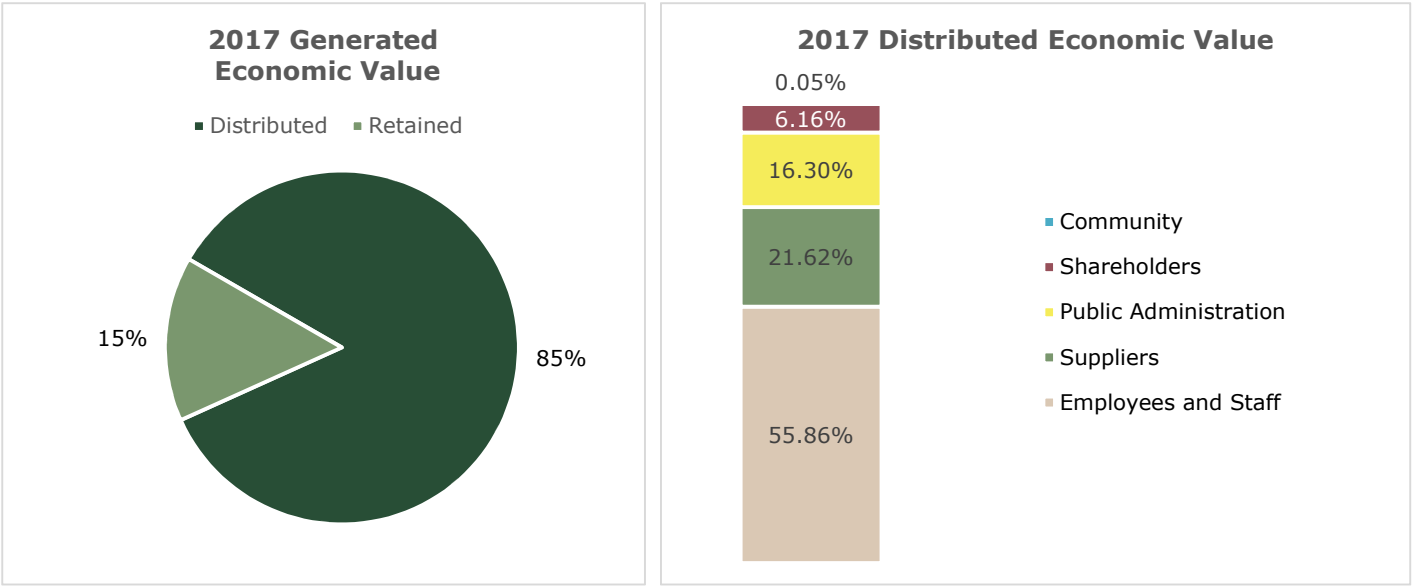
GENERATED ECONOMIC VALUE [EUR/000]	2017	2016
Interest income and similar revenues	635,019	632,137
Interest expenses and similar charges	- 96,540	- 129,600
Fee and commission income	621,786	587,187
Fee and commission expenses (net of external network charges)	- 59,689	- 56,853
Dividend and similar income	9,384	7,093
Net profit (loss) from trading	15,228	27,771
Net profit (loss) from hedging	4,176	- 10,472
Gains (losses) on disposal or repurchase of:	61,090	100,748
<i>a) loans</i>	- 980	5,314
<i>b) financial assets available for sale</i>	61,739	95,587
<i>c) financial assets held to maturity</i>	- 12	-
<i>d) financial liabilities</i>	343	- 153
Net profit (loss) from financial assets and liabilities designated at fair value	52,021	38,825
Net losses/recoveries on impairment of:	- 88,406	- 75,284
<i>a) loans</i>	- 80,462	- 79,451
<i>b) financial assets available for sale</i>	- 5,247	- 1,448
<i>d) financial liabilities</i>	- 2,697	5,615
Net premium earned	347,397	554,518
Net other operating income/(charges) from insurance activities	- 372,559	- 581,023
Other operating income/charges	134,626	125,570
Profit (loss) on equity investments relating to "profit (loss) from disposals"	177	-
Gains (losses) from sale of investments	1,915	1,140
TOTAL GENERATED ECONOMIC VALUE	1,265,625	1,221,757

¹⁵ The value was calculated in line with the Italian Banking Association guidelines.

DISTRIBUTED ECONOMIC VALUE [EUR/000]	2017	2016
Other administrative expenses net of indirect taxes, grants and sponsorships) ¹⁶	232,410	257,186
Economic value distributed to suppliers	232,410	257,186
Personnel costs (including external network charges)	600,451	583,884
Economic value distributed to employees and collaborators	600,451	583,884
Profit allocated to shareholders ¹⁷	66,246	49,656
Economic value distributed to shareholders	66,246	49,656
Other administrative expenses: indirect taxes and taxes	102,585	99,111
Income tax for the current year from continuing operations (excluding prepaid and deferred taxes)	72,611	72,883
Economic value distributed to the Public Authorities	175,196	171,994
Other administrative expenses: grants and sponsorships	548	664
Economic value distributed to communities	548	664
TOTAL DISTRIBUTED ECONOMIC VALUE	1,074,851	1,063,384
WITHHELD ECONOMIC VALUE [EUR/000]	2017	2016
Net provisions for risks and charges	10,765	28,749
Net adjustments to (Recoveries on) property, plants and equipment	18,381	17,237
Net adjustments to (Recoveries on) intangible assets	31,538	28,414
Profit (loss) on equity investments relating to the valuation component	-2,933	- 2,025
Income tax for the current year from continuing operations (prepaid and deferred taxes)	12,772	3,709
Earnings allocated to reserves and retained earnings	120,251	82,289
TOTAL WITHHELD ECONOMIC VALUE	190,774	158,373

¹⁶ The decrease in value compared to 2016 is attributable to the reduction in extraordinary contributions to the National Resolution Fund for EUR 18.9 million.

¹⁷ For the amount of profit allocated to shareholders in 2017, refer to the Board of Directors' resolution of 15 March 2018. For the amount of profit allocated to shareholders in 2016, refer to the Minutes of the Shareholders' Meeting of 27 April 2017.





Focus on customers

Atanasio Soldati (Parma 1896 - 1953), *Opera Prima*, Reggio Emilia, Credem Art Collection

The Group's mission is "Excellence in the creation of value over time"; this means working to satisfy the needs of our customers, offering simple, flexible and effective solutions to support **families, businesses and communities.**

We are characterised by our integrated Group structure composed of different companies that offer complementary services in the financial, protection and instrumental sectors: our commitment to maintaining high standards of quality is proven by the following certifications awarded to our adopted Management Systems:

Company	Certified Management Systems
Credemtel S.p.A.	UNI EN ISO 9001:2008 – Quality Management System
	UNI CEI ISO/IEC 27001:2014 – Data Security Management System
Magazzini Generali delle Tagliate S.p.A.	UNI EN ISO 9001:2008 – Quality Management System

Our Customers

<p><i>Business Management and Organisational Model</i></p>	<p>The Group's relations with its customers are distinguished by Passion and Responsibility. This passion is reflected in the care we extend to our customers and our profound commitment to care and dialogue. In terms of responsibility, our focus is always towards professionalism and competence, respecting our commitments and offering simple yet innovative solutions.</p> <p>Our branches, corporate centres, private centres, agents and financial consultants operating throughout Italy promote these values, incentivising a growth model based on customer relations.</p> <p>In 2017, planning and organisational development activities focused on the completion of auditing activities regarding the service model and promoting the specialisation of the network by creating dedicated centres aimed at families, microcredit and small businesses. These centres will be an addition to the already operational Private and Corporate divisions. The physical channels are supported by the following digital channels: Internet Banking, Mobile Banking, Contact Centre and the recently refurbished public website.</p>
<p><i>Policies implemented and results achieved</i></p>	<p>In line with the commercial growth strategy, in 2017 the number of customers of the Group rose by 2% compared to 2016.</p> <p>As at 31 December 2017, an analysis of the customer breakdown of the two main banks of the Group, Credito Emiliano and Banca Euromobiliare, reveals a pronounced concentration of customers in the private and family sector, representing almost 83% of the total. Businesses and professionals represent the next largest category at over 14%, while the private banking sector represents just under 3% of the total customer base.</p> <p>The age of private customers shows a consistent mix which is in line with previous years; in particular, 18% of Group customers are under 35, 58% are between 36 and 65 and 24% are over 65. In terms of the breakdown of private customers by gender, gender balance is broadly equal with men and women representing 51% and 49% of the private customer base respectively. Our approach, which aims to welcome and care for our customers, has enabled the formation of long-term relations, with the majority of customers choosing to remain with the Group for over 6 years (representing 66% of total private customers).</p> <p>Positive customer confidence can also be observed among our business customers, with over half (54%) remaining with the</p>

Group for over 6 years.

As regards the Parent Company, the statistics relating to the promotion of female entrepreneurship are also significant: in 2017, the percentage of female-led business customers was 17%, a slight increase on the previous year.

In line with 2016, in 2017 the "businesses and professionals" category showed a clear predominance of business customers with total turnovers of between EUR 0 - 25 million.

Disclosure 102-6 Markets served¹⁸

CUSTOMERS by category	2017	2016
Private customers and families	82.7%	83.3%
Businesses and professionals	14.6%	14.1%
Private banking	2.7%	2.6%
TOTAL	100.0%	100.0%

Private customers

PRIVATE CUSTOMERS by duration of relationship [%]	2017	2016
Up to 1 year	7.5%	8.3%
From 1 to 5 years	26.6%	25.3%
From 6 to 10 years	19.6%	20.1%
From 11 to 20 years	29.7%	30.3%
Over 20 years	16.7%	16.0%
TOTAL	100.0%	100.0%

PRIVATE CUSTOMERS by age [%]	2017	2016
Up to 25 years	5.1%	5.0%
From 26 to 30 years	6.0%	5.7%
From 31 to 35 years	7.1%	7.0%
From 36 to 45 years	18.9%	19.0%
From 46 to 55 years	22.0%	21.5%
From 56 to 65 years	16.9%	16.8%

¹⁸ The data shown in the tables refers to Credito Emiliano S.p.A. and Banca Euromobiliare S.p.A.

Over 65 years	24.0%	24.9%
TOTAL	100.0%	100.0%

PRIVATE CUSTOMERS by gender [%]	2017	2016
Men	51.0%	50.8%
Women	49.0%	49.2%
TOTAL	100.0%	100.0%

Businesses

BUSINESS CUSTOMERS by duration of relationship [%]	2017	2016
Up to 1 year	11.0%	10.9%
From 1 to 5 years	35.0%	34.8%
From 6 to 10 years	22.0%	23.1%
Over 10 years	32.0%	31.2%
TOTAL	100.0%	100.0%

FEMALE LEADERSHIP¹⁹	2017	2016
Number of female entrepreneurs [No.]	28,054	26,311
Female-led businesses against total number of businesses [%]	17.0%	16.3%

BUSINESS CUSTOMERS by turnover²⁰ [%]	2017	2016
EUR 0 - 25 million	98.2%	98.3%
EUR 25 - 50 million	0.8%	0.9%
EUR 50 - 100 million	0.5%	0.5%
EUR 100 - 150 million	0.2%	0.2%
Over EUR 150 million	0.3%	0.3%
TOTAL	100.0%	100.0%

¹⁹ Data refers to Credito Emiliano S.p.A.

²⁰ Data refers to Credito Emiliano S.p.A.

Innovation of Products and Services

<p><i>Business Management and Organisational Model</i></p>	<p>The Group has developed a constantly updated portfolio of innovative products and services designed to adapt to the needs of its customers.</p> <p>The Innovation Strategy Committee aims to assist the Board of Directors in the identification and selection of significant innovation initiatives to be implemented by the Parent Company and/or to be proposed to other Group companies.</p> <p>The Committee defines the investment plan, its priorities and the monitoring of its implementation.</p>
<p><i>Policies implemented and results achieved</i></p>	<p>Within the context of its activities, each Group company aims to develop innovative products which could generate social, environmental, operational and profitability benefits for the Group as a whole.</p> <p>The Parent Company coordinates innovation activities for the range of directly/indirectly funded products/services (so-called DIRIND) in order to ensure the attainment of the strategic and budget objectives defined by the Bank and the Commercial Banking business unit.</p> <p>At the end of 2017, the Innovation Strategy Committee monitored 35 active projects representing investments of around EUR 35 million. Of the main active projects, the initiatives aimed at the progressive digitalisation of customer relations, the new public website and the architectural upgrade of the IT systems are of particular note.</p> <p>Digitalisation:</p> <p>In 2017, investments into digitalisation continued, incentivising all customers to make principle business deposit transactions via virtual channels. The number of virtual transactions increased from 39.9 million in 2013 to 55.5 million in 2017, with a migration rate²¹ at the end of 2017 of 82.9%²².</p> <p>Furthermore, the Electronic Signature tool was developed to enable customers to sign deposit provisions with a biometric signature and certain contracts with an iPad signature. For Internet Banking users, documents are no longer printed but sent as a PDF via MyBox (a dedicated inbox in the secure Internet Banking portal), saving paper and protecting the environment. In 2017, 67.4% of all documents sent to customers were forwarded via the MyBox system.</p>

²¹ Rate calculated on all Credem customers from the private, business, retail and corporate sectors.

²² Ratio between number of transactions made on virtual channels and total transactions made in the reference period.

Innovation of Products and Services:

One of the distinctive elements of Credem's range of products and services is the **multi-channel** distribution network; as well as traditional branches, the bank offers remote banking systems and advanced internet and mobile banking solutions in order to meet the demand for quick and secure transactions.

Credemtel offers innovative solutions for businesses in terms of **Interbank Corporate Banking (ICB)** and **Electronic Document Management (EDM)** services: examples include the remote signature system, electronic billing for Public Authorities and digital archiving.

The products, used by customers both internal and external to the Group, contribute to the dematerialisation and digitalisation of banking processes, reducing the environmental impact of the business activities of the Group and its customers. In 2017, **over 86 million** documents were stored digitally.

Magazzini Generali delle Tagliate (MGT) is a national leader in the cheese maturing sector, responding to the industry's demands with appropriate and modern structures supported by advanced technology and highly qualified personnel. The company has also adopted the "Total Quality" system, while the quality certification ISO 9002 ensures the highest standards of Parmigiano Reggiano and Grana Padano and guarantees maximum customer satisfaction.

The services dedicated to the special "care" of Grana cheese (air-conditioned environments, cleaning and regular rotation of wheels) are aimed at all cheese makers, with particular focus on small and medium businesses. Considering the long period required to mature the cheese and, therefore, the significance of "financial fixed assets" for cheese makers, MGT's cheese experts certify the quality of the goods and issue appraisals, enabling the producers to access "product advances", a specific type of loan offered by Credem in collaboration with MGT for customers operating in the Grana Padano and Parmigiano Reggiano aging sector. The loans are granted on the basis of documents representing the goods, enabling the dairies to access immediate liquidity to make advance payments to milk producers without having to wait for the aging and sale of the cheese, representing a valid financing solution for traders for advance payments in the cheese sector.

Credemvita is the Group's life insurance and pension company. Its range of products includes the "**Credemvita Personal Protection**" policy, designed to enable the policyholder to ensure that in the case of predecease, loved ones will receive a lump sum to carry out projects or finish

educational courses.

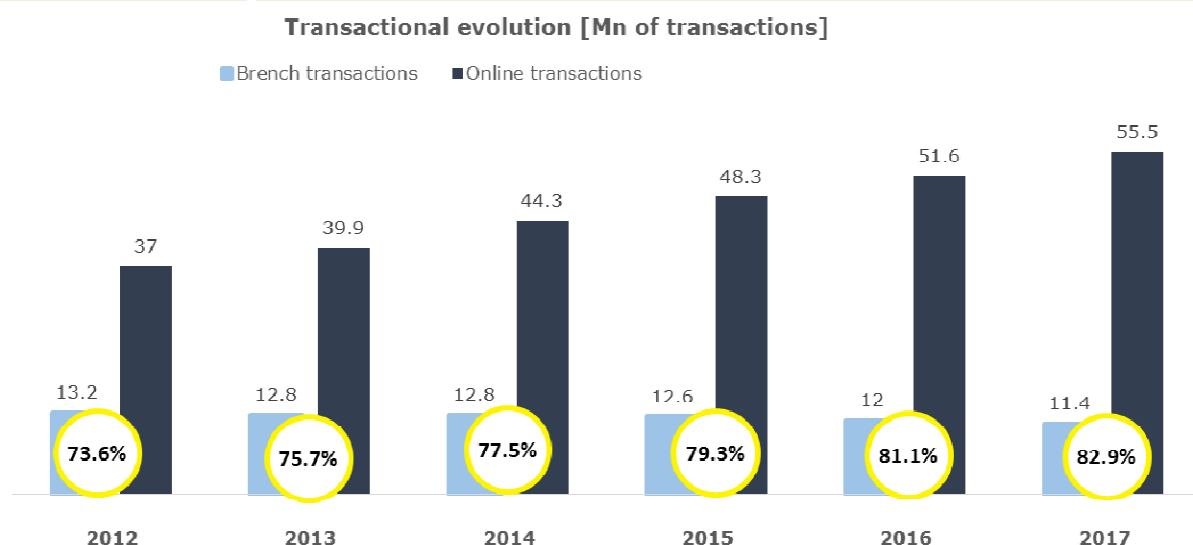


Figure 5: Evolution of the transaction methods

Transaction digitalisation

TRANSACTIONS by type and method	2017			2016		
	Physical [No./1000]	Virtual [No./1000]	% virtual	Physical [No./1000]	Virtual [No./1000]	% virtual
Payment	5,782	83	1.4%	5,955	92	1.5%
Unscheduled direct debit payments	233	15	6.1%	237	14	5.7%
Payment by slip (MAV/RAV)	243	306	55.8%	236	284	54.6%
Domiciliation/revoc ation utilities	73	38	34.2%	212	274	56.4%
F24 payment	552	2,057	78.8%	583	2,091	78.2%
Bank transfer	1,473	8,347	85.0%	1,504	7,754	83.8%
Withdrawal	1,938	14,647	88.3%	1,987	13,959	87.5%
Scheduled direct debits	298	2,448	89.2%	274	1,944	87.6%
Activation/Reactiva tion of SDD mandate	55	602	92.0%	67	544	89.1%
CARTAEGO top-ups	40	476	92.2%	40	380	90.5%
MAV presentation	2	66	96.7%	6	63	91.7%
Revocation of SDD mandate	24	437	94.9%	25	378	93.8%
Payment of salaries	145	3,459	96.0%	159	2,941	94.9%
Direct debit	182	5,277	96.7%	201	5,042	96.2%

TRANSACTIONS by type and method	2017			2016		
	Physical [No./1000]	Virtual [No./1000]	% virtual	Physical [No./1000]	Virtual [No./1000]	% virtual
presentation						
Invoice payment	-	196	99.7%	3	159	98.4%
Postal order payment	-	414	99.9%	1	388	99.9%
Car tax payment	-	43	100.0%	-	36	100.0%
CBILL payment	-	17	100.0%	-	8	100.0%
Mobile phone top- up	-	1,012	100.0%	-	984	100.0%
RID presentation	-	5,483	100.0%	-	5,192	100.0%
SDD transfer	-	10,124	100.0%	-	9,036	100.0%
Issue of cheque book	328	-	0.0%	357	-	0.0%
Collection of various bills	136	-	0.0%	144	-	0.0%
TOTAL	11,432	55,510	82.9%	11,990	51,565	81.1%

Privacy and Security

<p><i>Business Management and Organisational Model</i></p>	<p>In recognition of the importance of ensuring the confidentiality of customer data and transactions, the Group has adopted specific safety measures aimed at preventing data losses, unlawful or improper use and unauthorised access.</p> <p>Pursuant to Article 13 of Italian Legislative Decree no. 196/03 (Data Protection Code), the following information is publicly accessible on the Privacy section of the website:</p> <ul style="list-style-type: none"> - General Disclosure on Personal Data Processing; - Supplementary disclosure on the handling of credit card fraud; - Technical information on the Electronic Signature service; - Information on the processing of data for video surveillance; - Information on the processing of data relative to the detection of digital fingerprints and images to access the Bank; - Cookies disclosure; - Privacy Disclosure for applicant Promoters and Agents; - Personal data processing register containing the complete list of companies to which the data may be disclosed and the list of internal and external managers with various levels of responsibility; - Code of ethics and proper conduct for IT systems managed by private subjects regarding consumer credit, reliability and promptness of payments.
<p><i>Policies implemented and results achieved</i></p>	<p>With reference to the legislation concerning the "Processing of personal data", Credem has created a specific privacy portal containing the relevant information (general and specific operating instructions, guidelines for employees, references to regulations, training, etc.). The portal also provides access to the Privacy Operating Manual which, as well as describing the regulatory framework, contains the operating guidelines for each area (relations with the Guarantor, transfer of data abroad, appointment of the External D.P.O., etc.), promptly identifying the relevant subjects and roles.</p> <p>Customers' personal data is processed using manual, computer and telematic tools in order to ensure constant security and confidentiality, including in the case of innovative tools and/or remote banking channels.</p> <p>All customer data is stored only for the period strictly necessary to the purposes for which it was collected, with the aim of minimising the risk of unlawful use of sensitive data.</p> <p>The security measures adopted which are worthy of particular note are:</p>

- the **Advanced Electronic Signature** service: the system involves a process that guarantees the identification and unambiguous association of the signature and the signatory, as well as ensuring that the document is not modified upon application. Data is entered into the document using a "graphometric quantity" structure that unites it inextricably with the digital fingerprint of the signed document. This system is technically encrypted to prevent the signature from being extracted or duplicated;
- **Mr. Pin**, an innovative service that enables Credem customers to receive a one-time password (OTP) for each transaction by SMS, the App or Token;
- **Credemtel** is particularly aware of the importance of guaranteeing security in its digital services and the electronic storage of customer documentation, therefore monitors the consistency, regulation and verification of the same through an internal auditing system. For several years, the company's processes for the planning, development and provision of Interbanking Corporate Banking and Electronic Document Management services have been subject to the **UNI EN ISO 9001:2008** certification, while the Data Security Management System in line with Standard **ISO/IEC 27001:2013** has also been adopted.

In July 2015, Credemtel also obtained the certification of the **Agenzia per l'Italia Digitale (AgID)** [Digital Italy Agency] for the digital storage of computer documents.

Disclosure 418-1 Substantiated complaints concerning breaches of privacy and losses of customer data

COMPLAINTS²³ concerning privacy breaches [No.]	2017	2016
Complaints received concerning breaches of customer privacy	38	16
<i>of which received from third parties and verified by the organisation</i>	38	16
<i>of which received from regulatory bodies</i>	-	-
Total number of leaks, thefts or losses of customer data	-	-
TOTAL	38	16

²³ The data refers to the following Group companies: Credem S.p.A., Banca Euromobiliare S.p.A., Creacasa S.r.l., Credemleasing S.p.A., Credemfactor S.p.A., Euromobiliare A.M. SGR S.p.A., Credem Private Equity SGR S.p.A. Data was extracted using the Bank's internal computer archiving procedure (SPHERA).

The complaints recorded in 2017 mainly regarded a group of customers who, following the departure from the company of their Financial Advisor, complained about the disclosure of their data to the new Advisor; the transfer of the data concerned was evidently necessary to ensuring the continuation of the banking relationship and ordinary activities. General complaints regarding the alleged disclosure to third parties (e.g. relatives or other customers at the branch) of data regarding the debt exposure towards the Bank were also recorded. Once again, in these circumstances the investigations revealed that the grievances were purely instrumental in nature, having been formulated in the aftermath of the Bank's performance of measures to protect its credit rights.

Accessibility and Transparency of Financial Services

<p><i>Business Management and Organisational Model</i></p>	<p>The Group is committed to ensuring the maximum transparency of its financial services and the activities carried out in observance of the laws in force and the Company's ethical standards.</p> <p>The relevant area of the website contains the following information, which is freely available to the public:</p> <ul style="list-style-type: none"> - Information sheets and advertising information regarding all of the products and services offered to private and business customers; - KID (Key Information Document), updated to reflect the relative OTC derivatives traded by the Bank; - Bank of Italy Guides published to help customers to gain a better understanding of banking products and services and make informed decisions; - Information of the current account switching service; - Banking and Financial Ombudsman Guide; - Methodology and operational profiles for the calculation of ISC with regard to customer current accounts; - Legality rating; - Reports and complaints: reporting mechanisms and annual report.
<p><i>Policies implemented and results achieved</i></p>	<p>To monitor banking transparency, a Manual aimed at the commercial network has been produced which contains operational guidelines in compliance with the law. The Group has taken the decision to review the organisational and governance model as well as the first and second level control systems and, as promptly transposed in the above-mentioned document.</p> <p>There are several channels available for the submission of reports and complaints in order to ensure maximum transparency. Reports may be submitted by phone, email, Facebook or reported directly to the branch; to submit a formal complaint, letters may be sent to the Customer Relations office by email or certified email.</p> <p>In order to promote financial inclusion, lines of credit designed for families and businesses are established each year through two specific initiatives:</p> <ul style="list-style-type: none"> - Grancassa: Credem provides access to credit for SMEs to support the national economy, particularly focusing on companies which invest in order to grow and stabilise their business projects. - Ti diamo Credito: an initiative aimed at families which provides the immediate issue of a loan without the need for

an inquiry or request for proof of expenditure.

Creacasa offers **Mutuo Giovani**, a product aimed at under 35s who due to personal or professional reasons require ad hoc credit protection. The project aims to facilitate the purchase of a house even for people without a permanent contract; a free consultation is offered and tailored to the customer's specific requirements.

Complaints²⁴

COMPLAINTS by service [No.]	2017	2016
Banking service complaints	1,713	1,744
Investment and insurance service complaints	-	250
Investment service complaints	222	-
Insurance service complaints ²⁵	80	-
TOTAL	2,015	1,994
<i>of which refer to Credem Banca</i>	<i>1,908</i>	<i>1,819</i>

COMPLAINTS by reason	2017		2016	
	No.	%	No.	%
Creditworthiness or similar	155	7.7%	195	9.8%
Fraud and losses	53	2.6%	136	6.8%
Performance of transactions	1,017	50.5%	782	39.2%
Conditions	126	6.3%	179	9.0%
Customer communications and information	253	12.6%	247	12.4%
Application of conditions	140	6.9%	146	7.3%
Reports on risk management	42	2.1%	59	3.0%
Compound interest	30	1.5%	45	2.3%
Organisational aspects	55	2.7%	47	2.4%
Faulty equipment	10	0.5%	8	0.4%
Staff	74	3.7%	49	2.5%

²⁴ The data refers to the following Group companies: Credem S.p.A., Banca Euromobiliare S.p.A., Creacasa S.r.l., Credemleasing S.p.A., Credemfactor S.p.A., Euromobiliare A.M. SGR S.p.A., Credem Private Equity SGR S.p.A.. Data was extracted using the Bank's internal computer archiving procedure (SPHERA).

²⁵ As of 17/01/2017, the need to meet the deadlines for the resolution of disputes relating to insurance services introduced by the IVASS regulation has led to the creation of a new type of insurance service complaint which is distinct from complaints regarding banking and investment services.

Other	60	3.0%	101	5.1%
TOTAL	2,015	100.0%	1,994	100.0%

Customer Satisfaction²⁶

Business Management and Organisational Model	<p>The Parent Company has developed a distinctive approach to banking based on customer dialogue, aimed at uniting technological innovation and specific customer requirements.</p> <p>The Group's experts are constantly committed not only to satisfying the needs of customers but anticipating them as well, creating new services and acquiring new skills.</p>
Policies implemented and results achieved	<p>In 2014 the Credem Experience programme was developed, dedicated to the management and annual monitoring of the customer experience across all customer contact and relations channels. The project envisages the regular and continuous surveying of private customers and small businesses through telephone calls or online platforms.</p> <p>One of the key tools of the Credem Experience programme is the Net Promoter Score (NPS)²⁷, which indicates how much customers would recommend Credem as a bank. This ratio, calculated as the difference between the percentage of "promoter" customers (customers who would recommend Credem with a rating of 9-10) and the percentage of detractors customers (rating of 1-6), was 56% in 2017, broadly in line with 2016 and the highest level recorded since the programme's launch.</p> <p>In 2017, the Customer Satisfaction rating, which summarises the customer satisfaction towards Credem as a whole (including branches and remote services) in one single value was 84.3 out of 100 points, up by one point on the previous year thanks to the contribution of all of the bank's various channels.</p> <p>The branch satisfaction index for employee services is particularly significant, especially as regards the training and awareness-raising programmes for financial managers, reaching 86.6 for private customers and 84.9 for small business customers, in line with the previous year. Among the areas analysed, customers expressed extremely positive verdicts on competence (87.7), staff availability (90.1) and support offered in the case of problems (87.6), all of</p>

²⁶ The data and information on customer satisfaction refers to Credito Emiliano S.p.A.

²⁷ NPS: Methodology developed and registered by Bain & Company and Satmetrix. It is based on one question: "How likely are you to recommend Credem to a friend, acquaintance or relative?" on a scale of one to ten. In line with other customer satisfaction surveys, in Credem the scale extends from one to ten and responses are classified as: *Detractors* (customers who give a rating of 1-6), *Neutrals* (customers who give a rating of 7-8), *Promoters* (customers who give a rating of 9-10). The Net Promoter Score is derived from the difference between Promoters and Detractors.

which were up on the previous year.

Customer satisfaction towards remote channels was also significant, with Internet Banking receiving a verdict of **84.9**, Mobile Banking achieved a rating of **83.9** and Inbound Customer Services came at **86.6** in 2017.

NPS [%]	2017	2016
Promoters	63%	64%
Detractors	7%	8%
TOTAL	56%	56%

Survey methods

Data regarding general and branch satisfaction are the result of a telephone survey carried out on a total sample of 16,019 private customers and 3,000 small businesses in 2016, and 18,894 private customers and 4,475 small businesses in 2017. These results were integrated with the results of an online questionnaire proposed to 1,414 private customers on internet and mobile banking services and a further 600 phone calls made annually to identify customer satisfaction with the telephone banking service.

Responsible Finance

<p>Business Management and Organisational Model</p>	<p>The Group is aware of the impact of its own business activities outside the corporate environment and is committed to the responsible selection of its customer portfolio and the development of financial products and services with positive environmental and social impacts.</p>
<p>Policies implemented and results achieved</p>	<p>Credito Emiliano considers ethics to be of the utmost importance and implements controls aimed at avoiding any banking activities associated with the manufacture and trading of weapons which may directly fuel situations of conflict.</p> <p>Products with environmental and social goals have been developed, aimed at families or the development of renewable energies.</p> <p>The MuSE fund, established by Eurofundlux Sicav and managed by Euromobiliare Asset Management SGR, operates on issuers listed on the Stoxx 600, S&P 500 and Topix 500 indexes and is compatible with the "environmental, social and governance" criteria (ESG).</p> <p>In the health sector, in September 2014 Banca Euromobiliare and Euromobiliare Asset Management SGR launched a partnership with the Umberto Veronesi Foundation to support scientific research. In this context, Euromobiliare Science 4 Life was founded, a flexible mutual investment fund whose equity investments focus on issuers operating in the health sector, with particular attention given to the themes of longevity, dietary and lifestyle changes, prevention of cancer, neuro-degenerative diseases, research, therapy and oncological diagnosis.</p> <p>Thanks to the experience and positive results achieved by its employee Welfare initiatives²⁸, in 2017 Credem launched a project to extend the model trialled among its employees to the entire business customer network. This model is structured as a personalised format that supports the business in all stages of the plan, offering a tailored consultation service and a network of experts from Eudaimon, Credem's partner in the Welfare sector.</p> <p>To support families in difficult circumstances, the Parent Company is a member of the Solidarity Fund promoted by the Ministry of Economy and Finance, which allows certain groups of people to request the suspension, for a maximum of 18 months, of their mortgage payments without the application of</p>

²⁸ For more information on corporate welfare initiatives, refer to the Corporate Welfare section in the *Focus on employees* chapter of this document.

supplementary charges or interest on arrears. The fund is aimed at those who have been made unemployed or whose self-employed or subcontracted contract has terminated and who have been out of work for at least three months.

The Parent Company also subscribes to the **Agreement between the ABI and the Consumer Associations** signed on 31 March 2015 according to the provisions of the 2015 Stability Law (Law no. 190/2014), which provides for the possibility to request the suspension of the principal amount of property-secured mortgages on properties intended as the primary residence and consumer loans, for a maximum period of 12 months and as a one-off, taking into account the measures already in place such as the Solidarity Fund for first-time buyers.

The Group has also subscribed to the new "**Credit Agreement 2015**" between the ABI and the Entrepreneurial Associations, which aims to supporting businesses' liquidity requirements.

As regards the **atmospheric events** of 24 and 25 November 2016 which struck the **provinces of Savona and Imperia**, pursuant to the ruling of the Council of Ministers no. 434 published in Official Journal no. 18 of 23 January 2017, Credem has subscribed to the initiative which envisages the suspension of mortgage instalments for all subjects whose residence or legal and/or operating headquarters is in one of the affected municipalities, with regards to:

- destroyed or uninhabitable buildings;
- commercial and financial management activities.

Following the **earthquake** of 30 October 2016 which struck various provinces in **Le Marche, Abruzzo, Umbria** and **Lazio**, based on the Memorandum of Understanding signed on 26 October 2015 between the ABI, the Consumers Association and the Civil Protection Department, the Parent Company has signed up to the initiative to suspend, for a maximum of 12 months, the instalments on mortgages or unsecured loans for all subjects whose residence or legal and/or operating headquarters is in one of the identified municipalities, with regards to:

- destroyed or uninhabitable buildings;
- commercial and financial management activities.

This initiative has also been extended to holders of personal loans and/or leasing agreements.

As regards Renewable Energies, the **Mutuo Chiro Energia** and **Mutuo Energia** products are available to private customers

and businesses respectively, which permit the request of up to 100% of the value of the purchase and installation of solar panels for the home; the subsidiary Credemleasing also offers **Leasing Energia**, a product designed for businesses and professionals and aimed at the installation of photovoltaic systems and other renewable energy systems.

GRI FS7 Products and services with social goals²⁹

LOANS for families and businesses	2017				2016			
	Transactions in the year		Stock at year- end		Transactions in the year		Stock at year- end	
	Number	Granted (EUR/mi- llion)	Number	Outstan- ding debt (EUR/m illion)	Number	Granted (EUR/mi- llion)	Number	Outstan- ding debt (EUR/m illion)
Earthquake Central Italy			-	-	5	0.5	-	-
Emilia Earthquake 2012 Tax Loans ³⁰	-	-	308	11	-	-	363	14.6
Emilia Earthquake 2012 Reconstruction	170	34.6	453	109.1	172	31.5	404	74.5
TOTAL	170	34.6	761	120.1	177	32	767	89.1

Suspension / extension of LOANS to families	2017				2016			
	Transactions in the year		Stock at year- end		Transactions in the year		Stock at year- end	
	Number	Outstan- ding debt (EUR/m illion)	Number	Outstan- ding debt (EUR/m illion)	Number	Outstan- ding debt (EUR/m illion)	Number	Outstan- ding debt (EUR/m illion)
Solidarity Fund (Consap)	8	0.9	-	-	14	1.5	-	-
ABI moratorium (Stability Law 2015-2017)	16	0.8	-	-	19	0.9	-	-

²⁹ Data refers to Credito Emiliano S.p.A.

³⁰ Data refers to private customers and businesses.


Earthquake Central Italy (legal initiative)	4	0.3	-	-	1,500	150	-	-
Adverse weather in Savona-Imperia	-	-	-	-	5	0.3	-	-
TOTAL	28	2.0	-	-	1,538	152.7	-	-

Suspension / extension of LOANS to SMEs	2017				2016			
	Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end	
	Number	Outstanding debt (EUR/million)	Number	Outstanding debt (EUR/million)	Number	Outstanding debt (EUR/million)	Number	Outstanding debt (EUR/million)
2015 Credit Agreement (ABI Moratorium)	12	2.5	-	-	4	0.7	-	-
Earthquake Central Italy (legal initiative)	68	8.3	-	-	-	-	-	-
TOTAL	80	10.8	-	-	4	0.7	-	-

GRI FS8 Products and services with environmental goals³¹

LOANS to private and business customers	2017				2016			
	Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end	
	Number	Granted (EUR/million)	Number	Outstanding debt (EUR/million)	Number	Granted (EUR/million)	Number	Outstanding debt (EUR/million)
Mutuo Chiro Energia	-	-	279	13.0	-	-	270	12.1
Mutuo energia	-	-	212	17.3	2	1.35	236	21.6
TOTAL	-	-	491	30.3	2	1.35	506	33.7

³¹ Data refers to Credito Emiliano S.p.A.

An abstract painting by Ennio Morlotti titled 'La gabbia' (The Cage). The composition is dominated by a large, dark, angular shape in the center, resembling a cage or a complex structure. This central form is surrounded by various geometric shapes, including triangles and circles, rendered in a palette of earthy tones like ochre, brown, and grey. The background is a mix of these colors, with some areas showing more vibrant orange and red. The overall style is expressive and gestural, with visible brushstrokes and a sense of dynamic movement.

Focus on employees

Ennio Morlotti (Lecco 1910 - Milan 1992), *La gabbia*, Reggio Emilia, Credem Art Collection

High calibre employees represent the Group's top strategic asset; investments aimed at promoting employee development play a central role in the Group's business strategy and are supported by the most rigorous policies governing staff selection and development, incentivisation and merit reward schemes, wellbeing and corporate welfare, health and safety and the promotion of diversity.

*In 2017 the management system
was recognised by the **Top
Employer** award.*

Employee engagement is one of the key elements to maintaining staff wellbeing and improving the services offered to them; in fact, every two years the Group conducts a survey to assess organisational welfare and the level of staff satisfaction.

The survey conducted in 2017 involved 78.5% of Group employees. The most significant values regarded the conduct of management personnel in line with the company values, with a mark of 81.0 out of 100, the possibility of performing an exciting and engaging job (78.0) and the possibility of openly discussing problems and decisions (77.4). The vast majority of employees believe that Credem is an "excellent place to work" (77.4) and are proud to represent the Group in relations with customers, colleagues and suppliers (85.3).

Since 2002, the Group has made Group documentation, policies and procedures available to staff on the *Agorà* portal, subsequently supplementing it with access to corporate welfare services and a professional and training profile for each employee. The portal's homepage can also be used for communications activities, with particularly significant notices attracting over 4,000 unique views.

Our Employees

<p>Business Management and Organisational Model</p>	<p>To ensure employee wellbeing and promote staff development, a central department within the Parent Company has been appointed to oversee the management of all human resources within the Group's Italian Companies throughout the entire "lifecycle" of the working relationship; the only theme not covered is health and safety, for which a specific department has been established.</p> <p>In order to promote a shared HR management and development approach, the People Management Policy and Regulation has been defined, outlining the principles and values that inspire the HR policies and proposing appropriate actions to ensure their implementation.</p>
<p>Policies implemented and results achieved</p>	<p>As at 31 December 2017, the total workforce of the Credem Group totalled 6,181 employees³², with an additional 1,166 external collaborators composed mainly of Financial Advisors and Agents.</p> <p>The employed workforce, of which 34.2% are women and 65.8% are men, is distributed across all regions of Italy with the exception of the Valle d'Aosta. The Italian region with the highest number of employees, with a total of 2,510 people in 2017, is Emilia Romagna, where the Head Office is located.</p> <p>In contrast to the current trend in the banking system³³, in 2017 the Group's employed workforce was up by 1.6% compared to 2016 and was characterised by a pronounced prominence of employees hired on a permanent (95%) and full-time (94%) basis.</p> <p>The number of women in the Group increased by 3.6% in absolute terms and 0.6% compared to the number of employees in the previous year. The results of the Group's commitment to gender equality can be seen in the figures relating to employee turnover, which highlights that the percentage of women leaving the company is lower than the average while that of women entering the company is higher than the total recruitment rate. The adoption of exceptionally high-quality HR management policies can also be observed by the statistics of total inbound turnover, which is greater than the outbound turnover by 1.3 p.p.; in particular, the inbound turnover of young professionals under the age of 30 is four times higher than the outbound rate.</p> <p><u>Industrial relations</u></p> <p>The Group maintains correct industrial relations, as evidenced by the numerous agreements signed in recent years which refer predominantly to second-level bargaining.</p>

³² Employee data includes active and non-active employees.

³³ For more information on the number of employees in the banking system as at 31 December, refer to the Statistical Report of the Bank of Italy.

All employees (100%) are covered by specific **collective bargaining agreements** according to their relevant company.

Similarly, numerous meetings are held during the year on various topics revolving around the world of work, both at local and national level.

Disclosure 102-8 Information on employees and other workers

EMPLOYEES by geographic area and contract type	As at 31 December 2017			As at 31 December 2016		
	Permanent	Fixed term	Total	Permanent	Fixed term	Total
Northern Italy						
Number	3,752	212	3,964	3,659	226	3,885
Percentage	60.7%	3.4%	64.1%	60.0%	3.7%	63.7%
Central Italy						
Number	648	29	677	649	23	672
Percentage	10.5%	0.5%	11.0%	10.6%	0.4%	11.0%
Southern Italy						
Number	1,452	61	1,513	1,465	53	1,518
Percentage	23.5%	1.0%	24.5%	24.0%	0.9%	24.9%
Luxembourg						
Number	27	-	27	28	-	28
Percentage	0.4%	0.0%	0.4%	0.5%	0.0%	0.5%
TOTAL						
Number	5,879	302	6,181	5,801	302	6,103
Percentage	95.1%	4.9%	100%	95.1%	4.9%	100%

EMPLOYEES by contract type and gender	As at 31 December 2017			As at 31 December 2016		
	Men	Women	Total	Men	Women	Total
Permanent						
Number	3,933	1,946	5,879	3,936	1,865	5,801
Percentage	63.6%	31.5%	95.1%	64.5%	30.6%	95.1%
Fixed term						
Number	137	165	302	119	183	302
Percentage	2.2%	2.7%	4.9%	1.9%	3.0%	4.9%
TOTAL						
Number	4,070	2,111	6,181	4,055	2,048	6,103
Percentage	65.8%	34.2%	100%	66.4%	33.6%	100%

EMPLOYEES by contract and gender	As at 31 December 2017			As at 31 December 2016		
	Men	Women	Total	Men	Women	Total
Full-time						
Number	4,035	1,797	5,832	4,024	1,731	5,755
Percentage	65.3%	29.1%	94.4%	65.9%	28.4%	94.3%
Part-time						
Number	35	314	349	31	317	348
Percentage	0.6%	5.1%	5.6%	0.5%	5.2%	5.7%
TOTAL						
Number	4,070	2,111	6,181	4,055	2,048	6,103
Percentage	65.8%	34.2%	100%	66.4%	33.6%	100%

EXTERNAL WORKFORCE [No.]	As at 31 December 2017
Financial advisors	820
Agents	305
Temporary staff	9
Interns	33
TOTAL	1,167

TOTAL WORKFORCE [%]	As at 31 December 2017
Employees	84.2%
Financial advisors and agents	15.3%
Temporary staff and interns	0.6%

Disclosure 102-41 Collective bargaining agreements

COLLECTIVE BARGAINING Employees covered	As at 31 December 2017	As at 31 December 2016
Percentage of employees covered by collective bargaining agreements	100.00%	99.84%

Disclosure 401-1 New employee hires and employee turnover³⁴

EMPLOYEES Turnover by geographic area	2017			
	Inbound turnover		Outbound turnover	
	Number	Percentage	Number	Percentage
Northern Italy	225	5.68%	146	3.68%
Central Italy	22	3.25%	16	2.36%
Southern Italy	38	2.51%	44	2.91%
Luxembourg	-	0.00%	1	3.70%
TOTAL	285	4.61%	207	3.35%

EMPLOYEES Turnover by gender	2017			
	Inbound turnover		Outbound turnover	
	Number	Percentage	Number	Percentage
Men	159	3.91%	144	3.54%
Women	126	5.97%	63	2.98%
TOTAL	285	4.61%	207	3.35%

EMPLOYEES Turnover by age	2017			
	Inbound turnover		Outbound turnover	
	Number	Percentage	Number	Percentage
Up to 30 years	183	29.47%	48	7.73%
31-50 years	82	2.37%	39	1.13%
Over 50 years	20	0.95%	120	5.70%
TOTAL	285	4.61%	207	3.35%

³⁴ Outbound turnover includes employees who left the organisation voluntarily or due to dismissal, retirement or death.

Staff Development and Management

<i>Business Management and Organisational Model</i>	<p>The professional career of employees within the Group begins during the selection phase and continues with professional development activities delivered in the form of training and incentivisation schemes.</p>
<i>Policies implemented and results achieved</i>	<p>Employees are selected through a recruitment procedure characterised by transparency and equal opportunities, both of which are key principles of the Group's HR management policy.</p> <p>The structured selection process begins with the receipt of CVs through an online portal; this is followed by a screening process based on objective parameters (such as educational level) and concludes with a more in-depth assessment carried out by different methods depending on the role in question. For entry-level roles, Skype interviews and Group assessment days are held, with a ratio of two assessors for every eight candidates. For more senior roles, the more limited pool of eligible candidates prevents the adoption of collective selection tools (assessment centres); instead, the selection process takes the form of mutual comparison and direct assessment by the departments in question.</p> <p>Regardless of the level of experience requested, during the interview process all candidates are assessed according to the Group's Skills Model, updated in November 2013, which measures the behavioural aptitudes necessary to join the workforce: the key aspects of professional performance are Thought, or rather the ability to view things as a whole and make independent decisions, Relations, represented by a customer-focused approach, effective communication skills and the ability to collaborate with and manage other people, and finally Action, which refers to result-oriented approach, organisation, method and flexibility.</p> <p>The centrality of human resources in the Group's business model requires that close attention be paid to investments in professional quality and personal development, maintaining and improving the Group's long tradition of excellence in training and professional development.</p> <p>Training encompasses numerous themes which include the development of managerial, behavioural, commercial, technical, regulatory, digital and product-related skills, defining training requirements through constant dialogue with employees and management personnel and implementing tools to ensure that training has been properly received. Traditional training sessions are supported by personal and professional training tools such as individual coaching (more than 200 one-to-one coaching programmes), assessment centres, development centres and job rotation, which involves</p>

around 25% of the workforce each year.

Since 1998, the Group has also run the “**Scuola Credem**” training centre, a facility equipped with five modern lecture theatres designed to host training courses for all employees. The building was completed/redeveloped in 2016, focusing particularly on using the facility as a tool to communicate the Group’s corporate values and identity. To mark the redevelopment, a photographic journey was created which takes visitors through the 100 years of the Group’s history, exploring the key moments and conveying the importance of the decisions which have characterised the Group’s growth.

The Group’s **Leadership Model**, which is supported and promoted through a multi-year training programme aimed at employees in managerial roles, profoundly emphasises the central role played by managers in staff development, offering numerous tools to further the everyday development of their colleagues.

The **Maestri di Mestiere**, a selected team of senior managers with proven experience, skills and performance who represent the Group and its values, play an important role in this regard; the team is entrusted with the role of supporting employees assigned to a new role as part of a structured “in the field” tutorship course.

Numerous training initiatives aimed at improving **employee welfare** have been made available (stress management, self-empowerment, physical and psychological wellbeing) as part of the Group’s conviction that employees should be supported and optimised both professionally and socially.

In 2017, **305,485 hours of training** (almost 50 hours pro capita) were delivered, approximately half of which took place in the **Scuola Credem** lecture halls.

Since 2012, a 360° assessment process has been carried out through the **Leadership Explorer** questionnaire: all managers who coordinate at least four members of staff are subject to an evaluation of their managerial conduct, considering the managers’ own point of view and those of their direct superior and colleagues. The feedback is then shared with collaborators in a dedicated meeting, enabling each manager to receive valuable pointers on how to improve their leadership.

In 2017, the initiative involved 718 managers and 4,617 collaborators, representing 87% of the Group’s total workforce.

The approach to **remuneration**³⁵ for employees and collaborators ensures compliance with the remuneration practices defined by law and the Supervisory Authorities while also aiming to stimulate the achievement of **performance**

³⁵ For more information on the Group’s Remuneration Policy, refer to the “Annual Report to the Shareholders’ Meeting on Group Remuneration and Incentivisation Policies”, available in the Governance - Shareholders’ Meeting section of the Group’s website.

objectives and **attract** and **maintain** employees, supporting and accompanying them as they take on new responsibilities and confront professional challenges.

Disclosure 102-36 Process for determining remuneration³⁶

The remuneration of employed personnel is composed of a fixed part and a variable part.

The consolidated merit-based approach of the remuneration policy envisages the evolution of the **fixed component** according to the different levels of responsibilities attained, the ability to maintain performance over time and the development of key skills.

The variable component is based on the end result of individual performance, measured according to a balanced scorecard which translates into **KPI scoresheets**, i.e. a series of Key Performance Indicators (KPIs), and considering the complexity of the role, the personal curriculum of the employee and the trend of their performance over time. For commercial roles, the bonus granted according to the above mechanism is complemented by an individual **Management by Objectives** (MBO) incentivisation scheme which concerns the ability to attract new customers and funds, in line with the service model adopted by the various network figures and taking into account the profitability of the outlet.

Furthermore, the bonus is subject to *ex ante* obligations and *ex post* corrective measures (clawback and, in the case that the bonus is deferred, *malus*) based on the occurrence of certain negative events (including levels below the thresholds defined by the profitability, equity and liquidity indicators).

Disclosure 102-38 Annual total compensation ratio

COMPENSATION Compensation ratio	2017
Ratio between: <ul style="list-style-type: none"> - Total annual compensation of the organisation's highest-paid individual - Median of annual total compensation of all employees excluding the highest-paid individual 	19.92

In order to calculate the ratio of total annual compensation, the value of the *total annual compensation of the organisation's highest-paid individual* includes fixed remuneration, compensation for participation in committees, non-equity variable compensation, non-monetary benefits and the Fair Value of equity compensation.

³⁶ External consultants are not included in the process for determining remuneration.

Disclosure 404-1 Average hours of training per year per employee³⁷

TRAINING³⁸ by professional category and gender	2017			2016		
	Men	Women	Total	Men	Women	Total
Directors						
<i>Training hours</i>	8,281	419	8,700	8,376	323	8,699
<i>Employees as at 31/12</i>	168	7	162	164	8	172
Hours pro capita	49.29	59.86	53.70	51.07	40.38	50.58
Middle managers						
<i>Training hours</i>	115,830	39,641	155,471	138,025	44,435	182,460
<i>Employees as at 31/12</i>	2,264	717	3,034	2,233	695	2,928
Hours pro capita	51.16	55.29	51.24	61.81	63.94	62.32
Remaining staff						
<i>Training hours</i>	74,874	66,439	141,314	93,864	74,703	168,567
<i>Employees as at 31/12</i>	1,638	1,387	3,049	1,658	1,345	3,003
Hours pro capita	45.71	47.90	46.35	56.61	55.54	56.13
TOTAL						
<i>Training hours</i>	198,985	106,499	305,485	240,265	119,461	359,726
<i>Employees as at 31/12</i>	4,070	2,111	6,181	4,055	2,048	6,103
Hours pro capita	48.89	50.45	49.42	59.25	58.33	58.94

Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews

All employees (100%) of the Credem Group - without distinction by gender or professional category - are assessed once a year according to a list of Key Performance Indicators (KPIs) using the KPI Scoresheets.³⁹

³⁷ The scope of application excludes Credem International Lux.

³⁸ Training hours refer to internal training, which represents 98% of total training provided.

³⁹ KPI scoresheets are used for all staff employed by the Group for more than three months of the year.

Corporate Welfare

<p><i>Business Management and Organisational Model</i></p>	<p>To support employees and develop an increasingly inclusive People Management strategy, the Group has appointed a Welfare Manager to head a department aimed at the implementation of initiatives for the protection and improvement of employee welfare.</p> <p>In 2015, the Welfare for Us project was launched, aiming to improve the working environment and understand employees' needs in order to support them in the achievement of their performance objectives.</p>
<p><i>Policies implemented and results achieved</i></p>	<p>The Welfare plan is available to all employees and focuses on Health and welfare, Personal support, Free time, Work-life balance, Purchasing power and Protection.</p> <p>As regards Health and welfare, various initiatives have been launched including a telephone helpline for people suffering from psychological disorders of any kind, investigating any symptoms and taking appropriate action. The Prevention Tour for oncological diseases has also been launched, enabling employees to access consultations with oncology specialists throughout Italy in order to detect any illnesses or potentially dangerous disorders and take prompt action: in 2017, over 3,000 (approximately 50% of employees) signed up to the initiative which provided over 5,500 consultations. Furthermore, additional initiatives have been developed in partnership with Technogym to encourage people to exercise, avoiding the potential risks caused by a sedentary lifestyle.</p> <p>Personal Support has been developed through training and support programmes for women on maternity leave and caregivers who care for dependent people; the Group helps and supports families through its partnerships with GiGroup and PrivatAssistenza, offering an illustrative guide. As regards maternity support initiatives, in order to facilitate maternity leave and the return to work, in 2016 the Group established a dedicated portal on the Agorà platform as well as various other initiatives, including invitations to focus groups and the allocation of a bonus of EUR 1,000 for every new birth. These initiatives have generated excellent results, with a total of 220 employees taking parental leave in 2017 and a return rate of over 99% in the last two years. Parental support initiatives launched in 2017 include the organisation of themed conferences which are streamed live. In terms of more "practical" requirements, the Group offers tax and legal consultancy services.</p> <p>Focus has been given to Free Time through the organisation of various initiatives, including the project to constantly update the physical and digital company library, the Group's membership in the Proteo association which organises several recreational events including sports tournaments and cultural shows, and finally the access to various discounts on a range of</p>

commercial services.

In reference to support for the **work-life balance**, in 2015 the pilot project to introduce **Smart Working** was launched. Smart Working is a flexible approach to work based on mobile technology such as tablets, laptops and smartphones, promoting a positive work-life balance by enabling people to manage their time in a more flexible way and generating positive benefits for personal motivation and performance.

The project, initially directed at various Group services and companies, was extended in 2016 to all employees whose professional roles do not involve direct contact with customers in the branch, while in 2017 the penetration of the project was even greater.

To date, 630 people are able to work remotely for a maximum of eight days per month.

In order to accelerate the development of the Group's digital culture, in 2017 the project to distribute smartphones to employees was extended to the entire workforce, enabling colleagues to make phone and video calls free of charge as well as create and view Word, PowerPoint and Excel files on their device; this initiative has been particularly well-received by managers.

The Group's focus on the family situation of each employee has led to the development of a series of initiatives aimed at **Purchasing power**: in fact, **particularly advantageous conditions** are offered on Credem mortgages and current accounts.

In 2015 the **Welfare Bonus** was established, a rewards scheme based on the achievement of defined company and Group objectives which was widely implemented in 2017 both from a technical and financial point of view. In this regard, a dedicated portal has been created in collaboration with the welfare service provider Eudaimon, enabling beneficiaries to spend their bonus on various services (reimbursement of expenses for children or the elderly, vouchers for travel and various services, shopping vouchers) with the consequent tax benefits provided by law.

Furthermore, discounts are offered to help employees to purchase cars **on long-term leases** thanks to agreements with two industry-level partners.

The Group's **Protection** initiatives are mainly represented by **insurance policies** and **pension funds**. The insurance policies were extended in 2014 to include non-dependent family members. The Credem pension fund is a supplementary pension scheme designed to supplement the basic state pension.

Disclosure 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

Part-time employees receive the same benefits as full-time employees.

Certain favourable loans are offered exclusively to permanent employees.

Disclosure 401-3 - Parental leave

PARENTAL LEAVE by gender	2017			2016		
	Men	Women	Total	Men	Women	Total
Number of parental leaves during the year	10	210	220	6	144	150
Return to work at the end of parental leave	10	161	171	5	131	136
Continuation of parental leave at the given date	-	49	49	1	13	14
Return to work rate ⁴⁰	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Continuation of employment after 12 months of the return from parental leave	5	130	135	-	-	-
Employee retention rate after 12 months of the return to work ⁴¹	100.0%	99.2%	99.3%	-	-	-

⁴⁰ The return to work rate is calculated on the total number of employees who, as at 31 December, had returned to work following the conclusion of parental leave which began during the year / the total number of employees who began parental leave during the year net of those who, as at 31 December, had not yet concluded the parental leave which began during the year.

⁴¹ The retention rate is equal to the ratio between the total number of employees staying in the company after 12 months of the return from leave and the total number of employees returned to work at the end of parental leave.

Employee Health and Safety

<p>Business Management and Organisational Model</p>	<p>Employee health and safety within the Group⁴² is governed by the Safety and Prevention Department (SPD), a dedicated unit of the Parent Company that works in synergy with the training department to provide specific training programmes.</p> <p>The Manager <i>pro tempore</i> assumes the role of Prevention and Protection Service Officer.</p>
<p>Policies implemented and results achieved</p>	<p>The department ensures that a high level of occupational health and safety is maintained for all employees in compliance with existing law, performing a Risk Prevention and Protection service pursuant to Chapter III, Section III, Articles 31, 32 and 33 of Italian Legislative Decree no. 82/2008, ensuring the maintenance of an appropriate level of physical safety such to protect the company assets with particular reference to the protection of the values, material assets and the safety of employees and customers, and developing internal procedures to ensure an appropriate ratio of costs to risk protection.</p> <p>In recent years, various initiatives have been implemented on the subject of occupational health and safety, including specific training on work-related stress and the risk of robbery, as well as internal procedures aimed at minimising the risk of accidents.</p> <p>As regards work-related stress, work forums and focus groups have been scheduled which aim to gather information on the working environment through dialogue with collaborators and a representative sample of employees.</p> <p>In relation to training on the risk of robbery, classroom-based training sessions, which are considered to be more effective than online training courses, are offered.</p> <p>In 2017, 6,710 hours of training on occupational health and safety were provided.</p> <p>With reference to the protection of pregnant women, an internal policy has been adopted which aims to prevent pregnant workers from performing jobs that may expose them to trauma, avoiding, for example, customer-facing roles which may result in contact with potential attackers; when this is not possible, the employee is offered the possibility to take early maternity leave.</p> <p>In compliance with current law (Article 35 of Italian Legislative Decree no. 81/2008), a prevention meeting is held at least once a year; the meeting is attended by the Employer, the Prevention and Protection Service Officer and representatives, the Company Doctor and Occupational health representatives.</p>

⁴² Magazzini Generali delle Tagliate manages health and safety independently and is not included within the scope of application.

Each year, the Prevention and Protection Service **reports** the activities carried out in the previous year to the Employer of each Group company, highlighting any critical issues and planning the activities for the following year.

In 2017, **27 injuries occurred at the place of work and 44 injuries occurred in transit**, with a **frequency rate** of **2.86** and **4.67** respectively. The **severity index** was **0.16** and the **absenteeism rate** was **2.6**.

Disclosure 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

INJURIES at the place of work [No.]	2017			2016		
	Men	Women	Total	Men	Women	Total
Northern Italy	12	6	18	9	7	16
Central Italy	1	2	3	2	0	2
Southern Italy	5	1	6	11	4	15
Luxembourg	0	0	0	0	0	0
TOTAL	18	9	27	22	11	33

FREQUENCY INDEX ⁴³ at the place of work by geographic area and gender	2017			2016		
	Men	Women	Total	Men	Women	Total
Northern Italy	3.09	2.80	2.99	2.34	3.33	2.68
Central Italy	1.39	6.40	2.90	2.79	0.00	1.93
Southern Italy	2.81	1.86	2.59	5.98	7.71	6.42
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	2.81	2.99	2.86	3.41	3.73	3.51

⁴³ The frequency index is calculated as follows: (no. injuries/no. hours worked)*1,000,000

INJURIES in transit [No.]	2017			2016		
	Men	Women	Total	Men	Women	Total
Northern Italy	20	17	37	14	7	21
Central Italy	3	1	4	2	1	3
Southern Italy	3	0	0	6	1	7
Luxembourg	0	0	0	0	1	1
TOTAL	26	18	44	22	10	32

FREQUENCY INDEX⁴³ in transit by geographic area and gender	2017			2016		
	Men	Women	Total	Men	Women	Total
Northern Italy	5.15	7.92	6.14	3.63	3.33	3.51
Central Italy	4.16	3.20	3.87	2.79	3.16	2.90
Southern Italy	1.68	0.00	1.29	3.26	1.93	3.00
Luxembourg	0.00	0.00	0.00	0.00	74.60	21.55
TOTAL	4.05	5.98	4.67	3.41	3.39	3.41

SEVERITY INDEX⁴⁴ of injuries by geographic area and gender	2017			2016		
	Men	Women	Total	Men	Women	Total
Northern Italy	0.20	0.19	0.19	0.15	0.24	0.18
Central Italy	0.12	0.12	0.12	0.27	0.04	0.19
Southern Italy	0.08	0.10	0.09	0.22	0.07	0.19
Luxembourg	0.00	0.00	0.00	0.00	0.20	0.06
TOTAL	0.15	0.17	0.16	0.18	0.19	0.18

⁴⁴ The severity index is calculated as follows: (no. days lost due to injury/total no. possible working hours)*1,000

ABSENTEEISM RATE⁴⁵ by geographic area and gender	2017			2016		
	Men	Women	Total	Men	Women	Total
Northern Italy	2.1	2.9	2.4	1.88	2.55	2.13
Central Italy	2.6	3.4	2.8	2.41	3.67	2.82
Southern Italy	2.8	3.7	3.0	2.65	3.35	2.82
Luxembourg	3.6	3.7	3.6	1.03	7.86	3.17
TOTAL	2.4	3.1	2.6	2.15	2.83	2.38

The values of the injury severity index represent the entire geographic area in which the Credem Group operates and are down on the previous year.

In the last two years, no case of fatal injury or occupational disease were reported.

⁴⁵ The absenteeism rate is calculated as follows: (no. of days of absence/no. working days)*100.

Diversity

<p>Business Management and Organisational Model</p>	<p>The Group is committed to the promotion of equal opportunities and the optimisation of diversity in all of its forms, including gender, age and professional seniority. In this regard, the Group implements initiatives to promote the interaction between different categories of employees and support minority groups.</p>
<p>Policies implemented and results achieved</p>	<p>At year-end 2017, the employed workforce of the Credem Group was composed of 175 executives, 2,992 middle managers and 3,037 people belonging to the category "remaining staff"; this includes 3,014 clerical workers and 23 manual workers, the latter representing the labour force typical of the activities of the Group company Magazzini Generali delle Tagliate S.p.A..</p> <p>The Group is a young company, with employees between the ages of 30 and 50 representing 56% of the workforce.</p> <p>In terms of the employment of persons belonging to minority groups, pursuant to Law no. 69/1999 the Group operates in compliance with regulations and employs a total of 372 people.</p> <p>As described above, 34.2% of the workforce are women while 65.8% are men; the gender imbalance is currently being redressed thanks to the launch of the Women in Credem project in 2014: as part of this initiative, a work group operating transversally with the Parent Company was established, characterised by the participation of women from different personal and professional backgrounds and aimed at enhancing their development opportunities in the corporate context.</p> <p>The project was based on the analysis of the external context, through market research, interviews with diversity management businesses and data analysis, and the internal environment, through data and trend analysis, the corporate climate survey and the direct involvement of colleagues in dedicated focus groups.</p> <p>To seize the development opportunities identified by the analysis, the project was launched with a mission to promote the performance of women according to a merit-based approach, creating the best conditions for them to express their potential and developing innovative solutions.</p> <p>In 2017, at the end of the project the participation in the work groups was extended to both the Parent Company and Group companies, with the aim of ensuring that issues related to diversity develop into a widespread corporate culture and creating opportunities for dialogue within the various business areas so as to meet specific needs and devise new initiatives.</p> <p>The project is founded on the four key concepts of</p>

Performance, Support, Merit and Development of potential. The "Women in Credem" **email address** was established to enable the proposal of innovative ideas or to share experiences.

Support for **professional development (Performance)** is provided through the allocation of a bonus to mothers who have worked for the Group for at least four months or who are employed on a part-time maternity basis with positive performance.

The **Welfare (Support)** initiatives are an integral part of the Women in Credem project and particularly regard the launch of the Smart Working initiative, which provides flexibility, and the maternity cover initiatives such as job rotation, the insertion of junior employees or the establishment of internships. In addition, video conferences are organised for new mothers to enable them to share their personal experiences and discuss various themes with other mothers.

In line with the Group's **merit-based policy (Merit)**, no "pink quotas" (quotas for women) are applied to the selection process; instead, focus is given to improving the Group's appeal to female candidates.

The Group is committed to **developing the potential** of its female workforce and conducts dedicated **assessments** for female high-performers, dedicated training initiatives (such as "trusting in your leadership") and training programmes aimed at improving the **dialogue between men and women**.

Disclosure 405-1 Employee diversity

EMPLOYEES by professional category and age [%]	As at 31 December 2017			As at 31 December 2016		
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Executives	0.00%	31.43%	68.57%	0.00%	34.30%	65.70%
Middle managers	0.07%	54.75%	45.19%	0.31%	55.27%	44.42%
Remaining staff	20.46%	58.48%	21.06%	19.92%	59.06%	21.02%
TOTAL	10.05%	55.91%	34.04%	9.91%	56.69%	33.39%

EMPLOYEES by professional category and gender [%]	As at 31 December 2017		As at 31 December 2016	
	Men	Women	Men	Women
Executives	96.00%	4.00%	95.35%	4.65%
Middle managers	75.95%	24.05%	76.27%	23.73%
Remaining staff	54.15%	45.85%	55.20%	44.80%
TOTAL	65.85%	34.15%	66.44%	33.56%

EMPLOYEES belonging to minority groups⁴⁶ by professional category and gender	As at 31 December 2017		As at 31 December 2016	
	Men	Women	Men	Women
<i>Executives</i>				
Number	3	0	3	0
Percentage	100.00%	0.00%	100.00%	0.00%
<i>Middle managers</i>				
Number	91	27	90	27
Percentage	77.12%	22.88%	76.92%	23.08%
<i>Remaining staff</i>				
Number	156	95	158	96
Percentage	62.15%	37.85%	62.20%	37.80%
TOTAL				
Number	250	122	251	123
Percentage	67.20%	32.80%	67.11%	32.89%

Disclosure 406-1 Incidents of discrimination and corrective actions taken

In 2017, no cases of discrimination or breaches of human rights were recorded in the Credem Group.

⁴⁶ Cf. Law no. 68/1999.

Management of the Network of Financial Advisors and Agents

<p><i>Business Management and Organisational Model</i></p>	<p>As at 31 December 2017, the Group's distribution structure includes over 593 branches, business centres and financial outlets, operating in 19 regions and 90 Italian provinces, with 820 external financial advisors with mandates, 206 Creacasa agents and 98 agents for salary-backed loans. The Group's network of financial advisors is structured in four managerial figures - Financial Advisors' Market Manager, Regional Manager, District Manager and Growth Manager, with respective responsibilities at regional, district, branch and outlet level.</p>
<p><i>Policies implemented and results achieved</i></p>	<p>In order to guarantee consistent quality in the service provided by financial advisors and agents, Credembanca and Banca Euromobiliare have adopted a Code of Ethics and Conduct for off-site financial advisors and agents. The document aims to ensure the fairness, morality and honesty of advisors in their relations with the Bank and its Customers, focusing on the following key themes:</p> <ul style="list-style-type: none"> - the improper use of company assets and instruments permitted for use; - the compliance with health and safety regulations; - the improper use of private and confidential documents and information; - the performance of activities with diligence and the utmost professionalism, ensuring transparency in communications with customers including as regards the financial conditions of the products/services offered and maintaining a professional customer relationship characterised by loyalty and legality. <p>In order to maintain constant communication with its distribution network, the Group has established a company portal (Agorà) dedicated to Financial Advisors and structured by topic. The portal is constantly updated with information, news and themed exposés.</p> <p>Commercial meetings are organised at regional level on a monthly basis, covering commercial topics and offering information on products and regulations, with testimonials from external companies, Group companies or third-parties.</p> <p>Finally, the CF Academy was established, a training programme for Financial advisors that offers 14 courses available free of charge which cover different themes relevant to the industry.</p>

Disclosure 102-8 Information on employees and other workers

COLLABORATORS operating in the distribution network [No.]	As at 31 December 2017	As at 31 December 2016
Financial advisors of Credito Emiliano S.p.A.	500	551
Financial advisors of Banca Euromobiliare S.p.A.	320	304
Agents of Creacasa S.r.l.	207	259
Agents for salary-backed loans of Credito Emiliano S.p.A.	98	102
TOTAL	1,125	1,216

Environmental impacts

The background of the page is a reproduction of a painting by Carlo Mattioli. The painting, titled 'Nel bosco' (In the forest), depicts a dense forest scene. A path or streambed leads through the center of the composition, flanked by thick, gnarled tree trunks and lush green foliage. The brushwork is very expressive and textured, with a vibrant green color palette that dominates the scene. The overall mood is one of a wild, natural environment.

The Group's main environmental impacts regard the use of paper, consumables relating to Electronic Data Processing (EDP) equipment, energy and associated greenhouse gas emissions.

The data provided below refers to the Group offices which actively used electricity in 2017, totalling 628 buildings⁴⁷.

Materials Used and Waste Produced⁴⁸

<p>Business Management and Organisational Model</p>	<p>The primary materials of the Group's activities include paper (copier paper for printing and photocopying, forms and company reports), toner and ink cartridges, which represent the main categories of generated special waste.</p> <p>The Group has established a central department for the procurement and disposal of office supplies (paper, toner, ink cartridges).</p> <p>Projects such as document dematerialisation and digitalisation initiatives have been launched to reduce the usage of copier paper and toner.</p>
<p>Policies implemented and results achieved</p>	<p>To reduce its environmental impact, the procurement and use of materials which generate hazardous waste is strictly prohibited.</p> <p>Special consumable waste (toner and ink cartridges) is recycled by a specialist firm.</p> <p>In 2017, the majority of waste generated was recycled (98% of total waste); 1.5% of waste was sent to waste-to-energy facilities to generate electricity and 0.5% was sent to landfill.</p> <p>To reduce the use of office materials, specific projects are currently in place such as the iMeetingRoom project, aimed at the digital management of the Board of Directors and other Governance committees, enabling members to share the documentation discussed in the board meetings on iPads and Android tablets in a safe and secure way. As well as improving operational performance, this project is estimated to save approximately 17,500 sheets of paper per meeting.</p> <p>The Group also offers dematerialisation services to third-parties through the subsidiary Credemtel, developing IT solutions aimed at promoting the digitalisation of business processes. The digital storage service is of particular note: accepted both fiscally and legally, this includes an electronic invoicing service for Public Authorities, the sending of documentation by email or certified email address, and access to the</p>

⁴⁷ The number of buildings does not directly correspond to the number of operating units. In the course of the year, the same building could have hosted more than one operating unit or the operating unit could have changed location, thus operating out of several buildings.

⁴⁸ Credem International Lux is not included in the scope.

electronic data interchange (EDI); in the latter regard, in 2017 a dedicated system was created to provide access to **PEPPOL (Pan-European Public Procurement OnLine)**, a European network which facilitates the electronic exchange of transport documents and orders in a standard format between the Public Authorities and companies.

Disclosure 301-1 Materials used by weight or volume

CONSUMPTION OF OFFICE MATERIALS by type of recyclable material⁴⁹	2017	2016
Paper [t]	655.05	603.10
Toner and ink cartridges [no. of items]	12,384	17,080

The decrease in the number of toner cartridges used in 2017 related to the use of cartridges with higher printing capacities and settings with lower environmental impacts (greyscale), resulting in a reduction in waste (empty cartridges).

Calculation method

Paper usage by weight is estimated on the number of sheets used and applying the formula " $75 \text{ g/m}^2 \times 2^{-X} \text{ m}^2/\text{sheet}$ ", where X indicates the AX format (e.g. A4, where X=4) and 75 g/m^2 represents the weight of the used paper.

Intensity of use of office materials

INTENSITY OF USE OF OFFICE MATERIALS by type of material	2017	2016
Number of employees as at 31/12	6,181	6,103
Paper (kg/employee⁵⁰)	105.98	98.82
Toner and ink cartridges [no. of items/ employee]	2.76	2.80

⁴⁹ Other materials used are not significant.

⁵⁰ To calculate the intensity index of the use of materials, only staff employed directly by the Credem Group as at 31 December were considered, excluding Creacasa agents, financial advisors and salary-backed loans agents as these do not use materials purchased by the Group.

Disclosure 306-2 Waste by type and disposal method⁵¹

WASTE GENERATED by disposal method	2017		2016	
	Tonnes	Percentage	Tonnes	Percentage
Recycling	661.27	98.0%	618.80	96.3%
<i>of which Paper and cardboard</i>	<i>644.73</i>	<i>-</i>	<i>594.14</i>	<i>-</i>
<i>of which Toner and ink cartridges</i>	<i>16.54</i>	<i>-</i>	<i>24.66</i>	<i>-</i>
Waste-to-energy incineration	10.32	1.5%	15.72	2.5%
Landfill	3.60	0.5%	7.84	1.2%
TOTAL	675.19	100.0%	642.36	100.0%

⁵¹ The waste disposal method is the responsibility of the supplier company and is determined on the basis of the materials supplied.

Energy Consumption

<p><i>Business Management and Organisational Model</i></p>	<p>In order to identify and implement solutions to reduce the Group's environmental impacts, a central department has been established to regulate the management, monitoring and reporting of energy consumption relating to heat and electricity at all of the Group's Italian offices.</p> <p>Pursuant to Law no. 10/91, the Parent Company has appointed an Energy Manager, who is responsible for the identification of actions, measures and procedures designed to promote the rational use of energy. The Energy Manager must also oversee the preparation of an annual report on the energy consumption of the Parent Company, to be submitted to the Italian Federation for the Rational Use of Energy (FIRE).</p> <p>Furthermore, a central department has also been established to manage the fleet of company vehicles and, more generally, to meet the professional mobility needs of Group employees while balancing the criteria of efficiency and affordability.</p>
<p><i>Policies implemented and results achieved</i></p>	<p>Internal energy consumption arising from the use of buildings which are instrumental to the commercial activities include electricity and thermal energy for heating and air-conditioning and totalled 149,961 GJ in 2017.</p> <p>To manage consumption of this kind, since 2014 the Group has defined an annual energy efficiency plan.</p> <p>In the last three years, 158 measures have been implemented, 139 of which are fully operational. The calculation methods for energy savings and system optimisation are currently being investigated for the remaining 19 measures. In general, efficiency measures concerned the general restructuring of the buildings, the replacement of windows to minimise heat loss, the improvement of the building insulation and the replacement of heat pumps, boilers and refrigerator units with more energy-efficient equipment.</p> <p>Energy consumption remained broadly stable (+1% on 2016) while electricity usage rose by approximately 3%.</p> <p>In analysing these results, it is important to consider that 2017 was characterised by a particularly cold January (average temperatures 4°C below those of 2016) and a particularly hot summer (the second warmest since 2003), with average temperatures in June and August 2°C higher than the same period in 2016. Thanks to the use of an algorithm to analyse energy consumption (developed in collaboration with a specialised energy consultancy firm), it was possible to</p>

measure the increase in the use of electricity by recording consumption at individual sites and subdividing it between the following main causes:

- 51% relating to the unfavourable weather conditions in 2017;
- 17% owing to the increase in surface area and productivity of the Parmigiano Reggiano cheese aging warehouse of Magazzini Generali delle Tagliate S.p.A. in Castelfranco Emilia;
- 32% due to the increase in the number of heat pumps as a result of a policy to progressively remove (when possible/convenient) natural gas boilers.

As predicted in the planning phase, the increase in electricity use relating to the use of heat pumps has been broadly offset by the reduction in the consumption of methane gas (-7% compared to the total in 2016).

As regards **transport**, the environmental impacts are mainly linked to the energy consumption of the **cars used by employees for business trips** and the consumption of energy for **business trips by aeroplane**, which totalled **64,938 GJ** in 2017.

Energy consumption for business trips refers almost entirely to the combustion of fossil fuels, with the exception of the use of four electric vehicles located at the Head Office in Reggio Emilia (approximately 13,616 km driven in 2017, roughly equivalent to 6 GJ of electricity).

In order to minimise costs and energy consumption arising from business trips, the Group has adopted a policy to promote the **use of alternative modes of transport other than cars** and reserve flights in **economy class**.

As regards company vehicles, in 2017 the fleet included 347 cars: 316 diesel cars for mixed use, 25 diesel cars for service use, 4 electric cars for service use and, since 2016, one hybrid car for mixed use.

In order to reduce energy consumption arising from employee mobility, the following initiatives have been implemented:

- since 2015, the Group has aimed to **downsize the energy capacity of the cars** available to employees;
- since 2016, access to **Lync Instant Messaging** has been provided to all employees and **Lync Large Meeting** was launched, a video-conferencing tool which enables broadcasts from the head office to reach up to 600 people at the same time, reducing intercity business travel;

- the **Smart Working** project was launched in 2015; in 2017 this enabled 630 employees to work remotely from home, avoiding the corresponding commute;
- since 2016, all employees have had access to an **online safe driving course** aiming at improving control of the vehicle in everyday situations by simulating extreme driving conditions (control of the vehicle in an emergency, practising in designated areas on surfaces with poor grip and with an artificial rain system) and developing defensive driving skills (learning how to prevent critical situations on the road, adopting a fluid, correct and safe driving style).

In 2017, 162 employees took advantage of the **safe driving course**.

Disclosure 302-1 Energy consumption within the organisation

ENERGY CONSUMPTION WITHIN THE ORGANISATION (GJ)	2017	2016
Use of fuel for heating	31,220	33,395
<i>of which natural gas</i>	30,995	33,210
<i>of which LPG</i>	226	186
District heating ⁵²	9,067	8,631
District cooling ⁵²	337	362
Electricity	109,337	105,994
<i>of which from renewable sources</i>	109,337	105,399
Total internal consumption of buildings	149,961	148,382
Leased vehicles		
<i>Diesel for service use</i>	1,701	1,649
<i>Diesel for mixed use</i>	18,080	16,304
<i>Hybrid petrol for mixed use</i>	10	4
<i>Electric for service use</i>	6	8
Total internal consumption of company vehicles	19,797	17,964
TOTAL consumption within the organisation	169,758	166,346

⁵² District heating and cooling refers to the distribution of energy through heat-conveying fluids (such as steam, warm water or refrigerants) from one or more production sources to several buildings or sites through a collective network for the thermal conditioning of indoor spaces and for the supply of temperature-modulated water. These distribution systems have significant advantages for the environment, promoting the rational use of energy resources thanks to integrated measurement systems, temperature settings and timers, reducing energy use and local pollution.

Given the significant contribution of electricity to total internal energy consumption, in 2013 the Group's buildings obtained the Guarantee of Origin certification, ensuring that 100% of all electricity is sourced from renewable energy sources. In fact, in 2017 only 36% of total internal energy consumption derived from fossil fuels.

In 2017, the photovoltaic plant located at Magazzini Generali delle Tagliate enabled the self-generation of almost 1,400 GJ of electricity, generating more energy than was consumed and resulting in the sale of 226 GJ.

Calculation method

- Energy consumption by buildings may also include consumption by third party companies, which is considered insignificant in relation to total consumption.
- The use of natural gas for office heating has been estimated by comparing gas consumption [Smc/m²], calculated on the basis of the invoiced usage, to the surface area of the buildings with central heating systems. The contribution of the company Magazzini Generali delle Tagliate is not included within the reporting boundary because the building is typologically unlike the other office units.
- Energy consumption relating to the use of fuel for mixed-use diesel cars has been estimated by allocating the total mileage driven to the engine capacity "1.4-2.0 l" and ">2.0 l" in proportion to the number of cars in the fleet, assuming an equal intensity of use of the cars falling into the different engine capacity categories. The conversion factors [GJ/km] for the two engine capacities have been estimated as the average conversion factors of the technologies according to the Euro rating from 1 to 6 for the diesel cars belonging to the two engine capacity categories, as indicated in the ABI Guidelines.
- Business mileage for mixed-use vehicles has been considered as 70% of the total, as indicated by the ABI Guidelines.
- Energy consumption relating to the use of electric vehicles was calculated by applying the conversion factor for electricity [GJ/kWh] to the combined cycle current consumption [kWh/km] indicated in the technical specifications of the vehicles used.

Conversion factors	Source	Coefficient	Unit of measurement
Fuel for heating			
<i>natural gas</i>	<i>ABI Guidelines 2017</i>	<i>0.03427</i>	<i>GJ/Smc</i>
<i>LPG (density 0.56 kg/l)</i>	<i>ABI Guidelines 2017</i>	<i>0.0461</i>	<i>GJ/kg</i>
District heating	ABI Guidelines 2017	0.0036	GJ/kWh
District cooling	ABI Guidelines 2017	0.0036	GJ/kWh
Electricity	ABI Guidelines 2017	0.0036	GJ/kWh
Service and mixed-use vehicles			
<i>Diesel 1.4 - 2.0 l</i>	<i>ABI Guidelines 2017</i>	<i>0.00225</i>	<i>GJ/km</i>
<i>Diesel >2.0 l</i>	<i>ABI Guidelines 2017</i>	<i>0.00309</i>	<i>GJ/km</i>
<i>Hybrid petrol</i>	<i>ABI Guidelines 2017</i>	<i>0.00145</i>	<i>GJ/km</i>
<i>Electric</i>	<i>Vehicle specifications; ABI Guidelines 2017</i>	<i>0.00046</i>	<i>GJ/km</i>

Disclosure 302-3 Energy intensity

ENERGY INTENSITY Internal energy consumption for buildings	2017	2016
Employees and financial advisors as at 31/12 [no.]	7,305	7,319
Net surface area [m ²]	302,325	301,377
Energy intensity per person⁵³ [GJ/person]	20.53	20.27
Energy intensity by net surface area [GJ/m²]	0.50	0.49

Disclosure 302-2 Energy consumption outside of the organisation

ENERGY CONSUMPTION OUTSIDE OF THE ORGANISATION [GJ]	2017	2016
Employee cars	39,769	39,920
Aeroplane	5,371	6,044
TOTAL	45,141	45,965

Calculation method

- The conversion factors used to calculate energy consumption relating to business flights has been estimated as the average of the conversion factors for the five most common journeys in 2016, processed according to the methodology indicated in the ABI Guidelines (December 2017 version) and the ICAO Carbon Calculator.
- To calculate energy consumption arising from the use of private cars used by employees for business trips, due to the absence of accurate information on the type of fuel used the conversion factor for petrol cars has been applied, therefore applying the worst of the two potential factors. The conversion factor used has been estimated as the average of the conversion factors associated with technologies with Euro ratings from 1 to 6 for petrol cars with an engine capacity of over 1.4 l.

Conversion factors	Source	Coefficient	Unit of measurement
Service and mixed-use vehicles			
<i>Diesel 1.4 - 2.0 l</i>	<i>ABI Guidelines 2017</i>	<i>0.00225</i>	<i>GJ/km</i>
<i>Diesel >2.0 l</i>	<i>ABI Guidelines 2017</i>	<i>0.00309</i>	<i>GJ/km</i>
<i>Hybrid petrol</i>	<i>ABI Guidelines 2017</i>	<i>0.00145</i>	<i>GJ/km</i>
<i>Electric</i>	<i>Vehicle specifications;</i> <i>ABI Guidelines 2017</i>	<i>0.00046</i>	<i>GJ/km</i>
Employee cars	ABI Guidelines 2017	0.003191	GJ/km
Aeroplane	ABI Guidelines 2017;	0.0017436	GJ/km

⁵³ For the purposes of the energy intensity calculation, Creacasa agents, financial advisors and salary-backed loan agents have also been considered as, although they operate independently and are not directly employed by the Group, they nonetheless regularly occupy the spaces assigned to them.

ICAO; internal estimate

Disclosure 302-4 Reduction of energy consumption

ENERGY EFFICIENCY MEASURES	2017	2016	2015
Number of energy efficiency measures:	60	42	56
<i>Restructuring</i>	6	3	4
<i>Windows</i>	1	2	4
<i>Insulation</i>	0	0	1
<i>Heat pump</i>	20	12	35
<i>Boiler</i>	5	3	2
<i>Refrigeration unit</i>	28	22	10
Estimated total energy savings [GJ]⁵⁴	2,158	1,766	2,524

⁵⁴ The measures implemented in 2017 for which energy savings have been estimated total 139; for the remaining 19, it was not possible to measure the generated saving, partly due to the limits of the algorithm used to estimate savings and partly due to the fact that not all of the systems have been optimised yet.

Atmospheric Emissions

<p>Business Management and Organisational Model</p>	<p>The Group is committed to reducing greenhouse gas emissions through the purchase and self-generation of 100% of its electricity from renewable sources, and the transfer from R22 air conditioning systems to more environmentally friendly systems.</p>
<p>Policies implemented and results achieved</p>	<p>Atmospheric emissions are mainly generated by the energy consumptions described in the previous chapter, as well as emissions resulting from the use of trains for business trips and greenhouse gas emissions relating to the production of the paper used by the Group.</p> <p>Direct emissions, also known as "Scope 1", which include emissions relating to the use of natural gas and LPG for heating systems and the use of fuel for company vehicles and exclude emissions from office heating systems, totalled 2,907.1 tCO₂eq in 2017. In particular, emissions relating to the use of direct thermal energy represent approximately 52% of Scope 1 emissions, while the remaining 48% relates to the use of vehicles for business use.</p> <p>Indirect emissions are classified as Scope 2, which refers to energy carriers acquired and consumed by the Credem Group, and Scope 3, which refers to sources which are not controlled by the Credem Group.</p> <p>Scope 2 emissions⁵⁵ include emissions relating to the use of electricity, district heating and office heating, and district cooling, totalling 11,140.5 tCO₂eq in 2017 according to the Location-based approach and 1,139.1 tCO₂eq according to the Market-based approach (-7% on 2016).</p> <p>Scope 3 emissions derive from the use of modes of transport for businesses trips, including employee private cars, trains and aeroplanes, and from paper consumption, for a total of 5,171.1 tCO₂eq in 2017.</p> <p>As regards emissions of ozone depleting substances, it is noted that an initiative to replace the thermal energy and refrigeration units containing CFC and HCFC gasses is currently ongoing and that no leaks were recorded in 2017. In terms of NO_x and SO₂, emissions totalling 6,342.6 kg of NO_x and 6.1 kg of SO₂ were recorded in 2017.</p> <p>The centralised management of utilities provides an overview</p>

⁵⁵ The GRI Sustainability Reporting Standards envisage two calculation methods for Scope 2 emissions: "Location-based" and "Market-based". The "Location-based" method reflects the average intensity of emissions deriving from the total national production of electricity, while the "Market-based" method reflects emissions deriving from the electricity that companies have chosen to use and therefore is calculated on emission factors including contractual instruments for the sale and purchase of certified electricity.

of energy consumption within the Group and in 2013 led to the achievement of the goal to source **100% of certified electricity**⁵⁶ for buildings from **renewable sources**, avoiding approximately 10,000 tCO₂eq.

In 2008, the **photovoltaic system** of Magazzini Generali delle Tagliate in Castelfranco Emilia (MO) was installed, aimed at generating the electricity used to power the warehouses themselves. The photovoltaic system covers a surface of 4500 m² on the roof of the warehouses and has been designed to provide a nominal peak output of 400 kW. In 2017, the system enabled the self-generation of almost 385 MWh of electricity, most of which was used in the warehouses.

To reduce greenhouse gas emissions deriving from urban travel by employees, the Group has a company fleet of four electric cars for service use and two electric bicycles, located at the Head Office in Reggio Emilia.

Disclosure 305-1 Direct (Scope 1) GHG emissions

SCOPE 1 EMISSIONS [tCO ₂ eq]	2017	2016
Use of fuel for heating	1,509.3	1,510.3
<i>of which natural gas</i>	<i>1,494.4</i>	<i>1,498.0</i>
<i>of which LPG</i>	<i>14.9</i>	<i>12.3</i>
Use of fuel for company vehicles	1,397.8	1,268.2
<i>Diesel cars for service use</i>	<i>120.2</i>	<i>116.5</i>
<i>Diesel cars for mixed use</i>	<i>1,276.9</i>	<i>1,151.4</i>
<i>Hybrid petrol cars for service use</i>	<i>0.7</i>	<i>0.3</i>
TOTAL	2,907.1	2,778.5

Calculation method

- CO₂ equivalent emissions include CO₂, CH₄ and N₂O and are calculated using the GWP (Global Warming Potential) over 100 years of CO₂, CH₄ and N₂O according to the IPCC (Intergovernmental Panel on Climate Change), defined as 1, 28 and 265 respectively.
- Greenhouse gas emissions relating to the use of fuel for diesel cars have been estimated by allocating the total mileage driven to the engine capacity categories "1.4-2.0 l" and ">2.0 l", in proportion to the number of cars in the fleet, assuming an equal intensity of use of the cars falling within the two different engine capacity categories.

⁵⁶ Electricity purchased from the national grid is 100% certified by the Guarantee of Origin.

The emission factors [kgCO₂eq/km] for the two engine capacities have been estimated as the average emission factors of the technologies according to the Euro rating from 1 to 6 for the diesel cars belonging to the two engine capacity groups, as indicated in the ABI Guidelines.

- Business mileage for mixed-use vehicles has been considered as 70% of the total, as indicated by the ABI Guidelines.

Emission factors	Source	Coefficient	Unit of measurement
Fuel for heating			
Natural gas	ABI Guidelines 2017	1.973	kgCO ₂ eq/Smc
LPG (density 0.56 kg/l)	ABI Guidelines 2017	3.050	kgCO ₂ eq/kg
Service and mixed-use vehicles			
Diesel 1.4 - 2.0 l	ABI Guidelines 2017	0.159	kgCO ₂ eq/km
Diesel >2.0 l	ABI Guidelines 2017	0.218	kgCO ₂ eq/km
Hybrid petrol	ABI Guidelines 2017	0.106	kgCO ₂ eq/km

Disclosure 305-2 Energy indirect (Scope 2) GHG emissions

Scope 2 emissions are calculated according to the "Location-based" and "Market-based" methods.

SCOPE 2 EMISSIONS [tCO ₂ eq] Location-based	2017	2016
Electricity purchased from the national grid	10,001.4	9,704.2
District heating	817.5	782.2
District cooling	31.2	33.5
Office heating	290.5	414.4
TOTAL	11,140.5	10,934.3

SCOPE 2 EMISSIONS [tCO ₂ eq] Market-based	2017	2016
Electricity purchased from the national grid	0.0	0.0
District heating	817.5	782.2
District cooling	31.2	33.5
Office heating	290.5	414.4
TOTAL	1,139.1	1,230.2

Calculation method

- CO₂ equivalent emissions include CO₂, CH₄ and N₂O and are calculated using the GWP (Global Warming Potential) over 100 years of CO₂, CH₄ and N₂O according to the IPCC (Intergovernmental Panel on Climate Change), defined as 1, 28 and 265 respectively.

Emission factors	Source	Coefficient	Unit of measurement
Electricity purchased from the national grid (Italy) District heating (Italy) District cooling (Italy)	ABI Guidelines 2017	0.334	kgCO ₂ eq/kWh
Electricity purchased from the national grid (Luxembourg) District heating (Luxembourg)	TERNA 2014	0.223	kgCO ₂ eq/kWh
Natural gas for office heating	ABI Guidelines 2017	1.973	kgCO ₂ eq/Smc

Disclosure 305-3 Other indirect (Scope 3) GHG emissions

SCOPE 3 EMISSIONS [tCO ₂ eq]	2017	2016
Energy consumption from business trips	3,506.9	3,579.0
<i>of which refer to flights</i>	<i>347.5</i>	<i>404.45</i>
<i>of which refer to train journeys</i>	<i>233.3</i>	<i>237.4</i>
<i>of which refer to employee private vehicles for service use</i>	<i>2,926.1</i>	<i>2,937.2</i>
Paper consumption	1,664.2	1,460.1
TOTAL	5,171.1	5,039.2

Calculation method

- CO₂ equivalent emissions include CO₂, CH₄ and N₂O and are calculated using the GWP (Global Warming Potential) over 100 years of CO₂, CH₄ and N₂O according to the IPCC (Intergovernmental Panel on Climate Change), defined as 1, 28 and 265 respectively.
- To calculate greenhouse gas emissions arising from the use of private cars used by employees for business trips, due to the absence of accurate information on the type of fuel used the emission factor for petrol cars has been used, therefore applying the worse of the potential factors. The emission factor used has been estimated as the average of the emission factors associated with technologies with Euro ratings from 1 to 6 for petrol cars with an engine capacity over 1.4 l.

Emission factors	Source	Coefficient	Unit of measurement
Business trips			
<i>Use of employee private vehicles</i>	<i>ABI Guidelines 2017</i>	<i>0.23477</i>	<i>kgCO₂eq/km</i>
<i>Train travel</i>	<i>DEFRA 2017</i>	<i>0.04678</i>	<i>kgCO₂eq/km</i>
<i>Flights</i>			
<i>Short-haul</i>	<i>DEFRA 2017</i>	<i>0.14141</i>	<i>kgCO₂eq/km</i>
<i>Medium-haul - economy</i>	<i>DEFRA 2017</i>	<i>0.08378</i>	<i>kgCO₂eq/km</i>
<i>Medium-haul - business</i>	<i>DEFRA 2017</i>	<i>0.12565</i>	<i>kgCO₂eq/km</i>
<i>Long-haul - economy</i>	<i>DEFRA 2017</i>	<i>0.07993</i>	<i>kgCO₂eq/km</i>
<i>Long-haul - business</i>	<i>DEFRA 2017</i>	<i>0.23179</i>	<i>kgCO₂eq/km</i>

Paper			
Virgin paper	Environmental Paper Network; ABI Guidelines 2017	2.541	kgCO ₂ eq/kg
Recycled paper	Environmental Paper Network; ABI Guidelines 2017	1.603	kgCO ₂ eq/kg

Disclosure 305-4 GHG emissions intensity

INTENSITY OF EMISSIONS Scope 1 + Scope 2 (Market-based)	2017	2016
Scope 1 + Scope 2 emissions (Market-based) [tCO ₂ eq]	4,041.0	4,002.7
Employees and financial advisors as at 31/12 [no.]	7,305	7,319
Net surface area [m ²]	302,325	301,377
Intensity of emissions per person⁵⁷ [kgCO₂eq/person]	553.2	546.9
Intensity of emissions by net surface area [kgCO₂eq/m²]	13.4	13.3

Disclosure 305-6 Emissions of ozone-depleting substances (ODS)

In 2013, an important investment plan was launched which in 2017 resulted in the replacement of almost all refrigeration units and heat pumps using HCFC and CFC gases with new air-conditioning systems using non-ozone-depleting refrigerants.

At year-end 2017, around 30 systems containing R22 were still in use, in relation to which no gas leaks or losses have ever been reported. The objective for year-end 2018 is the replacement or decommission of the above systems in order to remove the residual risk of emissions of ozone-depleting substances.

As regards automatic shut-off devices, none of the systems in place contain Halon, another CFC/HCFC gas included in the Montreal Protocol.

Disclosure 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions

NO _x [Kg]	2017	2016
from natural gas for central heating	949.7	1017.5
from LPG for central heating	11.3	9.3
from electricity from non-renewable sources	0.00	0.00
from company vehicles	5381.6	4,882.0
TOTAL	6,342.6	5,908.8

⁵⁷ The calculation of the emissions intensity index also includes financial advisors as, although they operate independently and are not directly employed by the Group, their activities are carried out using Group spaces.

SO₂ [Kg]	2017	2016
from electricity from non-renewable sources	0.00	0
from company vehicles	6.1	5.5
TOTAL	6.1	5.5

Calculation method

- In reference to the company fleet of vehicles, NO_x and SO₂ emissions are calculated according to the values published on the website <http://www.sinanet.isprambiente.it/it/sia-ispra/fetransp/> with reference to motor vehicles used to transport people in all contexts (urban, suburban and motorway driving).

Emission factors	Source	Coefficient	Unit of measurement
NO_x			
<i>from natural gas for central heating</i>	<i>ABI Guidelines 2017</i>	<i>0.00105</i>	<i>kgNO_x/Sm³</i>
<i>from LPG for central heating (density 0.56 kg/l)</i>	<i>ABI Guidelines 2017</i>	<i>0.00231</i>	<i>kgNO_x/kg</i>
<i>from electricity from non-renewable sources</i>	<i>ABI Guidelines 2017</i>	<i>0.00016</i>	<i>kgNO_x/kWh</i>
<i>from company vehicles</i>	<i>SINANet-Sistema Inf.vo Naz.le Ambientale</i>	<i>0.00063</i>	<i>kgNO_x/km</i>
SO₂			
<i>from electricity from non-renewable sources</i>	<i>ABI Guidelines 2017</i>	<i>0.000074</i>	<i>kgSO₂/kWh</i>
<i>from company vehicles</i>	<i>SINANet-Sistema Inf.vo Naz.le Ambientale</i>	<i>0.00000071</i>	<i>kgSO₂/km</i>

Water Consumption

Business Management and Organisational Model	Water use in the Group, which relates to hygiene and sanitation , is managed and monitored centrally.
Policies implemented and results achieved	In order to promote a more efficient use of resources and reduce its environmental impacts, the Group constantly monitors water consumption with the aim of reducing waste and saving water .

Disclosure 303-1 Water withdrawal by source

WATER WITHDRAWAL by source [m³]	2017	2016
Aqueduct	126,065	125,592
Well	760	768
TOTAL	126,825	126,360

Calculation method

To estimate the volume of water sourced from aqueducts, the methodology described in the ABI Guidelines 2017 has been adopted (the values for the fixed and variable tariffs have been increased by 10% to reflect the pricing conditions identified).

The average weighted tariff was calculated on the national average for buildings served by an exclusive supply contract. Consequently, water consumption for these buildings has been estimated and a parametric value which represents the average consumption of each building has been identified. This value was used to calculate the percentage contribution of water supplies for office units, which was then added to the estimated water supplies provided by exclusive supply contracts.

An abstract painting featuring dark, angular, and textured shapes in shades of green and black, set against a pale, cloudy sky. The composition is dynamic and expressive, with visible brushstrokes and a sense of depth. The title 'Corporate social responsibility' is overlaid in white text.

Corporate social responsibility

Alberto Manfredi (Reggio Emilia 1930- 2001), *Chiesa in collina*, Reggio Emilia, Credem Art Collection

The Group is aware of its responsibilities to the supply chain and the business network, providing continuous and meaningful support to the communities in which it operates through cultural initiatives, sporting events, scientific research and financial education.

Procurement Practices

<i>Business Management and Organisational Model</i>	<p>The management of the supply chain is entrusted to dedicated company departments which are responsible for managing the negotiation, procurement and monitoring phases for the procurement of all goods and services, as established by the policies regarding expenditure management and the outsourcing of company departments.</p>
<i>Policies implemented and results achieved</i>	<p>The Group aims to ensure the continuous supply of goods and services, managing its relations with suppliers throughout the negotiation, acquisition and supply phases of the expenditure management process and seeking and assessing alternative suppliers in view of the constantly increasing level of quality offered by suppliers.</p> <p>The characteristics of the supply chain - strategic importance, complexity, market, intensity of work, financial stability of the supplier, economic value of the supply - vary greatly depending on the type of goods or services acquired.</p> <p>Relations with suppliers are characterised by the principles of professionalism, integrity, legality, transparency, fairness and good faith. Payment terms are guaranteed and contractual conditions are strictly observed.</p> <p>Suppliers of the Parent Company are obliged to acknowledge and respect the Code of Ethics⁵⁸, updated in January 2018 and referred to in a specific clause pursuant to Legislative Decree no. 231/01 in all supply contracts; failure to do so may result in the termination of the contractual arrangement.</p> <p>Suppliers with an annual invoiced total of over EUR 100,000 are recorded on a Suppliers Register on an annual basis: in 2017, the register included 249 suppliers.</p> <p>The vendor rating process is activated for suppliers of significant operating units, i.e. those closely related to the typical activity of the company whose operations are considered to present significant risk profiles and whose outsourcing is subject to greater caution; for supplies of strategic importance with a total invoiced amount in excess EUR 100,000 and for other supplies whose invoices exceeded EUR 500,000. The vendor rating process assesses the supplier's performance in order to provide an assessment of its suitability to provide the relevant supply. This assessment is based on a series of predefined elements (professionalism, reliability,</p>

⁵⁸ The complete document containing the *Code of Ethics* is available on the company website: https://www.credem.it/content/dam/credem/documenti/governance/generali/Standard_Etici.pdf.

financial stability and affordability) that varies depending on the expenditure category. In the case that the supplier does not achieve the minimum score required, the supplier is placed "under observation"; in this case, the manager of the expenditure item issues a written opinion as to whether the contractual relationship should be continued or terminated. In the case that the relationship is continued, potential risks are nonetheless subject to closer supervision. In 2017, supplier assessment activities aimed at the allocation of the vendor rating were carried out on 91 suppliers for 130 supply contracts; a total of 17 suppliers were placed under observation.

The most financially significant expenditure items include, in decreasing order, **lease payables**, outsourced **IT services**, **insurance services**, **legal debt recovery** services and **outsourced banking processing**.

In 2017, the supply chain of the Parent Company, which remained largely unchanged compared to previous years, involved about **3,300 suppliers**; the majority of suppliers are based in Italy (97% by number and total invoiced amount), while the percentage of suppliers from other countries is only significant to a small number of specific categories (Info Provider).

Human rights

The Group operates in **compliance with the current laws and regulations** on human rights. Considering the geographic, operational and regulatory context of the Group's activities, no significant risks of breaches of the human rights of the Group's suppliers were identified.

However, the Group's commitment to respect the basic human rights and the physical and moral integrity of its collaborators has been formalised in the Code of Ethics, as referred to in a specific clause in all contracts signed with suppliers.

Disclosure 414-1 New suppliers that were screened using social criteria

To ensure that contributions are made correctly in supply contracts, suppliers are requested to present a valid Consolidated Insurance Contribution Payment Certificate (DURC). In 2017, 44 new suppliers out of a total of 659 (6.68%) provided a valid DURC, representing 27.1% of the total invoiced amount of new suppliers.

Support for the Business Network

<p>Business Management and Organisational Model</p>	<p>The Group, which originated as Banca Agricola Commerciale di Reggio Emilia, has enjoyed a close connection with small and medium enterprises in Italy for over a century, providing continuous support in the form of credit lines and dedicated services.</p>
<p>Policies implemented and results achieved</p>	<p>In order to ensure the effective technical and commercial management, excellent quality and innovation of its business products through the offer of a diverse product range personalised by category and channel, a strategy has been developed to support investments and business internationalisation, focusing especially on SMEs. In particular, this strategy has led to the following partnership agreements:</p> <ul style="list-style-type: none"> - with ISMEA (Istituto di Servizi per il Mercato Agricolo Alimentare), agreements have been signed to support access to credit and investments for companies operating in the agricultural sector; - with SACE (Società per Assicurazione Credito Estero), partnership agreements have been signed with the aim of facilitating access to loans to promote the internationalisation of Italian SMEs; various short, medium and long-term credit lines have been made available to provide working capital, fund internationalisation projects and research and development investments, and provide the liquidity required to meet export orders. Furthermore, loans aimed at capital goods, machinery, systems, equipment, hardware, software and digital technology are also provided; - with the EIF (European Investment Fund), partnership agreements have been signed to facilitate and increase access to credit for Italian businesses: the COSME programme, which enables Italian SMEs to access to European programme due to their competitiveness; and the INNOVFİN programme aimed at supporting innovation, research and development projects for Italian SMEs and mid-caps; - with MCC (Medio Credito Centrale), using the SME Guarantee Fund established by Law no. 662/92 to facilitate access to credit for Italian SMEs that make investments or to support their working capital requirements; - with the MiSE (Italian Ministry for Economic Development), to provide access to the grants envisaged by the Sabatini Ter Law for all Italian SMEs that want to acquire, through loans and leases, new plants, equipment and machinery and make investments in digital technology.

Credem supports the **Legality rating** system, a tool introduced into Italian law to promote ethical standards in corporate activities in order to offer businesses who achieve the rating preferential access to credit: between 1 April 2016 and 31 March 2017, 41 companies informed Credem S.p.A. that they hold a valid Legality rating; 35 businesses benefited from improvements to their respective financial conditions, in consideration of their credit standing and, in any case, preserving the risk/return conditions of each position. Updates to the Legality rating measures for the period of 1 April 2017 to 31 March 2018 will be published on the Transparency section of the website www.credem.it.

In line with the merit-based approach adopted for the granting of loans to businesses, on 2 October 2015 the Group obtained the validation from the Bank of Italy of its advanced internal model (so-called AIRB) for the allocation of **customer ratings**.

The internal ratings system produces risk profiles for borrowers, which are then used in the following stages of the credit process:

- **Issue and review of loan:** the assessment and issue of loans by Credembanca to customers is subject, as a technical condition, to an evaluation of the customer's risk profile, as represented by the rating;
- **Pricing:** internal regulations provide that in determining the conditions to be applied to customers for which the customer rating is to be assigned, it is necessary to verify the adequacy of the proposed price in correspondence to the assigned credit rating by simulating the risk-return profile (RARORAC) and the absorbed management capital.

Magazzini Generali delle Tagliate is a unique case: highlighting the Group's commitment to supporting a high-quality local product and the communities which produce it, the company accepts wheels of Parmigiano Reggiano cheese as collateral to secure loans to cheese makers to support the various stages of production and sale; to support the producers, which are mainly agricultural cooperatives that have to sustain high levels of capital expenditure, particularly considering the lengthy cheese maturing period, the Group offers loans secured on the product itself, which is stored in the maturing warehouses in Montecavolo and Castelfranco Emilia where suitable temperature, humidity and maintenance conditions are guaranteed.

Initiatives to support businesses⁵⁹

Type of initiative	2017	2016
ISMEA	0.5	1.8
SACE	37.3	40.6
EIF - InnovFin	177.7	111.5
EIF - COSME	155.2	285.5
MCC – SME Guarantee Fund	157.2	157.7
MISE – New Sabatini Law	16.1	30.5
TOTAL LOANS GRANTED [EUR/mlin]	543.9	627.6

Contributions by Magazzini Generali delle Tagliate

CONTRIBUTION OF Magazzini Generali delle Tagliate	2017	2016
Wheels - volume [No.]	344,225	363,925
<i>of which from Montecavolo</i>	<i>138,268</i>	<i>184,875</i>
<i>of which from Castelfranco Emilia</i>	<i>205,957</i>	<i>179,050</i>
Deposit warrants and credit notes issued [No.]	393	490
<i>of which from Montecavolo</i>	<i>177</i>	<i>245</i>
<i>of which from Castelfranco Emilia</i>	<i>216</i>	<i>245</i>

At year-end, the value of the goods held by Magazzini Generali delle Tagliate totalled over EUR 160 million, equivalent to 474,000 wheels of cheese: of these, approximately 265,000 - for a value of around EUR 100 million - were pledged for advance transactions, while the remaining 209,000 are free.

⁵⁹ The report on initiatives to support businesses has been prepared with reference to the loans archive; in this regard, only subsidised loans that benefit from a guarantee or a public grant have been considered. The values refer to the amount granted.

Operation in the Region

<p>Business Management and Organisational Model</p>	<p>The Group helps to support and develop the communities in which it operates through the provision of grants and sponsorships aimed at supporting social and cultural development and promoting various types of events to encourage the engagement of a broad and diverse audience.</p>
<p>Policies implemented and results achieved</p>	<p>In 2017, a total of over EUR 540 thousand was issued in the form of grants and sponsorships, aimed at supporting social, cultural, medical and sports initiatives.</p> <p>The most significant donation was granted to the "Illuminiamo il futuro dei bambini in Italia" project organised by <i>Save the Children</i>, a campaign to raise funds and public awareness to promote the initiative organised by the non-profit organisation to combat educational poverty in Italy. The programme, which is aimed at children between the ages of 6 and 16 who live in absolute poverty or difficult family situations, is structured across two strategic pillars:</p> <ul style="list-style-type: none"> - "Punti Luce" (Light Points): a community project aimed at the creation of regional education centres for children and young people in redeveloped urban buildings, aimed at promoting various initiatives such as learning support, educational workshops and paediatric and psychological counselling for parents; - "Doti Educative" (Learning Equipment): an individual support plan with a budget for the provision of educational materials and services to children and adolescents who live in certified conditions of poverty. <p>In 2017, significant support was also given to the non-profit organisation GRADE in Reggio Emilia through:</p> <ul style="list-style-type: none"> - the continued support of the five-year project for Haploidentical stem cell transplantation, which carries out procedures on donors who are only a 50% match at the Haematology department of the Arcispedale Santa Maria Nuova hospital in Reggio Emilia. The project concerned an investment to provide specialist training for a young researcher with experience in Haploidentical transplantation through a professional training programme at the MC Anderson Cancer Center in Houston, Texas; - the PET PUZZLE initiative, through which the Foundation raised EUR 2 million in three years to fund the acquisition of a Positron Emission Tomography (PET) machine to be donated to the Arcispedale Santa Maria Nuova hospital in Reggio Emilia. The device, which is based on state-of-the-art diagnostic imaging technology, enables the early detection of tumours and assesses their size and location. The Parent Company granted a

loan of EUR 700,000 in order to finalise the negotiations; the machine is scheduled to enter into operation in the first half of 2018, with benefits both for the local region and potentially the wider national and international community.

As regards the Group's traditional commitment to high-quality regional food and agricultural produce, support continues to be provided to the **Confraternita Dell'Aceto Balsamico Tradizionale Reggiano**, aimed at preserving the tradition of balsamic vinegar and promoting the product on the international market.

In 2017, the Parent Company supported several awareness-raising initiatives:

- guided visits and tasting events at the vinegar distillery supported by Credem in Castello di Bianello (Quattro Castella - Reggio Emilia);
- training activities promoted by the Confraternita, including specialist courses for vinegar producers and an introduction to vinegar tasting aimed at primary schools in the Municipality of Casalgrande - Reggio Emilia.

Following the **earthquake** which struck **Central Italy** in 2016, Credembanca decided to support the reconstruction works of the Civil Protection Service through grants and donations, launching a fund-raising campaign involving customers and employees; the success of the project was confirmed in 2017 with the collection EUR 126,000 which was used to support the reconstruction and recovery of the affected regions under the supervision of a Board of Trustees selected by the Extraordinary Reconstruction Commissioner and the regions involved. The donation will help to ease the difficulties of the families and communities affected by the earthquake.

The Group's focus on supporting the education of school-age children can be observed in the following initiatives:

- the donation of decommissioned company equipment to non-profit organisations and primary and secondary schools in the region of Reggio Emilia (104 desktop computers, 10 laptops and 104 monitors);
- in partnership with **FEDUF**, the **Foundation for Financial Education and Savings**, events were organised at the Credem Auditorium to promote financial education among primary and secondary school children in Reggio Emilia and the surrounding province.

In 2017 the Parent Company planned and approved applications to host conferences and events in line with its values and obligations at its Auditorium, with positive benefits for stakeholders and the region.

Since the early 1980s the Group has preserved and developed a rich artistic heritage which represents the history, culture and art of the city of Reggio Emilia.

Palazzo Storico Spalletti Trivelli, the Group's Head Offices, is home to:

- a Roman archaeological site, a valuable part of the history of both palace and city;
- a collection of paintings from the region dating from the sixteenth to eighteenth centuries, and various works of art from the nineteenth and twentieth centuries;
- an oriental art collection which is considered by experts as the largest private collection in Italy.

The care and enhancement of this artistic heritage is entrusted to a manager who, acting in synergy with the Bank and Group companies, promotes any initiative aimed at encouraging the engagement of stakeholders and local schools.

The Group is a member of the Italian Banking Association and, in particular, the Cultural Relations Work Group promoted by the ABI, giving rise to the following initiatives:

- **Festival of Creative Culture**, an initiative promoted by the industry Association and the banks to increase the cultural awareness of children of age between 6 and 13 through workshops, initiatives and events. In 2017, the Parent Company organised workshops at its own archaeological site, using paper and other materials to illustrate how Roman roads were built and what the equipment used by the Roman legionary would have looked like;
- Support for the sixteenth edition of the **Invitation to the Palace** event, opening the Palazzo Storico Spalletti-Trivelli, the Group's Head Offices, to the public and organising guided visits of the art collections and the archaeological site.

As part of the activities to promote and enhance the culture of the region, the Group supports the exhibition "**La BUONA STRADA. Regium Lepidi e la Via Emilia**" promoted by the Municipalities of Modena, Parma and Reggio Emilia, the Archaeological Superintendency of Bologna and Parma, the Office for Regional Assets, Cultural Activities and Tourism, and the Region of Emilia Romagna.

The project aims to promote the Via Aemilia Roman road founded by the Roman Consul Marcus Aemilius Lepidus through various initiatives, which will continue in 2018. In this regard, the Parent Company (in collaboration with the Civic Museums and the Diocesan Museum of Reggio Emilia) will host the exhibition by opening its own archaeological site and its artefacts to the public.

In 2017, the **Spazio Credem** project continued to be developed, aimed at promoting and protecting the region's historic, artistic and architectural assets and promoting their accessibility to stakeholders of the Group through personalised programmes and guided visits to the Palazzo, the Roman archaeological site and the art collections.

Disclosure 413-1 Operations with local community engagement, impact assessments, development programs

Initiative to PROMOTE COMMUNITY ENGAGEMENT	Number of participants
Financial Education	219
Event: "Cash and electronic payments" - Credem Auditorium	219
Art and culture	3,569
Lecture: "Europe in the wake of the German elections" by the economist Lucrezia Reichlin - Credem Auditorium	125
Lecture: "Imagining the future of our planet" by the ethnologist and anthropologist Marc Augè - Credem Auditorium	209
Lecture: "Entertainment businesses: new prospects and opportunities" by the musician Manuel Agnelli - Credem Auditorium	157
Conference: "Smart City" - Credem Auditorium	200
Conference: "Advisors to the Financial Community" - Credem Auditorium	70
Book Presentation: "I battiti della mente" by Stefano Paleari - Credem Auditorium	100
Concert: "A quarter moon" - Credem Auditorium	118
Conference: "The thelematic process" - Credem Auditorium	250
Lecture: "An evening of art" by Professor Vittorio Sgarbi - Credem Auditorium	241
Informative Show: "Io guido la speranza" - Credem Auditorium	150
Conference: "The reform of the responsibilities of healthcare professionals" - Credem Auditorium	76
Conference: "Dementia: clinical, ethical, and medico-legal aspects" - Credem Auditorium	98
Conference: "Learn how to Learn" - Credem Auditorium	25
Festival of Creative Culture - Credem Auditorium	153
Invitation to the Palace - Credem Auditorium	947
Spazio Credem - Credem Auditorium	500
Christmas Concert - Credem Auditorium	150

An abstract painting of a violinist, rendered in a cubist style. The figure is composed of bold, geometric shapes in shades of yellow, blue, and brown. The violin and bow are integrated into the figure's form. The background features a grid of yellow and blue lines on a light blue and white background. The overall composition is dynamic and expressive.

GRI content index

Gian Carozzi (La Spezia 1920- Sarzana 2008), *Il violinista*, Reggio Emilia, Credem Art Collection

Correlation of material topics to GRI Standards

Material topic of the Credem Group	GRI Standard
Financial stability	201 Economic performance
Ethics and integrity in Business Management	206 - Anti-competitive behaviour 205 Anti-corruption 307 Environmental compliance
Economic - financial performance and creation of value	201 Economic performance
Relations with institutions, regulatory bodies and external relations	102-13 Main partnerships and affiliations
Corporate Governance	102 General Disclosure – Governance
Risk management	102-15 Key impacts, risks and opportunities
Support for the business network	With regards to the above topic, which is not strictly associated with a specific GRI Standard, the Group's management approach adopted and the relative indicators are included in the report.
Privacy and security	418 Customer privacy
Accessibility and transparency of financial services and customer satisfaction	417 Labelling of products and services
Innovation of products and services	With regards to the above topic, which is not strictly associated with a specific GRI Standard, the Group's adopted management approach and the relative indicators are reported.
Responsible finance	Product portfolio ⁶⁰
Management of the agency network	102-8 Information on employees and other workers
Operation in the region	413 Local communities
Employee health and safety	403 Occupational health and safety
Staff development and management	401 Employment 404 Training and education
Corporate welfare	401 Employment
Diversity	405 Diversity and equal opportunities
Procurement practices	414 Supplier social assessment
Environmental impacts	301 Materials 302 Energy 303 Water 305 Emissions 306 Effluents and waste

⁶⁰ The information provided refers to the “GRI G4 Financial Services Sector Disclosure”.

General Disclosure

Disclosure		Pages	Notes/Omissions
GRI 102: General disclosure (2016)			
Organisational profile			
102-1	Name of the organisation	5-7	
102-2	Primary brands, products, and services	8-11	
102-3	Location of headquarters	8	
102-4	Location of operations	8	
102-5	Ownership and legal form	8	
102-6	Markets served	8, 52-54	
102-7	Scale of the organisation	8, 47, 72-73	
102-8	Information on employees and other workers	72-74, 76, 87-88, 91	
102-9	Supply chain	110-111	
102-10	Significant changes to the organisation and its supply chain		In the course of 2017 no significant changes to the organisation or its supply chain were recorded.
102-11	Application of the Precautionary Principle	35-41	
102-12	External initiatives	13, 51	
102-13	Main partnerships and affiliations	21-24	
Strategy			
102-14	Statement from the senior decision-maker	4	
102-15	Key impacts, risks and opportunities	35-41	
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	31-33	
102-17	Mechanisms for advice and concerns about ethics	33-34	
Governance			
102-18	Governance structure	13-17	
102-22	Composition of the highest governance body and its committees	13-15	
102-23	Chair of the highest governance body	14	
102-28	Evaluating the highest governance body's performance	15	
102-32	Highest governance body's role in sustainability reporting	16	

102-36	Process for determining remuneration	78
102-38	Annual total compensation ratio	78
Stakeholder engagement		
102-40	List of stakeholders	18-20
102-41	Collective bargaining agreements	73-74
102-42	Identifying and selecting stakeholders	18
102-43	Approach to stakeholder engagement	19-20
102-44	Key topics and concerns raised through stakeholder engagement	19-20
Reporting practice		
102-45	Entities included in the Consolidated Financial Statements	5
102-46	Defining report content and topic boundaries	5, 25-26
102-47	List of material topics	26-30
102-48	Restatements of information	5
102-49	Changes in reporting	5
102-50	Reporting period	5
102-51	Date of most recent report	5
102-52	Reporting cycle	6, 16-17
102-53	Contact point for questions regarding the report	7
102-54	Claims of reporting in accordance with the GRI Standards	5
102-55	GRI content index	120-129
102-56	External assurance	5, 130-133

Specific Disclosure

Disclosure		Pages	Notes/Omissions
GRI 200: Economic performance 2016			
Economic performance			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its Boundary	27-30	
103-2	The management approach and its components	44-45	
103-3	Evaluation of the management approach	44-45	
GRI-201: Economic performance (2016)			
201-1	Direct economic value generated and distributed	47-48	
Anti-Corruption			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its Boundary	27-30	
103-2	The management approach and its components	42	
103-3	Evaluation of the management approach	42	
GRI-205: Anti-corruption (2016)			
205-1	Operations assessed for risks related to corruption	42	
205-2	Communication and training about anti-corruption policies and procedures	43	
205-3	Confirmed incidents of corruption and actions taken	43	
Anti-competitive behaviour			
GRI-206: Anti-competitive behaviour (2016)			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and relative outcomes	34	
GRI 300: Environmental performance 2016			
Materials			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its Boundary	27-30	
103-2	The management approach and its components	93-94	
103-3	Evaluation of the management approach	93-94	
GRI-301: Materials (2016)			

301-1	Materials used by weight or volume	94
Energy		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	96-98
103-3	Evaluation of the management approach	96-98
GRI-302: Energy (2016)		
302-1	Energy consumption within the organisation	96-99
302-2	Energy consumption outside of the organisation	97, 100
302-3	Energy intensity	100
302-4	Reduction of energy consumption	101
Water		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	108
103-3	Evaluation of the management approach	108
GRI-303: Water (2016)		
303-1	Water withdrawal by source	108
303-3	Water recycled and reused	108
Emissions		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	102-103
103-3	Evaluation of the management approach	102-103
GRI-305: Emissions (2016)		
305-1	Direct (Scope 1) GHG emissions	102-104
305-2	Energy indirect (Scope 2) GHG emissions	102, 104-105
305-3	Other indirect (Scope 3) GHG emissions	102, 105-106
305-4	GHG emissions intensity	106
305-6	Emissions of ozone-depleting substances (ODS)	102, 106

305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	103, 106-107
Effluents and waste		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	93, 95
103-3	Evaluation of the management approach	93, 95
GRI-306: Effluents and waste (2016)		
306-1	Water discharge by quality and destination	108
306-2	Waste by type and disposal method	95
Environmental compliance		
GRI-307: Environmental compliance (2016)		
307-1	Non-compliance with environmental laws and regulations	34
GRI 400: Social performance 2016		
Employment		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	72, 76-77, 80-82
103-3	Evaluation of the management approach	72, 76-77, 80-82
GRI-401: Employment (2016)		
401-1	New employee hires and employee turnover	75
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	82
401-3	Parental leave	82
Industrial relations		
GRI-103: Management approach (2016)		
103-2	The management approach and its components	72-73
Occupational health and safety		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	83-84
103-3	Evaluation of the management	83-84

approach		
GRI-403: Occupational health and safety (2016)		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	84-86
		Data on GRI indicator 403-2 is not available for the external workforce. Such information will be reported in the 2018 Non-Financial Statement, without prejudice to the presence of the indicator.
Training and education		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	76-78
103-3	Evaluation of the management approach	76-78
GRI-404: Training and education (2016)		
404-1	Average hours of training per year per employee	79
404-2	Programmes for upgrading employee skills and transition assistance programs	76-78
404-3	Percentage of employees receiving regular performance and career development reviews	79
Diversity and equal opportunities		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	87-88
103-3	Evaluation of the management approach	87-88
GRI-405: Diversity and equal opportunities (2016)		
405-1	Diversity of governance bodies and employees	14, 88-89
Non-discrimination		
GRI-103: Management approach (2016)		

103-2	The management approach and its components	87-88	
GRI-406: Non-discrimination (2016)			
406-1	Incidents of discrimination and corrective actions taken	89	
Freedom of association and collective bargaining			
GRI-103: Management approach (2016)			
103-2	The management approach and its components	72, 111	
Child labour			
GRI-103: Management approach (2016)			
103-2	The management approach and its components	111	
Forced labour			
GRI-103: Management approach (2016)			
103-2	The management approach and its components	111	
Human rights			
GRI-103: Management approach (2016)			
103-2	The management approach and its components	111	
Local communities			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its Boundary	27-30	
103-2	The management approach and its components	115-118	
103-3	Evaluation of the management approach	115-118	
GRI-413: Local communities (2016)			
413-1	Operations with local community engagement, impact assessments, development programs	118	The type of initiatives reported does not allow the calculation of the percentage required by the indicator due to a lack of information on all the initiatives launched in 2017. Such information will be reported in the 2018 Non-Financial Statement,

		without prejudice to the presence of the indicator.
Supplier social assessment		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	110-111
103-3	Evaluation of the management approach	110-111
GRI-414: Supplier social assessment (2016)		
414-1	New suppliers that were screened using social criteria	111
Labelling of products and services		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	62-63
103-3	Evaluation of the management approach	62-63
GRI-417: Labelling of products and services (2016)		
417-1	Requirements for product and service information and labelling	62-63
Customer privacy		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	59-60
103-3	Evaluation of the management approach	59-60
GRI-418: Customer privacy (2016)		
418-1	Substantiated complaints concerning breaches of privacy and losses of customer data	60-61
Product portfolio		
GRI-103: Management approach (2016)		
103-1	Explanation of the material topic and its Boundary	27-30
103-2	The management approach and its components	66-67
103-3	Evaluation of the management approach	66-67

<i>Product portfolio⁶¹</i>		
FS7	Products and services with social goals	68-69
FS8	Products and services with social and environmental goals	69

⁶¹ The information provided refers to the “GRI G4 Financial Services Sector Disclosure”.

Independent Auditors' Report



Credito Emiliano S.p.A.

Dichiarazione consolidata di carattere non finanziario
al 31 dicembre 2017

Relazione della società di revisione indipendente ai sensi
dell'art. 3, c. 10, D.Lgs. 30 dicembre 2016, n. 254 e dell'art.
5 Regolamento Consob n. 20267



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Relazione della società di revisione indipendente sulla dichiarazione consolidata di carattere non finanziario ai sensi dell'art. 3, c. 10, D.Lgs. 30 dicembre 2016, n. 254 e dell'art. 5 Regolamento Consob n. 20267

Al Consiglio di Amministrazione di
Credito Emiliano S.p.A.

Ai sensi dell'articolo 3, comma 10, del D.Lgs. 30 dicembre 2016, n. 254 (di seguito "Decreto") e dell'articolo 5 del Regolamento Consob n. 20267, siamo stati incaricati di effettuare l'esame limitato ("limited assurance engagement") della dichiarazione consolidata di carattere non finanziario di Credito Emiliano S.p.A. (di seguito la "Banca") e sue controllate (di seguito il "Gruppo" o "Gruppo Credem") relativa all'esercizio chiuso al 31 dicembre 2017 predisposta ex art. 4 del Decreto e approvata dal Consiglio di Amministrazione in data 15 marzo 2018 (di seguito "DNF").

Responsabilità degli amministratori e del collegio sindacale per la DNF

Gli amministratori sono responsabili per la redazione della DNF in conformità a quanto richiesto dagli articoli 3 e 4 del Decreto e ai "Global Reporting Initiative Sustainability Reporting Standards" definiti nel 2016 dal GRI - Global Reporting Initiative (di seguito "GRI Standards"), come indicato nel paragrafo "Nota metodologica" della DNF, da essi individuato come standard di rendicontazione.

Gli amministratori sono altresì responsabili, nei termini previsti dalla legge, per quella parte del controllo interno da essi ritenuta necessaria al fine di consentire la redazione di una DNF che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili inoltre per l'individuazione del contenuto della DNF, nell'ambito dei temi menzionati nell'art. 3, comma 1, del Decreto, tenuto conto delle attività e delle caratteristiche del Gruppo e nella misura necessaria ad assicurare la comprensione dell'attività del Gruppo, del suo andamento, dei suoi risultati e dell'impatto dallo stesso prodotti.

Gli amministratori sono infine responsabili per la definizione del modello aziendale di gestione e organizzazione dell'attività del Gruppo, nonché, con riferimento ai temi individuati e riportati nella DNF, per le politiche praticate dal Gruppo e per l'individuazione e la gestione dei rischi generati o subiti dallo stesso.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sull'osservanza delle disposizioni stabilite nel Decreto.

Indipendenza della società di revisione e controllo della qualità

Siamo indipendenti in conformità ai principi in materia di etica e di indipendenza del *Code of Ethics for Professional Accountants* emesso dall'*International Ethics Standards Board for Accountants*, basato su principi fondamentali di integrità, obiettività, competenza e diligenza professionale, riservatezza e comportamento professionale. La nostra società di revisione applica l'*International Standard on Quality Control 1 (ISQC Italia 1)* e, di conseguenza, mantiene un sistema di controllo qualità che include direttive e procedure documentate sulla conformità ai principi etici, ai principi professionali e alle disposizioni di legge e dei regolamenti applicabili.

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Responsabilità della società di revisione

È nostra la responsabilità di esprimere, sulla base delle procedure svolte, una conclusione circa la conformità della DNF rispetto a quanto richiesto dal Decreto e dai GRI Standards. Il nostro lavoro è stato svolto secondo quanto previsto dal principio "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (di seguito "ISAE 3000 Revised"), emanato dall'*International Auditing and Assurance Standards Board* (IAASB) per gli incarichi *limited assurance*. Tale principio richiede la pianificazione e lo svolgimento di procedure al fine di acquisire un livello di sicurezza limitato che la DNF non contenga errori significativi. Pertanto, il nostro esame ha comportato un'estensione di lavoro inferiore a quella necessaria per lo svolgimento di un esame completo secondo l'ISAE 3000 Revised ("*reasonable assurance engagement*") e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti e le circostanze significativi che potrebbero essere identificati con lo svolgimento di tale esame.

Le procedure svolte sulla DNF si sono basate sul nostro giudizio professionale e hanno compreso colloqui, prevalentemente con il personale della società responsabile per la predisposizione delle informazioni presentate nella DNF, nonché analisi di documenti, ricalcoli ed altre procedure volte all'acquisizione di evidenze ritenute utili.

In particolare, abbiamo svolto le seguenti procedure:

1. analisi dei temi rilevanti in relazione alle attività ed alle caratteristiche dell'impresa rendicontati nella DNF, al fine di valutare la ragionevolezza del processo di selezione seguito alla luce di quanto previsto dall'art. 3 del Decreto e tenendo presente lo standard di rendicontazione utilizzato;
2. analisi e valutazione dei criteri di identificazione del perimetro di consolidamento, al fine di riscontrarne la conformità a quanto previsto dal Decreto;
3. comparazione tra i dati e le informazioni di carattere economico-finanziario incluse nella DNF ed i dati e le informazioni inclusi nel bilancio consolidato del Gruppo;
4. comprensione dei seguenti aspetti:
 - modello aziendale di gestione e organizzazione dell'attività del Gruppo, con riferimento alla gestione dei temi indicati nell'art. 3 del Decreto;
 - politiche praticate dall'impresa connesse ai temi indicati nell'art. 3 del Decreto, risultati conseguiti e relativi indicatori fondamentali di prestazione;
 - principali rischi, generati o subiti, connessi ai temi indicati nell'art. 3 del Decreto.

Relativamente a tali aspetti sono stati effettuati inoltre i riscontri con le informazioni contenute nella DNF ed effettuate le verifiche descritte nel successivo punto 5, lett. a);
5. comprensione dei processi che sottendono alla generazione, rilevazione e gestione delle informazioni qualitative e quantitative significative incluse nella DNF. In particolare, abbiamo svolto interviste e discussioni con la Direzione della Banca e con il personale della stessa e abbiamo svolto limitate verifiche documentali, al fine di raccogliere informazioni circa i processi e le procedure che supportano la raccolta, l'aggregazione, l'elaborazione e la trasmissione dei dati e delle informazioni di carattere non finanziario alla funzione responsabile della predisposizione della DNF.



Inoltre, per le informazioni significative, tenuto conto delle attività e delle caratteristiche del Gruppo, abbiamo:

- a livello di Gruppo,
 - a) con riferimento alle informazioni qualitative contenute nella DNF e in particolare al modello aziendale, politiche praticate e principali rischi, effettuato interviste e acquisito documentazione di supporto per verificarne la coerenza con le evidenze disponibili;
 - b) con riferimento alle informazioni quantitative, svolto sia procedure analitiche che limitate verifiche per accertare su base campionaria la corretta aggregazione dei dati;
- per alcune società (Credito Emiliano S.p.A., Banca Euromobiliare S.p.A. e Credemleasing S.p.A.), che abbiamo selezionato sulla base del loro contributo agli indicatori di prestazione a livello consolidato, acquisito riscontri documentali circa la corretta applicazione delle procedure e dei metodi di calcolo utilizzati per gli indicatori.

Conclusioni

Sulla base del lavoro svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che la DNF del Gruppo Credem relativa all'esercizio chiuso al 31 dicembre 2017 non sia stata redatta, in tutti gli aspetti significativi, in conformità a quanto richiesto dagli articoli 3 e 4 del Decreto e dai GRI Standards.

Altri aspetti

I dati comparativi presentati nella DNF in relazione all'esercizio chiuso il 31 dicembre 2016 non sono stati sottoposti a verifica.

Bologna, 30 marzo 2018

EY S.p.A.

Giuseppe Miele
(Socio)



Arturo Martini (Treviso 1889- Milan 1947), *Adamo ed Eva*, Reggio Emilia, Credem Art Collection