

OUR SUSTAINABLE

DEVELOPMENT

CONSOLIDATED NON-FINANCIAL STATEMENT 2018

Pursuant to Italian Legislative Decree no. 254/2016

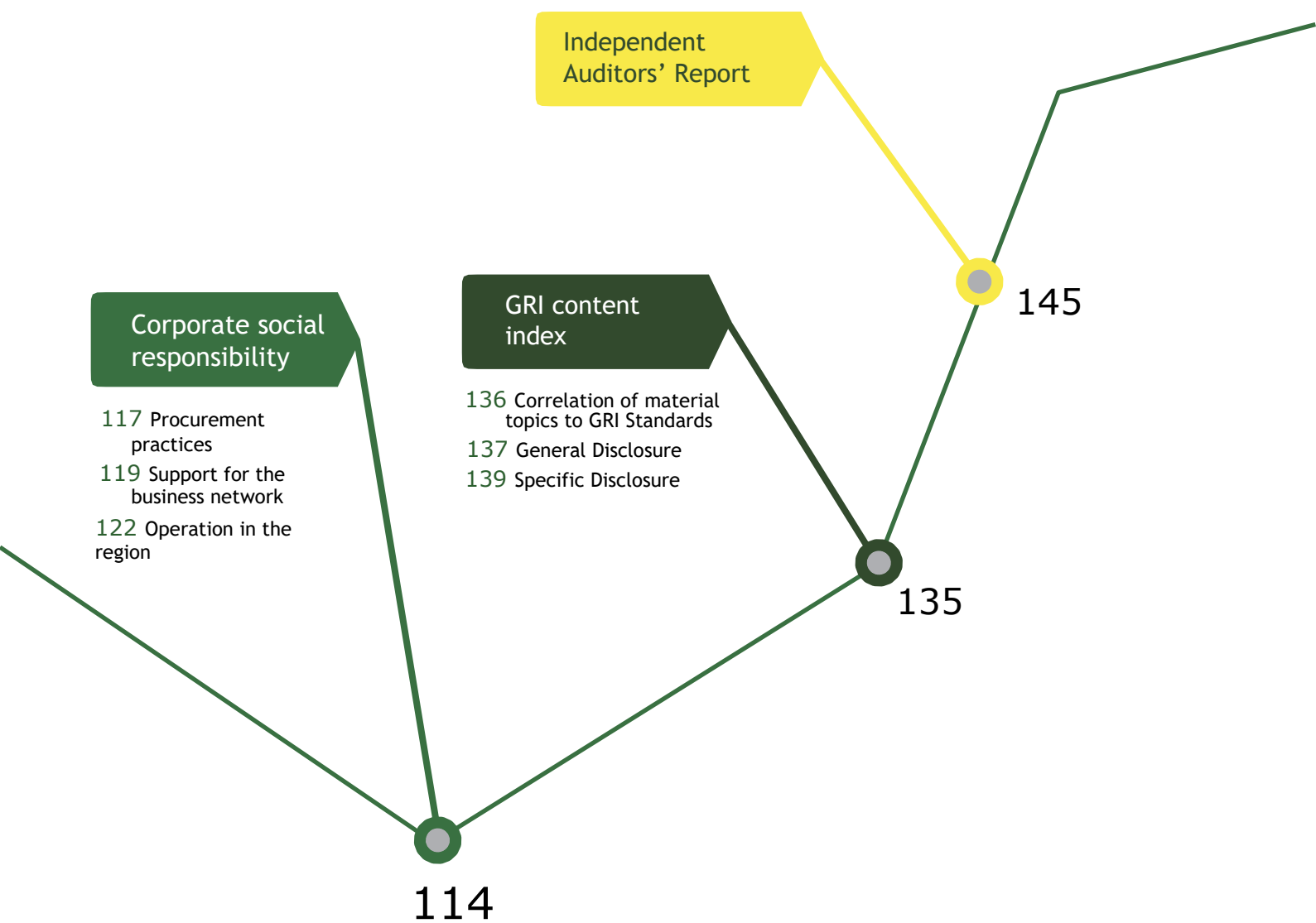


GRUPPO

CREDEM

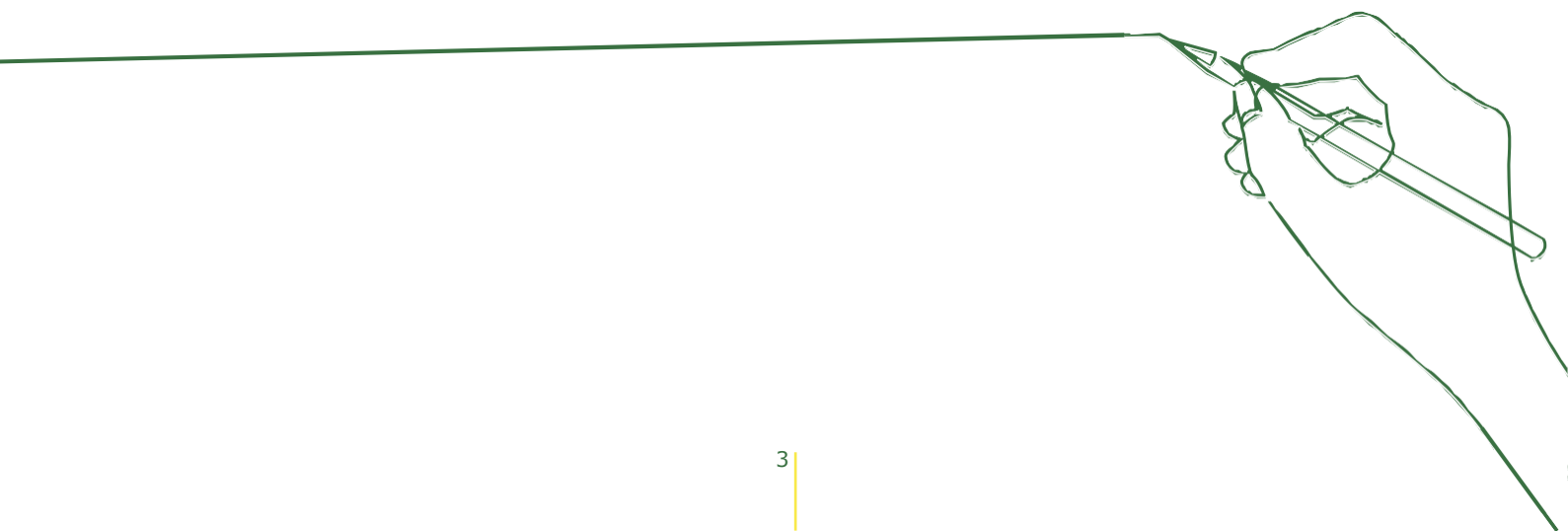
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Introduction



LETTER TO STAKEHOLDERS



To begin the Non-Financial Statement of the Credem Group, let's consider the definition of a sustainable business:

A business that fulfils the needs of the current generation without compromising the ability of future generations to fulfil their own.

The Chairman
Lucio Igino
Zanon di Valgiurata

The Credem Group historically confirms its commitment to creating economic and social value through:

- adequate remuneration for Shareholders, ensured by careful risk management together with a governance model that combines efficiency and transparency;
- focus on employees, by optimising skills and promoting an organisational environment characterised by protection and promotion;
- safe products and services capable of fulfilling the explicit or non-explicit needs of our Customers;
- a driving role in the Community, characterised by economic support for the social fabric to facilitate regional development and promotion.

Since 1910 we have been creating revenue, work and wealth for our stakeholders and Italy, and the global economy has led to widespread wealth and well-being.

However, scenarios and needs change over time and our strategic business vision entrusts us with the responsibility of anticipating, intercepting and fulfilling these needs.

The demographic and social changes, a renewed focus on the responsible use of available resources, the increase in social inequalities, particularly following the recent economic recession and the need to manage a growing complexity have given us cause for great reflection: we see a strong competitive drive towards the launch of new business models

and unbridled innovation that heralds a new technological era in which digital, physical and biological elements converge.

We are closely following the “fourth industrial revolution”, because technology has always been a driving force of growth and human progress.

Artificial intelligence, advanced robotics and the internet of things will change the global production systems and methods through which services will be offered and accessed. Through the efficient use of resources, the reduction of waste, extraordinary maintenance and a multitude of data and analysis tools

we will discover new sources of Value, including within our Group. According to the Smart Manufacturing Leadership Coalition, future business will offer gains in terms of greater efficiency and a reduction in costs of up to 30%, a 25% fall in work-related injuries and a 20-30% decrease in energy consumption, accelerating interactive project development processes to reduce costs and enabling rapid configurations to adapt them to the preferences of our current and future stakeholders.

The creation of Value that has historically characterised the Group broadens our perspectives and orients us towards the 17 sustainable development goals defined by the United Nations, pursuing healthy employment and far-reaching well-being. In 2018 we launched a stakeholder engagement initiative to

Understand how the Group’s economic, social and environmental sustainability is perceived.

The following expectations were highlighted as priorities:

- **Stability, economic - financial performance and creation of value:** we will continue to guarantee the quality of our results, thus contributing to the consolidation of a healthy economy; we will further improve the customer service experience of our Customers by specialising our investment services and focusing on asset management activities, and continuing to strengthen the quality of our loans;
- **Protection of privacy and security:** a Data Protection Office will be established to centralise policies, strategies and objectives to monitor and guarantee protection of privacy for all of our stakeholders;
- **Ethics and integrity in Business Management:** the constant monitoring activities carried out by specialised departments will continue to be inspired by virtuous conduct consistent with the Code of Ethics of the Group in our everyday business dealings;
- **Innovation:** the establishment of an Innovation Unit will enable us to implement changes to our corporate culture which will be reflected in our products, services and processes, as well as in our Employees and our approach to business.

According to the Centre for Climate Change Economics and Policy, the robotics and automation heralded by the fourth industrial revolution will help to support employees in unspecialised jobs by enabling them to focus on tasks with higher value added; this will enable us to further enhance our peculiar skills profile based on Thought, Relations and Action. These skills will become increasingly necessary in an interconnected society able to maximise the innovative participation of all collaborators, creating ecosystems shared among stakeholders and responding to the natural and currently unsatisfied demand for personalisation and participation in activities according to the skills, abilities and expertise of each person, promoting an entrepreneurial spirit.

To pursue this target, in line with SDG no. 4 of the United Nations (Quality Education) we will continue to invest time and capital to enable all people within the Group to face climate change with the best skills and a positive attitude.

Permanent training will represent the true make-up of the business and future employment, enabling us to continue to promote Culture, Talent, Know-how and the other “Italian lessons” that characterise the Credem Group in the global context in which we operate.

METHODOLOGICAL NOTE

The Credem Group has always been characterised by a stable and sustainable business culture expressed through the constant and concrete pursuit of its mission: *“Excellence in the creation of value over time”*, which means:

- offering our Customers concrete and easily accessible solutions through caring and welcoming service;
- providing opportunities for professional development in an environment that rewards merit characterised by dialogue, the promotion of responsibility, respect and team spirit;
- guaranteeing Shareholders significant yet sustainable profitability over time, preserving the stability and reputation of the Group.

In a nutshell, it is a mission that has always contained elements aimed at broadening the concept of “the creation of value” beyond mere economic performance, focusing on the sustainability of our business’ results.

The Consolidated Non-Financial Statement (hereafter also “Non-Financial Statement” or “NFS”), prepared pursuant to Italian Legislative Decree no. 254/16, aims to provide a clear understanding of the Group’s activities, its performance, its results and the impact of the same by reporting on the relevant topics provided for by Articles 3 and 4 of Italian Legislative Decree no. 254/16 with reference to the 2018 financial year (from 1 January to 31 December).

As provided for by Article 5 of Italian Legislative Decree no. 254/2016, this document is a separate report signed with the relevant declaration to distinguish it as the NFS required by law.

The content of the report was selected based on the materiality analysis ¹, which identified the sustainability topics deemed most relevant to the Group and its stakeholders.

The reporting boundary includes the parent company and subsidiaries consolidated on a line-by-line basis in the Group’s Consolidated Financial Statements ².

Any changes to the scope of consolidation are duly indicated in the document. The exclusion of one or more companies does not affect, in any case, the understanding of the Group’s activities, its performance, its results and the relative impacts generated.

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 “Environmental impacts” section, the “ABI Lab Guidelines for the Application of GRI Environmental Indicators in Banks - 2017 and 2018 Versions” 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.

In order to enable the comparison of data over time, data relative to 2017 and 2016 have also been reported. The reclassification of previously published comparative data is clearly indicated as such.

To guarantee the reliability of data the use of estimates has been kept to a minimum and, where applicable, is duly indicated in the document.

This report was subject to review by the Group Risk Committee on 13 March 2019 and was approved by the Board of Directors on 14 March 2019.

The NFS has also been subject to review (“limited assurance engagement” audit according to the criteria indicated by the ISAE 3000 Revised principle) by the Company

EY S.p.A. At the end of the review, EY S.p.A. issued a report certifying the conformity of the information provided in the Consolidated Non-Financial Statement produced by the Credem Group pursuant to Italian Legislative Decree no. 254/16.

1

2




For more information on the materiality analysis, refer to the “Materiality

Analysis” chapter of this report.
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 2018 Non-Financial Statement is the second such report issued by the Credem Group. Future reports will be issued on an annual basis.

The NFS 2018 is available to the public on the website www.credem.it.

The table below illustrates the correlation between the material topics necessary to ensure the full understanding of the Group's business, its performance, its results and the impact of the same and the topics cited in Article 3 of Italian Legislative Decree no. 254/2016.

MATERIAL TOPICS	SCOPE OF IT LEG. DEC. 254/2016	
Environmental	Environmental aspects	
Responsible finance Innovation Operation in the region Support for the business network	Social aspects	
Diversity Corporate welfare Employee health and safety Professional development and skills management	Management of Human Resources	
Ethics and integrity in Business Management	Anti-corruption	

Clarifications and information

Credito Emiliano S.p.A.
Corporate Governance and
External Relations Service
Institutional Relations Office

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For a complete description of material topics please refer to the Materiality Analysis chapter.

THE BUSINESS MODEL

GROUP OVERVIEW

The “Credito Emiliano - Credem” Banking Group (hereinafter the “Group” or “Credem Group”) represents one of the top ten listed banking groups in Italy, with **total assets of EUR 43.2 billion** (Statutory Group⁴) and over one million customers.

Credito Emiliano S.p.A. (hereinafter “Credito Emiliano”, “Credem” or the “Bank”), Parent Company of the Banking Group, is one of the leading private Italian banks and operates nationally across 19 regions.



⁴ The Statutory Group comprises all of the companies represented in the Organisation Chart of the Credem Group, 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.

Palazzo Storico Spalletti Trivelli, the Group's Head Offices.

The Banking Group is composed of 14 companies, including the Parent Company, operating in sectors relating to the provision of financial services, while the corporate group also includes Credemvita S.p.A., an insurance company operating in the life insurance sector, wholly owned by Credito Emiliano and

consolidated line-by-line, Credemassicurazioni S.p.A., an insurance company operating in the non-life sector, 50% owned by Credito Emiliano, while Sata s.r.l. and Blue Eye Solutions S.r.l., IT companies which are 20% indirectly owned through Credemtel S.p.A., are consolidated according to the equity method.



Map of Credem Offices throughout Italy

HISTORY

1910

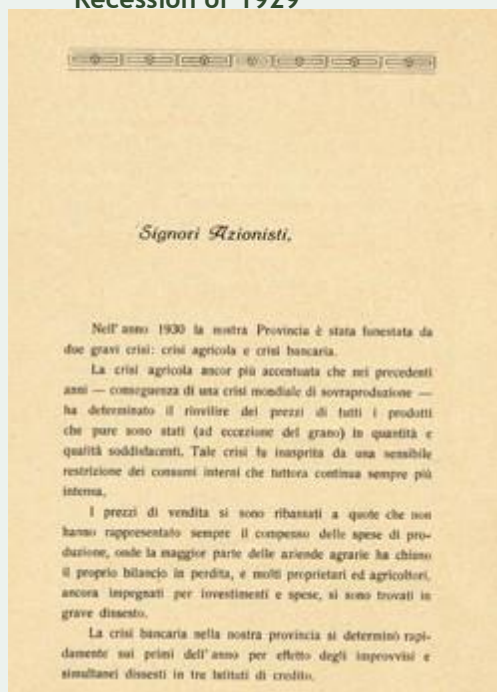
Foundation of Banca Agricola Commerciale



Banca Agricola Commerciale di Reggio Emilia was founded on 5 May 1910. The 30 founding members subscribed a share capital of 200,000 L., divided into 40 shares of 5,000 L. each. The exceptionally high distribution of the shares, particularly for that era, which made disrupting the majority at shareholders' meetings very difficult, was a method to guarantee stability.

1930

Remarkable survival of the Great Recession of 1929



The 1929 recession brought the economy of Reggio Emilia to its knees. Banca Agricola Commerciale (BAC) weathered the storm well and successfully kept its balance sheet in the black.

1945

Post-war period



On 30 May 1945, in war-torn Reggio Emilia devastated by US and allied air strikes, the first Board of Directors' meeting after liberation was held. Despite the drama of the moment, "management still marked a convenient outcome" (from the Report of the Board of Shareholders). The high inflation demanded a significant capital increase (from 6 to 21 million lire).

1963

Opening of the
35th branch



BAC opens its 35th branch. With 344 employees and excellent economic stability, BAC becomes the leading credit institution in the province of Reggio Emilia. A period of internal reorganisation begins to enable the Bank's transition to a more modern outlook.

1979

Growth
1979 -1982



1975

A change of
direction



A key entrepreneur from Reggio Emilia becomes an important shareholder, and a young manager from another banking institution takes over the leadership of the Bank. Owners and management hold well defined and clearly distinct positions, a characteristic that will continue to characterise the company in the future.

BAC implements a culture shift, aiming to significantly expand the company. Innovative staff policies (meritocracy, training, job rotation) and cutting-edge commercial decisions (marketing, products, brand) form the basis for significant growth in this period, aiming to enable the Bank to breach its provincial borders.

Acquisition of 40% of Banca Belinzaghi. A phase of pronounced growth begins. Between 1979 and 1982 the number of employees rises by 70%, 12 new branches are opened (+30%) and the number of customers quadruples. Now one of the leading companies in Italy, BAC introduces management control and planning techniques.

1983

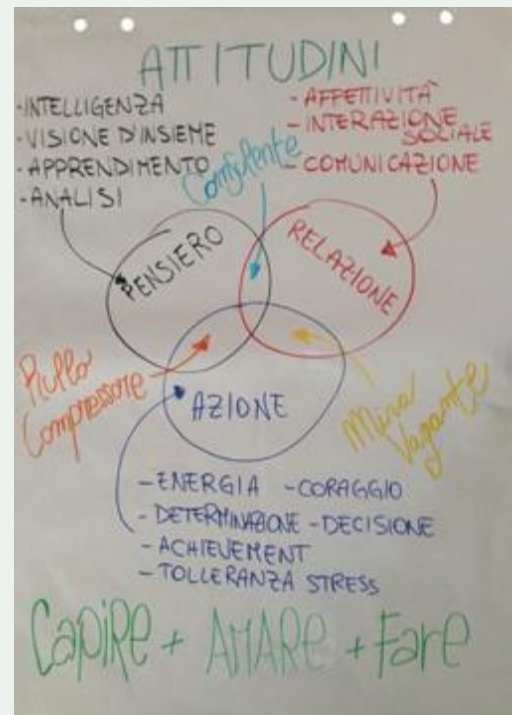
From BAC to CREDEM



Following the merger by incorporation of Banca Belinzaghi, Banca Agricola Commerciale becomes Credito Emiliano.

1984

First skills model



Credem's growth is underscored by a new concept of merit. With the introduction of innovative HR policies, the focus shifts from "rights earned by seniority" to a prompt assessment of conduct and professional attitude which have always been closely linked to the measurement of results.

1991

Development of "external lines"



Credito Emiliano carries out over 30 acquisitions of small banking institutions, particularly in the South of Italy.

Through the subsequent mergers, the new businesses are incorporated into Credem. A single governance model and a single brand are adopted instead of the "Gruppo Federale".

1992

Introduction of customer rating

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Well before the introduction of the Basel regulatory system, the first “customer rating” systems are introduced.

1993

The Credem Group is founded

CREDEM HOLDING

On the date of their establishment on 1 January 1993, the following companies become part of the Credem Group: Credito Emiliano, Magazzini Generali delle Tagliate (founded in 1953). Credemleasing (1980), Credemfactor (1986), Credemtel (1989), Credemvita (1992).

The following year, the Bank continues its expansion with the acquisition of the Euromobiliare Group, an important business operating in the investment banking and asset management sectors.

The important acquisitions of the early 90s and the new legislative framework lead the Credem Group to completely overhaul its organisational structure. To respond to the needs of a market soon to undergo radical change, the Bank is transformed into a modern Banking Group. The foundation of Credemholding, firmly controlled by reference Shareholders, provides a guarantee of independence.

The structure is completed with AbaxBank in 1997 (merged into Credem in 2011), Credem Assicurazioni in 1998, Credem Suisse in 1999 (sold in 2011), Credem International (Lux) in 2000, Euromobiliare Alternative in 2002 (later merged into Euromobiliare Asset Management SGR in 2009), Credem Private Equity in 2003 and Creacasa in 2007.



1997

Listing on the stock exchange



Another important event in the transition from local business to national Banking Group: the listing on the stock exchange on 11 October 1997.

1998

Foundation of Scuola Credem



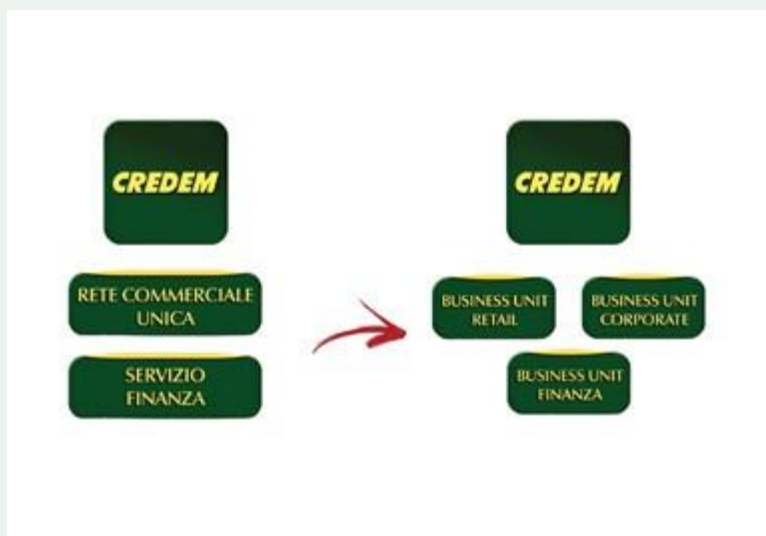
With the foundation of Scuola Credem, the company consolidates its investment in the development of professional skills, confirming its importance as a critical factor to success.

Long a distinctive characteristic of the Group's HR policies, training focuses on technical, behavioural and managerial skills.



2000

Divisionalisation



The strategic plan for rapid external expansion reaches its completion. In 1990 Credem has 58 branches, of which 42 are in the province of Reggio Emilia, distributed across seven provinces. Ten years later, branches number 368, located in 47 provinces in 15 regions, while the number of employees rises from 1,182 to 3,666. Credem adopts a highly specialised distribution model, with professional roles focused on the customer sector as opposed to the traditional distinction by technical department. In particular, the Corporate Business Unit is established.

2001

A new change of direction



A manager who has grown within the Company takes the top job. A very different leadership approach characterises the Group's management, with a new focus on teamwork and collective decisions.

2004

Mission and Values

Excellence
in creation of **value**
over **time**

The Corporate Identity Project defines the Group's Values (People, Team, Proactivity, Innovation, Communication) and Mission.



2008

Aim: safeguard customers



The subprime mortgage crisis causes the leading US bank Lehman Brothers to file for bankruptcy, sparking panic on the financial markets and heralding the start of a long period of economic recession. Credem, whose primary aim is to protect its customers, adopts a strategic decision to encourage customers to choose safer and simpler products, forfeiting significant profit margins.

2009

Loan selection



At the start of the recession, ahead of the crowd Credem operates a systematic loan selection process and focuses on customers with the best ratings.

2010

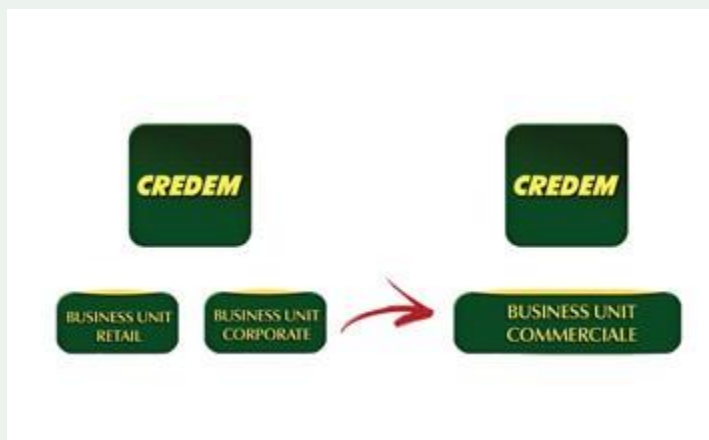
The new Values



Six years on from the Corporate Identity projects, the Group's Values are remodelled to more effectively emphasise the distinctive characteristics of the company's culture. The values are streamlined from the previous five to just two, highly complementary ones: Passion and Responsibility.

2011

The divisionalisation of the Group's distribution is abandoned



To increase internal synergies and to enable customers to access representatives with multiple skills, the Group abandons the Corporate/Retail model.

2013

Development of the Growth strategy



As the entire national banking system reels from the effects of the recession and implements strategies based on streamlining the sector and reducing costs, the Credem Group opts for a completely different strategic approach.

Thanks to its strong financial position, robust governance and high quality personnel, the Group launches a commercial growth strategy aiming to increase the total business by 20% (collection + loans) in just three years, without acquisitions or opening new branches.

2014

The ECB stress test



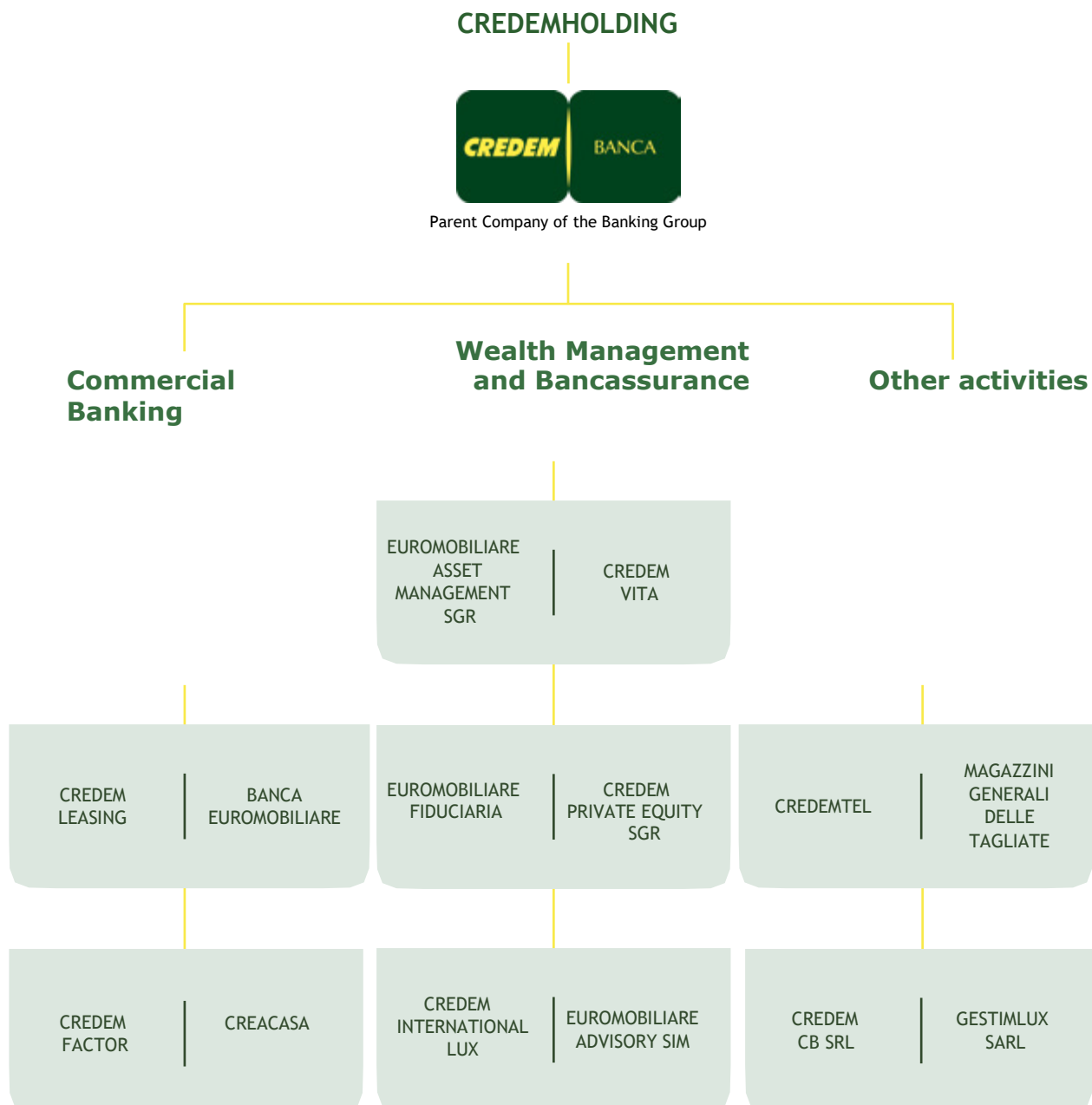
The European Central Bank conducts a careful analysis of the financial position of several European banks (so-called Asset Quality Review). Credem is at the top of the national scenario and is named the most stable Italian banking institution in the case of an adverse economic scenario.

THE STORY
CONTINUES...

THE GROUP STRUCTURE

The Statutory Group includes all companies listed in the scope of consolidation of Credem S.p.A.. The ownership structure

of the Parent Company is characterised by the majority share held by Credito Emiliano Holding S.p.A. (hereinafter “Credemholding”) with a stake of 77.57%.



Structure of the Credem Group indicating subsidiaries consolidated on a line-by-line basis only.

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

GROUP COMPANIES	
 www.credem.it	<p>The Parent Company of the Credem Group specialises in commercial banking through the provision of services aimed at retail, corporate and private customers.</p> <p>Such services are also provided by networks of financial advisors enabled with off-site permissions through agency agreements.</p>
 www.bancaeuro.it	<p>A Private Bank of the Credem Banking Group.</p> <p>The bank operates in the private banking and financial consultancy sectors.</p>
 www.credemcasa.it	<p>A financial agent specialised in loans for families and the commercialisation of insurance products for home buying, renovation and management.</p>
 www.credemleasing.it	<p>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.</p>
 www.credemfactor.it	<p>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.</p>
 www.euromobiliare.it	<p>A company specialising in collective investment management (SICAV funds and segments). It acts as the Management Company of the Luxembourgian SICAV Euromobiliare International Fund Sicav, whose funds are distributed through the branches and financial advisors of Credito Emiliano S.p.A. and Banca Euromobiliare S.p.A.</p>
 www.credeminternationallux.it	<p>A bank under Luxembourgian law operating in the international private corporate banking sector.</p>
 www.credemvita.it	<p>An insurance company operating in the life insurance and pension sectors which operates exclusively through the distribution networks of the Credem Group.</p>
 www.euromobiliarefiduciaria.it	<p>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.</p>

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. www.credempriveq.it

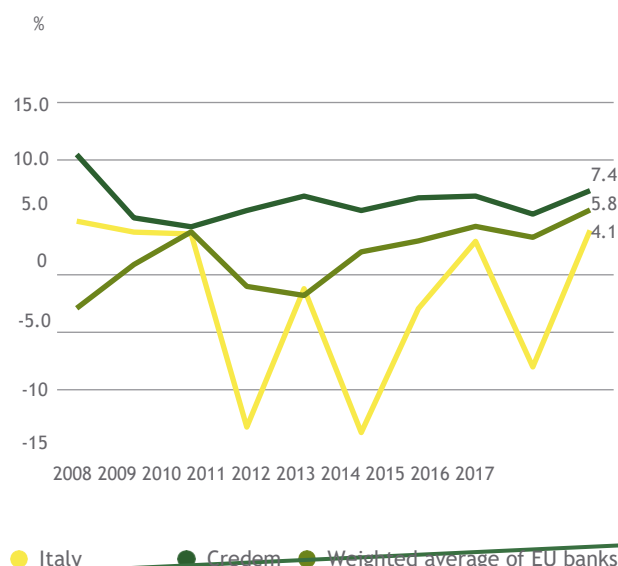


GROUP COMPANIES	DESCRIPTION
<p>www.easim.it</p>	<p>A company whose corporate purpose envisages, including through the development of innovative and technologically advanced products and services, the professional operation of portfolio management services, order receipt and transmission, investment advice and consultancy services to businesses without holding, even temporarily, the cash or cash equivalents or financial instruments of customers and without the assumption of risks by the Company.</p>
<p>CREDEM MAGAZZINI GENERALI DELLE TAGLIATE</p> <p>www.tagliate.it</p>	<p>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.</p>
<p>CREDEM CREDEMTel</p> <p>www.credemtel.it</p>	<p>A company specialising in the provision of telematics services to banks, businesses and public authorities.</p>
Gestimlux S.ar.l.	<p>A company that carries out leasing and management services for owned or leased property.</p>
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. 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 diverse business model and a careful approach to risk management, the Credem Group continues to guarantee some of the best capital returns of leading Italian banks.

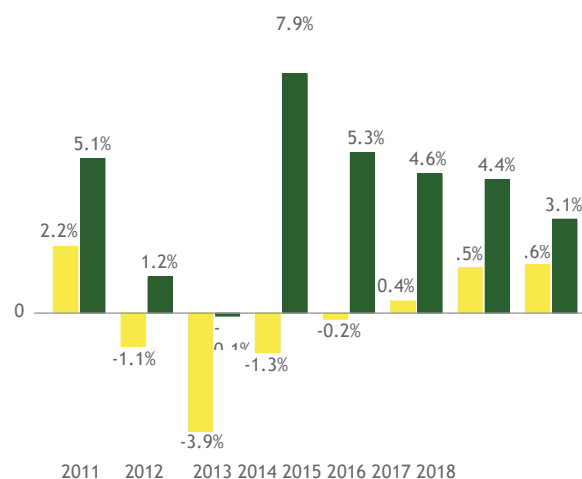
EVOLUTION OF ROE OF THE CREDEM GROUP COMPARED TO THE BANKING SYSTEM



The model focuses on Retail and Corporate customers and operates through 4 specific business lines:

1. Commercial banking
2. Wealth management
3. Bancassurance
4. Financial banking book.

ANNUAL GROWTH OF "LOANS TO CUSTOMERS" OF THE CREDEM GROUP COMPARED TO THE BANKING SYSTEM



GOVERNANCE

Credito Emiliano S.p.A., in its capacity as Parent Company of the Credito Emiliano Banking Group, has adopted a traditional governance and control model 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 are 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 7

The **Board of Directors** of the Parent Company Credem, in office as of 31 December 2018, is composed of twelve Directors, four of which are Independent Directors pursuant to the Corporate Governance Code and the Consolidated Law on Finance [TUF].

THE ADVISORY COMMITTEES 7

In line with the regulatory provisions contained in Circular 285 and the Code, in addition to the Executive Committee the BoD has established four specialised committees composed exclusively of members of the Advisory Committee:

- 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 Group **Committee of Independent Directors**, which expresses a prior opinion regarding the approvals of, and any amendments to, the procedures to identify and manage related party transactions. It examines transactions with related parties and subjects before the approval of said transactions by the competent decision-making body and issues a prior opinion in the interests of the Bank regarding the completion of the transaction as well as the convenience and general correctness of the relative conditions.

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.

7 For more information on the Group Corporate Governance and the individual Committees, refer to the "Report on Corporate Governance and Ownership Structure" available in the "Corporate

8 Governance" section of the Group's website.
The BoD is composed of 33.3% women and 66.7% men, in full respect of the legislative requirements pursuant to Article 147-ter of the Consolidated Law

on Finance. 16.7% of all members are under 50 years old, 66.7% are between 50 and 65 while 16.7% are over 65

SUSTAINABILITY GOVERNANCE

ORGANISATION STRUCTURE

Sustainability Governance within the Credem Group is the responsibility of the **Board of Directors** of the Parent Company, the management and strategic supervision body entrusted with specific tasks and responsibilities associated with the Non-Financial Statement (NFS). In particular, these include:

- defining and certifying the materiality matrix;
- establishing guidelines and objectives to assign to the Group regarding the material topics and indicators reported in the NFS;
- approving the NFS and authorising its publication in compliance with Italian Legislative Decree no. 254/2016;
- assigning the mandate to the Independent Audit Firm appointed to certify the NFS and issue a declaration of limited assurance engagement.

On the proposal of the Board of Directors of Credem, the **Group Risks Committee** is required to monitor the Non-Financial disclosure process, by:

- proposing the information and appropriate assessments to enable the Board of Directors to establish guidelines and objectives to assign to the Group regarding the material topics and indicators reported in the NFS;
- providing guidance regarding the relevance of the materiality analysis;
- expressing an opinion regarding the completeness and correctness of the NFS;
- monitoring the risks and associated opportunities, also through regular meetings with the Board of Directors and the Institutional Relations Department regarding the achievement of the targets set and possible areas for improvement.

In order to support the relevant departments of the Parent Company and Group companies during the preparation of the NFS, Group Regulations have been prepared, supported by an Operating Manual.

In 2018, the **Institutional Relations Department** of the **Corporate Governance and External Relations Service** of the Parent Company:

- proposed the objectives to the Group Risks Committee in preparation for the definition of the guidelines approved by the Board of Directors;
- coordinated transversal Work Groups operating with the Bank and the Group to define the activities to be carried out to reach the defined objectives;
- monitored changes to legislation;
- attended training courses on Sustainability matters, in particular:
 - CSR & Stakeholder Engagement, MBA at LUISS Business School;
 - GRI Standards Certified Training Course, at Deloitte & Touche SpA;
 - ABI permanent sustainability work group;
- prepared the NSF.

The **Relevant Departments**:

- ensured the qualitative and quantitative update of the relevant sections;
- conducted first level controls to verify truthfulness, completeness, comparability, correctness of the reference data, also through specific controls, intermediate control points, final balances within the Services and the Commercial Business Unit;
- monitored the established targets, taking into account changes to legislation, benchmarking and the best practices in the industry;
- reported evolutions and initiatives relevant to their area of responsibility, which were duly integrated in the NFS.

The **Board of Statutory Auditors** supervised compliance with legislation and the adequacy of the organisational, administrative, reporting and control systems.

The contribution of the Relevant Departments to the preparation of the Non-Financial Statement has been associated with the company KPIs through the Internal Customer Satisfaction questionnaire.

SUSTAINABILITY PLAN

At the request of the Institutional Relations Department, the Group Risks Committee presented to the Board of Directors a medium-term Sustainability Plan (2019/2022), supplementing the Economic Sustainability Plan ¹⁰, focused on targets relating to:

Social Sustainability:

- focus on feedback initiatives involving all Group employees through working environment surveys;
- certification of conformity of the Group's work relationships;
- investments in professional training for all Group employees;
- diversity management programmes;
- English language training, offered on a voluntary basis to all Group employees;
- smart working incentives, to be extended to 2,000 people by 2022;
- job rotation for 30% of Group employees;
- 600 new hires in the 2019/2021 three-year period;
- development of new initiatives to support the psychological and physical well-being of Group employees;

Environmental Sustainability:

- monitoring energy consumption in building complexes;
- Building Energy Management System (BEMS) at 40 pilot branches to optimise energy consumption by air conditioning units (estimated saving: 140 tons of CO₂);
- adoption of LED lighting in newly furnished branches with consequent reductions in energy use;
- training initiatives to incentivise more rational use of energy;
- introduction of new design standards with preliminary cost/benefit analyses related to the selection of electrical and mechanical systems.

TRAINING

In 2018 various training initiatives were launched, focusing on certain material topics defined the Group and/or set forth by Italian Legislative Decree no. 254/2016 which are relevant to the Group's business activities.

The Board of Directors

Board induction sessions on the following topics:

- *Structure and organisational structures of Credembanca and the Credem Group;*
- *Payment system;*
- *GWA NeXT: advanced digital platform developed by Euromobiliare Advisory SIM to support the Networks;*
- *Diversity: corporate models, policies implemented, associated risks;*
- *Update on the "AUDIT Department of the Credem Group: qualifying elements and prospective lines";*
- *Update on "Private Banking and Financial Consultancy: Internal Control System";*
- *"CREDEM Innovation LAB": innovative proposals presented by employees of the Credem Group.*

Group Employees

An online course covering the **2030 UN Agenda** has been provided, designed by the Italian Sustainable Development Alliance (ASviS)/Ministry of Education, Universities and Research (MIUR).

The course will begin in 2019 and will be linked to the company's KPIs.

Stakeholders

In 2018 the first company newsletter on Sustainability was distributed to Group employees and was published in the Sustainability section of the website of the Parent Company to enable its access to current and future stakeholders.

The newsletter is published on a quarterly basis, aiming to promote a business culture that encourages greater understanding of sustainability and stimulates an integrated vision of the impacts that the Group's business generates and sustains in the global context in which it operates.

UN 2030 AGENDA

THE GROUP'S CONTRIBUTION TO ACHIEVING THE 17 SUSTAINABLE DEVELOPMENT GOALS

The 2030 Sustainable Development Agenda is a series of actions for people, the planet and prosperity signed in 2015 by the governments of the 193 member states of the UN.

This includes 17 Sustainable Development Goals, or SDGs - as part of a broad action plan.

The Sustainable Development Goals were officially launched in 2016, guiding the world towards the route to be taken over the next 15 years: indeed, the countries have committed to reaching these goals by 2030.

SUSTAINABLE DEVELOPMENT GOALS



The Sustainable Development Goals of the UN 2030 Agenda

GOALS (SDGs)	PROGRESS OF SDGs IN ITALY 	THE COMMITMENT OF THE CREDEM GROUP
<p>End poverty in all its forms everywhere</p> 	<p>In Italy, 30% of the population is at risk of poverty or social exclusion, and this figure is set to rise. The poverty or social exclusion indicator is multidimensional and corresponds to the percentage of people who fall into at least one of the following situations:</p> <ul style="list-style-type: none"> ■ are at risk of income poverty (20.6% of the population); ■ are seriously deprived of assets (12.1%); ■ live in families with a very low work intensity (12.8%). <p>In 2018 the situation appears to be worsening and regional disparity is great, with particularly negative scenarios in Sicily and Campania and improvements in Northern Italy. It is estimated that 5 million, 58 thousand people live in absolute poverty.</p>	<p>For 15 years we have supported the “We light up the future” project organised by Save the Children, aimed at providing education, opportunities and hope to children who live in poverty in Italy.</p>
<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p> 	<p>The latest trends confirm a tendency towards improvement in Italy:</p> <ul style="list-style-type: none"> ■ the agricultural surface area used for organic crops is increasing; ■ the productivity and profitability of small agricultural businesses are improving; ■ ammonia emissions from the agricultural sector are decreasing, in line with the targets set by European Directives. <p>However, the issue of nutrition remains critical, with one child in three between the ages of 6 and 10 being overweight.</p>	<p>We have signed an agreement with the Institution of Services for the Agrifood Market (ISMEA) to support access to credit and investments for companies operating in the agricultural sector.</p>
<p>Ensure healthy lives and promote well-being for all at all ages</p> 	<p>Italy achieved the target set by the United Nations for neonatal and child (under 5 years of age) mortality some time ago and now has one of the lowest rates of infant mortality.</p> <p>The standardised mortality rate of 30-69 years for malignant tumours, diabetes mellitus, cardiovascular diseases and chronic respiratory diseases has been steadily falling since 2004.</p> <p>The standardised mortality rate for suicide in Italy is also lower than the rest of Europe.</p> <p>Between 2004 and 2016, the number of road fatalities almost halved.</p> <p>However, the positive trend regarding the reduction of the number of smokers among people over the age of 14 has declined. There continue to be inequalities in terms of access and quality of health services, a culture of prevention, disabilities and waste.</p>	<p>We have committed to improving these aspects:</p> <ul style="list-style-type: none"> ■ with corporate welfare policies and prevention measures aimed at protecting the health and safety of our employees; ■ throughout support since 2015 of the experimental project of the Non-Profit GRADE Foundation for haploidentical stem cell transplantation.



GOALS (SDGs)

PROGRESS OF SDGs IN ITALY ¹¹

THE COMMITMENT OF THE CREDEM GROUP

Ensure inclusive and equitable quality education and promote lifelong opportunities for all



The level of qualification among Italians is improving, although this is still below the standards set by the European Union. The last ten years have seen widespread progress in terms of inclusive education:

- the rate of early school leaving has fallen from 23% in 2004 to 13.8% in 2016, and was broadly similar in 2017 (14%);
- 26% of 30-34 year-olds have completed higher education, although there are significant disparities between regions (Umbria and Trento Alto Adige perform well, while Sicily has the worst figures in the country) and genders;
- adult attendance in education and training activities is increasing.

We have implemented a continuous internal training programme and Financial Education courses aimed at external stakeholders.

Achieve gender equality and empower all women and girls



Violence against women is decreasing but its severity is increasing and levels of extreme violence remain unchanged.

The gender divide is significant, although it is reducing in domestic work and unpaid care. As regards women in decision-making, economic and political roles, there have been some positive signs but female presence in such positions is nonetheless still below the average of the European Union.

We are committed to promoting equal opportunities with the robust application of a merit-based approach, without discrimination by gender and by optimising talent and skills.

Ensure availability and sustainable management of water and sanitation for all



Italy has the highest levels of drinking water extraction pro capita of all European countries: 156 cubic metres per resident.

The distribution network efficiency indicator is declining:

- 10.1% of Italian families complain of increasingly irregular water services in their domestic residences;
- 17,897 urban waste water treatment plants are in operation, 44.2% of which are secondary or advanced plants that treat 59.6% of the potential pollutants generated across the country. These figures have improved slightly compared to previous years;
- water shortages are a national emergency: in summer 2017 ten Italian regions announced a state of emergency.

GOALS (SDGs)

PROGRESS OF SDGs IN ITALY ¹¹

THE COMMITMENT OF THE CREDEM GROUP

Ensure access to affordable, reliable, sustainable and modern energy for all



In 2017 the situation was characterised by:

- an increase in energy consumption (+1.3%); a
- decrease in the contribution of renewable
- energies (-4.3%);

the failure to reform the national energy strategy, which still relies on coal as a “transition fuel”.

We are contributing by:

- purchasing 100% of our energy from renewable sources;
- the provisions of subsidised loans for the installation of **solar panels and other sources of renewable energy**.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



The evolution of real GDP per capita and employment rates has improved in recent years, although the unemployment rate is still at higher levels than in the pre-recession period. The unemployment rate is almost twice the average in the European Union (23.4% compared to an average of 14%). The percentage of people between 15 and 29 who neither study nor work (Not in Education, Employment or Training - NEET) is increasing in the long term and certain types of employment are unstable or disjointed.

We contribute to the generation of income and employment, as proven by the quality of our economic results, the constant increase in our workforce (which rose by 4.4% in 2018 compared to 2017), the fact that 95% of our employees hold permanent contracts **and our membership to the standards of the International Labour Organization**.

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Italy has seen improvements in the distribution of broadband and digitalisation but continues to be behind in terms of investments in infrastructure. Improvements have been achieved in all Italian regions, with Emilia Romagna leading the way, thanks in part to the excellent results obtained by the manufacturing industry.

However, proportion of GDP spent on R&D has only risen by 0.3% in ten years, way below the European average.

The percentage of Knowledge Workers (workers who work in “intangible” processes and use different types of knowledge to carry out their work; knowledge represents the main input and output of working processes) out of total workers is on the rise.

We are continuing to pursue our policy to invest in strategic, managerial and operational innovation:

- the cheese aging factory at Castelfranco Emilia (MO), linked to Magazzini Generali delle Tagliate has been equipped with a
- photovoltaic system to make it self-sufficient in the production of electricity from renewable resources;
- in the 2016/2018 three-year period, we carried out 128 building renovations aimed at improving energy efficiency; we have supported innovation, research and development projects presented by businesses through the steady rise in dedicated loans.

Reduce inequality within and among countries



As the gap in wealth between high income populations and low income populations continues to grow, the number of families living in absolute poverty has risen significantly as a result of the economic recession that struck Italy and the south in particular; the percentage of families living in poverty has almost doubled in the last 10 years and now affects many more young people and people in employment.

In 2018 we contributed to supporting the national income by distributing over 55% of the economic value generated to our Employees and Collaborators and by hiring 292 ¹² new employees across Italy.

Make cities and human settlements inclusive, safe, resilient and sustainable



The general trend for atmospheric emissions is improving.
The percentage of urban waste consigned to landfill is constantly falling.
No improvements in terms of user satisfaction have been recorded for public transport.
Vandalism has increased in the last ten years, but with significant disparities by region.
In the last ten years state spending per capita for the protection of biodiversity and landscape heritage has fallen.

We contribute to the recovery of our landscape heritage through **donations and membership to relevant organisations** (Italian Environment Fund, Italian Association of Historical Buildings).

Ensure sustainable consumption and production patterns



The consumption of materials has fallen sharply in the last fifteen years, although this is partly as a result of the economic recession.
Between 2010 and 2016 the percentage of waste sent for recycling increased by 10%.
However, Italy is still well below the European target for 2020.
Separated waste collection has almost doubled compared to 2004, although this is still below the targets set by national legislation.

Approximately **97% of waste produced** by the Group is recycled.

Take urgent action to combat climate change and its impacts



The situation in Italy improved until 2014 as a result of the drop in production caused by the financial crisis, before deteriorating again in the last two years in line with the recovery of GDP.
Italy is below the European average for greenhouse gas emissions (7.3 tonnes per capita compared to 8.8 in the EU).
76.1% of emissions are generated by manufacturing activities while the remaining 23.9% refer to domestic emissions.

By purchasing 100% of our electricity from renewable sources we have been able to **avoid the emission of 9,500 tons of CO₂ equivalent.**

The creation of the Credem forest will enable us to **avoid the emission of 6,500 kg of CO₂ equivalent.**

GOALS (SDGs)

PROGRESS OF SDGs IN ITALY¹¹

THE COMMITMENT OF THE CREDEM GROUP

Conserve and sustainably use the oceans, seas and marine resources for sustainable development



In Italy there were no significant changes in 2017 in terms of legislation or indicators. The transposition of the European Marine Strategy Framework Directive is being awaited. The only data confirmed at global level is that 8 million tons of plastic are released into the oceans each year.

Protect, restore and promote sustainable use of the terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



31.6% of Italy's surface area is covered by woodland. The system of protected natural areas now covers around 80% of the key areas for biodiversity and 21.8% of the entire national territory. Soil use continues to develop at a sustained rate. Italy benefits from an extraordinarily rich biodiversity which is under threat: over 30% of all species of terrestrial vertebrate are at risk of extinction.

Promote peaceful and more inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



The rate of homicide among men has fallen over the years, while the rate among women remains stable. 1.4% of the population is the victim of assaults or robbery every year. 4.1% of women and 0.7% of men between the age of 18 and 29 have been the victim of sexual violence before the age of 18. 7.9% of families have been involved in at least one case of corruption in the course of their lives. The percentage of inmates in Italian prisons awaiting first trial is falling.

We apply principles of transparency, correctness and integrity in the management of our business through our **Code of Conduct**, the Internal Regulations, the Code of Ethics and Conduct for Financial Consultants and an **Organisational, Management and Control Model** designed to combat corruption, fraud, money laundering and conflicts of interest.

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development



The percentage of gross national income allocated by Italy to Public Development Aid is increasing, while the provision of Public Development Aid to less developed countries is stable. However, Italy is far from reaching the target of allocating 0.7% of GDP to the Cooperation, a goal which has already been achieved by Germany, Denmark, Luxembourg, Norway, Sweden and the United Kingdom.

We have been a **member of the Italian Sustainable Development Alliance (ASViS)** since 2018.

OUR STAKEHOLDERS

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

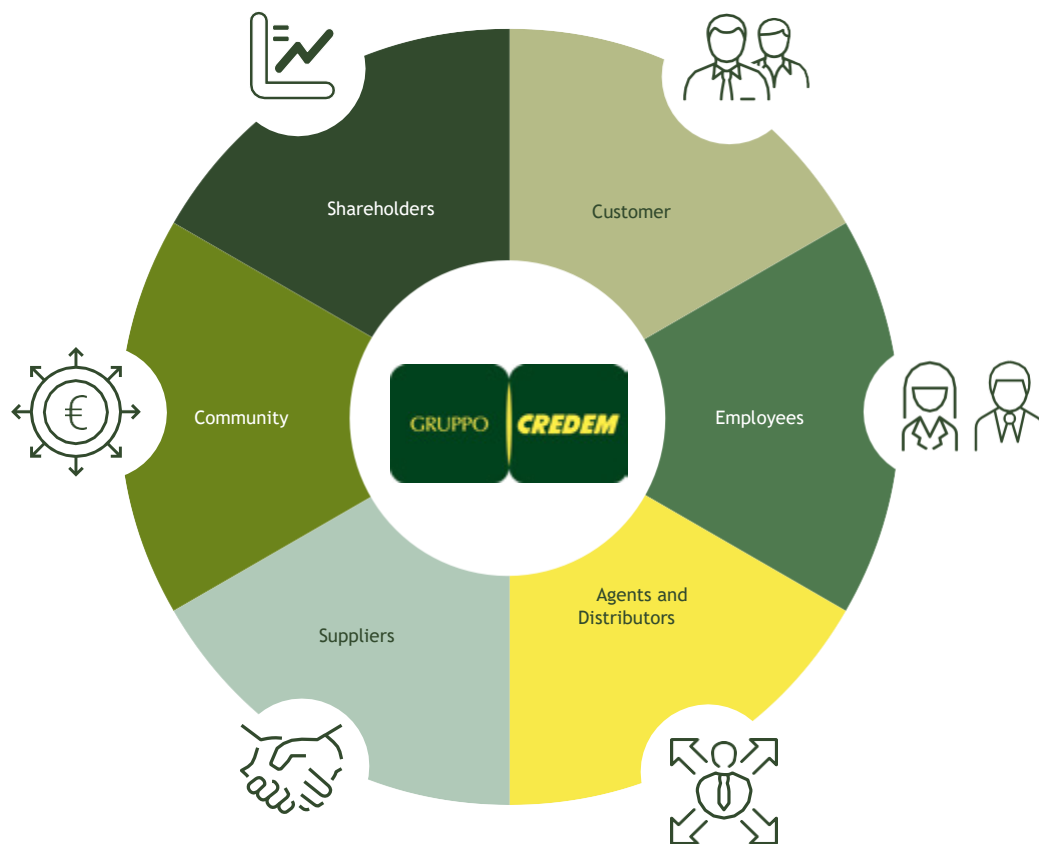
In 2018 the process to update the materiality analysis continued, aiming to identify and define the relevant sustainability topics in order to ascertain the level of alignment between the relevance perceived within the Group and the expectations of our stakeholders.

The first phase of the process saw the rationalisation of the Group's stakeholder map, followed by direct engagement with various categories of stakeholders in order to assess the topics.




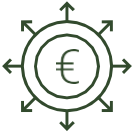
Stakeholder engagement was pursued through the provision of a questionnaire, enabling the Group to collect their opinions and expectations, considering the general context of the financial sector as well as the specifics of the banking sector and materiality of the topics in relation to the Group's activities.

The categories of stakeholders engaged were:

- Shareholders;
- Analysts and Investors (Financial Community);
- Customers;
- Community;
- Suppliers.



Stakeholders of the Credem Group

STAKEHOLDERS	TOPIC	MAIN DIALOGUE TECHNIQUES
<p>AGENTS AND DISTRIBUTORS</p> 	<ul style="list-style-type: none"> - Transparency Management - Valorisation, motivation - Company portal (Agorà) dedicated to Financial Advisors 	<ul style="list-style-type: none"> - Communications from Senior - Conferences - Sales Meetings - Training events - CF Academy (Training for Financial Advisors)
<p>SHAREHOLDERS</p> 	<ul style="list-style-type: none"> - Transparency - Financial stability and sustainability - Economic performance 	<ul style="list-style-type: none"> - Participation on the Company Board - Sustainability survey - Shareholders' Meeting - Reports and Financial Statements - Investor Conferences - Roadshows - Information on request - Corporate website
<p>CUSTOMERS</p>  	<ul style="list-style-type: none"> - Customer satisfaction - Innovation - Privacy and security - Accessibility and transparency of financial services - Stability, economic - financial performance creation of value 	<ul style="list-style-type: none"> - Corporate website - Sustainability survey - Financial Product and Service CoDesign Sessions - Customer satisfaction survey of customers through and telephone interviews and questionnaires - Complaints management - Customer Services - Regional events - Visits to Credem Area [Spazio Credem]

COMMUNITY

Local communities

- Support for social initiatives
- Support for employment opportunities

- Corporate website
- Meetings and events in central and remote locations
- Sustainability survey

Industry Associations

- Representation of sector interests
- Training and education

- Corporate website
- Representation on the boards of industry associations
- Participation in groups, work groups and technical committees



Public Authorities

- Contribution to the national economy through payment of taxes

- Corporate website
- Meetings with local and regional institutions
- Institutional representation activities





STAKEHOLDERS	TOPIC	MAIN DIALOGUE TECHNIQUES
(continued) Community 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
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 - Sustainability survey - Information on request - Reports and Financial Statements - Annual meetings and updates with ratings agencies and financial analysts - Investor Conferences - Roadshows
EMPLOYEES 	<ul style="list-style-type: none"> - Valorisation, motivation and development - Work-life balance - Employee welfare - Protection of health and safety bargaining - Equal opportunities 	<ul style="list-style-type: none"> - Working environment survey - Agorà Group Intranet Portal - Communications from Senior Management - Streamed company conferences - Collective and second-level
SUPPLIERS 	<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 tenders - Sustainability survey - Supplier participation in online invitations to tender

THE VALUE OF THE NETWORK

The Group affords maximum attention to networking activities and recognises the advantages and opportunities it brings, such as:

- sharing knowledge and skills; stimulating
- change;
- the participation in industry communities;
- the activation of useful partnerships.

DISCLOSURE 102-3 MAIN PARTNERSHIPS AND AFFILIATIONS

BODY/ASSOCIATION	DESCRIPTION
Business Context	
ABC Procurement and Cost Management	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.
ABI Italian Banking Association	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. Board representation
ANORC National Association of Digital Preservation Operators and Managers	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.
AODV Association of Members of Supervisory Bodies pursuant to Legislative Decree no. 231/2001	Association of professionals and company representatives who operate first-hand within the Supervisory Bodies envisaged by the Organisational Models adopted pursuant to Italian Legislative Decree no. 231/2001.
ASSOFIN Italian Association of Consumer Credit and Mortgages	Association of the leading financial operators in the family credit sectors. Board representation
ASSONIME Association of Public Liability Companies	Association that operates to improve business governance and promote the cultural development of the financial environment.
ASSORETI Association of Investment Consultancy Firms	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.
ASSOSIM Italian Association of Financial Market Brokers	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.
CBF Conciliatore Bancario Finanziario	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.
CETIF Centre for Research in Technology, Innovation and Financial Services	CETIF carries out studies and promotes research into the dynamics of strategic and organisational changes in the financial, banking and insurance sectors. Board representation





BODY/ASSOCIATION	DESCRIPTION
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 Interbank Guarantee Fund	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 Interbank Deposit Protection Fund	Consortium whose purpose is to guarantee depositors of the member banks, which provide the financial resources necessary for its activities. Board representation
FNG SIM National Guarantee Fund	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 International Swaps Derivatives Association	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 Agri-Food Investment Management Company	Company aimed at improving the financial management of agricultural businesses and promoting access to credit.
UPA Associated Advertising Users	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.
ASSBB Association for the Development of Financial and Stock Market Studies	Association aimed at stimulating interest in the world of academia and research for economic, financial and banking studies in order to increase the knowledge and professional development of operators in the Italian banking and financial industry.

PRI.BANKS

Pri.Banks was founded under the name Assbank in 1954 to represent private equity banks, in a historical context characterised by a banking system predominantly under public governance.

Despite the evolution of the Italian banking sector towards full privatisation, the Association maintained its distinctive character and mission: to represent and rejuvenate the tradition of business banking inspired by values of prudence, correctness, transparency, stability, trust and responsibility.

Board representation

ASviS

Italian Sustainable Development Alliance (ASviS), founded to help promote the importance of the 2030 Sustainable Development Agenda among Italian society, financial operators and institutions, connecting those who already manage the specific aspects set forth in the Sustainable Development Goals, in order to:

- promote the development of a culture of sustainability at all levels, focusing on production and consumption models;
- analyse the implications and opportunities for Italy associated with the Sustainable Development Agenda;
- contribute to the definition of an Italian strategy to achieve the SDGs (including through the use of analytical and preventive tools to help the definition of sustainable development policies) and the implementation of a system to monitor Italy's progress towards the SDGs.





BODY/ASSOCIATION	DESCRIPTION
Cultural and Social Context	
ADSI Italian Association of Historical Buildings	Association which aims to promote the conservation and enhancement of private historical residences.
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 Foundation for Financial Education and Investments	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 Italian Air-Conditioning, Heating and Refrigeration Association	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 Italian Federation for the Rational Use of Energy	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.
FAI Italian Environmental Fund	FAI is a non-profit organisation founded in 1975 on the model of the National Trust, to protect and enhance Italy's historic, artistic and landscape heritage.

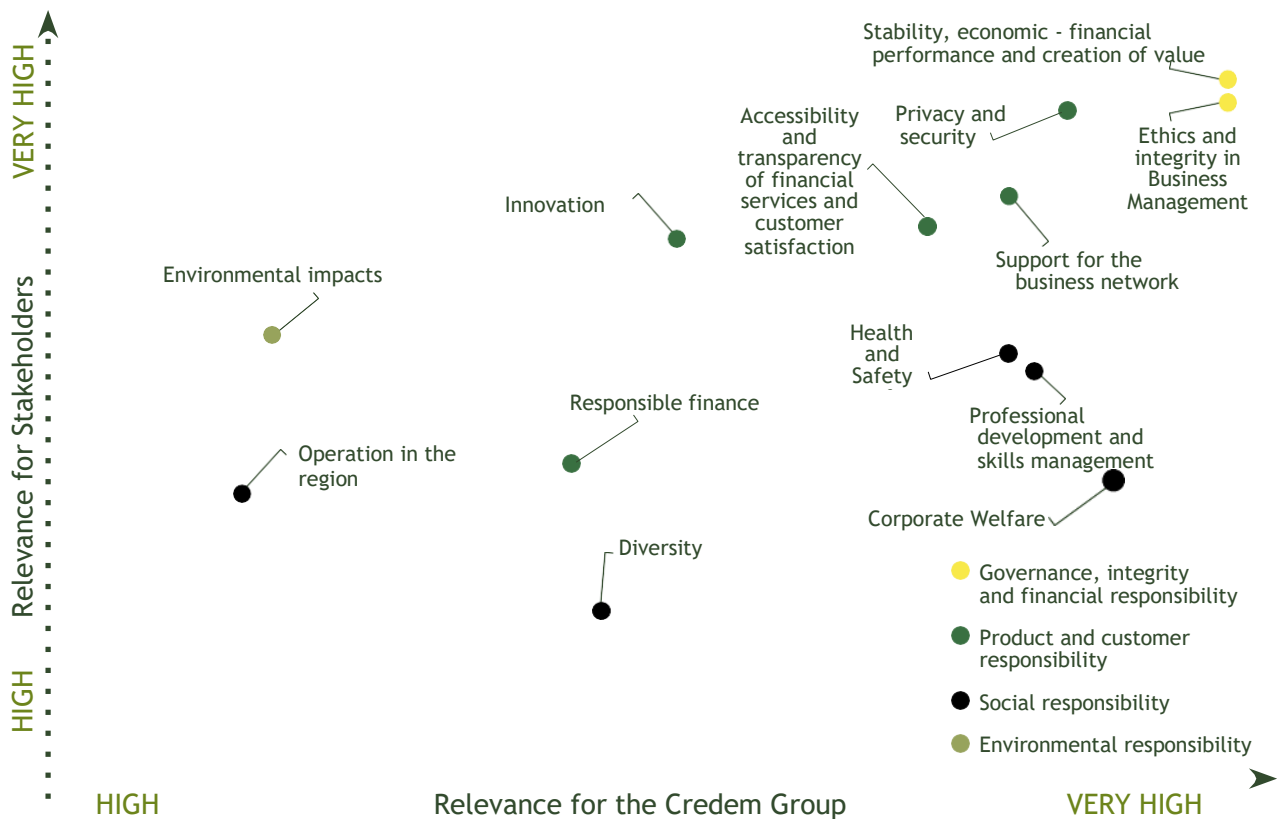
MATERIALITY ANALYSIS

In 2018, in line with the GRI Sustainability Reporting Standards the Group renewed the **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 stakeholders¹³.

The process saw the introduction of direct engagement initiatives with certain stakeholder categories to assess the topics by way of a questionnaire, the results of which were shared and finalised through a qualitative analysis carried out by the Corporate Governance and External Relations Service. The update of the analysis led to the rationalisation and simplification of the topics deemed to be “material”, in particular, “Corporate Governance” and “Risk

Management” are no longer specified in the materiality matrix as they are considered essential elements for the correct management of sustainability issues and the activities of the Credem Group in general, and as such are already subject to in-depth disclosure in the Report on Corporate Governance and Ownership Structure.

The topic of Human Right is not included in the materiality matrix: to date, no risks of breaches of 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. Considering the relevance of the topic to the scopes defined by Article 3 of Italian Legislative Decree no. 254/2016a specific section on human rights has nonetheless been included.



Materiality Matrix of the Credem Group

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For the list of stakeholders involved in updating the materiality analysis, refer to the “Our Stakeholders” paragraph.

DISCLOSURE 103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Topics	Material topic	Topic description	Boundaries	
			Location of impact	Group engagement
Governance, integrity and responsibility	Stability, economic - financial performance and creation of value	Capacity of the Group to endure over time, thanks to its adaptability to changing external and internal conditions and to create value for the Group and its stakeholders.	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
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 policies,	Capacity of the Group to develop innovative able to create benefits for stakeholders.	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
Social 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
				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	Professional development and skills 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	
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
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; Suppliers of office materials and electricity providers	Direct; Associated with business partnerships

ETHICS AND INTEGRITY IN BUSINESS MANAGEMENT

BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

The Group recognises the strategic value of performing its 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:

- 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 Anti-money Laundering Department, a second-level control function entrusted with safeguarding the company from the risk of non-compliance with legislation governing anti-money laundering, the financing of terrorism and embargoes;
- an Internal Audit Department, a third-level control function aimed at verifying - with the support of the relevant first-level control functions - the correct application of Group policies and analysing any instances of internal/external fraud to identify the necessary measures to prevent recurrence.

The Internal Control System defined at Group level is characterised by effective mechanisms of interaction between all company departments (including control functions), in order to create an integrated vision of the risks and to structure a dynamic process of adapting the control methods to the changing internal and external situation.

The Board of Directors of the Parent Company assesses the completeness, adequacy, functionality and reliability of the Internal Control System at least once a year, and more generally assesses its compliance with the regulatory requirements and internal regulations.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

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:

- 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] and the Private Insurance Code, 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 Italian 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 Procedure for the Management of Conflicts of Interest: this defines the guidelines for the definition of the policies to manage conflicts of interest by Credem Group companies

that provide one or more of the following services: investment services and activities and ancillary services; asset management services; insurance brokering and distribution services;

- **Group Product Governance Policy:** this indicates, in line with existing governance provisions, the general principles, procedures and minimum requirements which Banks and Group companies must observe in the context of the offer and distribution of products, undergoing specific governance and control measures to be activated in the case of the creation and development of new products or substantial changes to existing products, as well as in the distribution phase of the products themselves.
- **Group Regulation for the Management of Related Party, Related Subject and Significant Subject Transactions** pursuant to Article 136 of the Consolidated Banking Act:
 - 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;
 - this regulates transactions with related subjects and 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;
 - this implements the rules concerning the obligations of Banking representatives pursuant to Article 136 of the Consolidated Banking Act;
- **Group Data Protection Policy:** this defines the guidelines which must be observed by the Credem Group to ensure the protection of personal data according to the provisions of data protection legislation and, in particular, EU Data Protection Regulation no. 2016/679 ("GDPR");
- **Group Policy and Regulation for Transparency Risk Management:** this defines the guidelines to be observed by the Credem Group to monitor transparency risk and the roles and responsibilities relative to the performance of activities in line with current legislation;
- **Group Policy and Regulation for Usury Risk Management:** this defines the guidelines to be observed by the Group to monitor the risk of usury, in order to prevent the risk of criminal sanctions or fines arising from the application of conditions to customers that may fall into the scope

of the offences provided for by reference legislation. The document also contains the rules of conduct for relations with customers and the ethical management guidelines that characterise the Credem Group's business;

- **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 guarantee conditions of correctness and transparency in business dealings and company activities, have adopted the indications of Italian Legislative Decree no. 231/01 concerning 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 Italian 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 line with the above approach, 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 pursuant to Italian Legislative Decree no. 231/01. 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 order to ensure that employees comply with internal regulations and, more generally, promote the diffusion of a culture of risk awareness, as well as specific training initiatives, dedicated documents are made available on the company intranet, describing the main laws and regulations and the impact of the same on the Group's operation.

DISCLOSURE 102-17 MECHANISMS FOR ADVICE AND CONCERNS ABOUT ETHICS

In 2018 the Internal Whistleblowing System, which had already been adopted by Credem, Banca Euromobiliare, Euromobiliare Asset Management SGR, Credem Private Equity, Credemvita, Credemleasing, Credemfactor, Creacasa and Euromobiliare Fiduciaria, was extended to Credemtel, Magazzini Generali delle Tagliate and Euromobiliare Advisory SIM.

As such, the necessary amendments to the Group regulations were formalised in order to ensure alignment with newly introduced legislation. In particular, the entry into force of Law no. 179/2017 led to the extension of the objective scope (unlawful conduct pursuant to Italian Legislative Decree no. 231/2001, breaches to the Organisational, Management and Control Model of the body, etc.) and subjective scope of the guidelines (other Group companies which have adopted the Model).

Furthermore, Italian Legislative Decree no. 68/2018, implementing the European Directive regarding "Insurance Distribution" (IDD), introduced the whistleblowing guidelines with reference to acts or events that could constitute breaches of the regulations governing the activities pursuant to the Private Insurance Code.

The Internal Whistleblowing System is characterised by the presence of a single manager for all Group companies (Audit Service Manager of the Parent Company) and an assistant manager (Compliance Officer 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 2018 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 2018, the Credem Group was not subject to any significant penalties regarding non-compliance with environmental laws and regulations.

ANTI-CORRUPTION

BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

The prevention of the risks related to corruption is one of the cornerstones of the Group's business activities.

In this regard, 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:

- corruption, collusion and wrongful incitement to give or promise benefits (Article 25 of Italian Legislative Decree no. 231/01);
- Corporate crimes (Article 25-ter of Italian Legislative Decree no. 231/01) - Corruption between private individuals and incitement to corruption between private individuals

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

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 "Direct or indirect corruption / Incitement to corruption / Incitement to give or promise money or other benefits", one activity at risk of the crime of "Corruption in judicial acts", one activity at risk of the crime of

"Collusion" and one **activity** at risk of the crime of "Corruption between individuals" and "Incitement to corruption between individuals".

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.

In testament to the Group's constant focus on preventing corruption crimes, and more in general on prevention and training activities in regard to Italian Legislative Decree no. 231/2001, all employees were required to complete a mandatory e-learning course, which in 2018 was attended by 713 participants for a total of 905.25 hours.

Furthermore, each year the Board of Statutory Auditors of the Parent Company organises a Group-wide three-hour training seminar focused on matters relating to Italian Legislative Decree no. 231/01. This event is attended by directors, auditors and employees: it totalled 104 participants in 2018.

**e-learning
prevention
of corruption**
713
Participants
905.25
hours

DISCLOSURE 205-2 TRAINING ON ITALIAN LEGISLATIVE DECREE NO. 231/01, INCLUDING THE TOPIC OF ANTI-CORRUPTION ¹⁴

TRAINING ACTIVITIES	2018			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	Number of participating members of the Management Bodies	Number of participating employees	Total hours of training
E-learning course on "Italian Legislative Decree no. 231/01: Corporate Liability of Institutions"	-	713	905.25	-	746	955	-	473	1,824
Training seminar on Italian Legislative Decree no. 231/01	37	67	312	24	66	270	24	64	264

DISCLOSURE 205-3 CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN

In 2018, no cases of non-compliance with regulations representing a confirmed incident of corruption were reported.

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In 2018 the business partners of the Credem Group did not take part in any training activities regarding anti-corruption policies and procedures.

HUMAN RIGHTS

The guiding principles regarding Businesses and Human Rights of the United Nations set forth the duty of businesses to respect human rights wherever they may operate, and the need to consolidate access to appropriate and effective remedial measures for victims of abuse.

The Group recognises the principles established by the basic conventions of the International Labour Organisation, specifically the right to freedom of association and collective bargaining, the prohibition of child labour and the principle of collective non-discrimination; it is also committed to preventing any conduct that may constitute personal discrimination based on gender, race, language, personal and social condition, religious beliefs and political creed, in line with its own Internal Code of Conduct.

In particular, the Organisation and Management Model pursuant to Legislative Decree no. 231/01 was recently integrated with the introduction of the crimes of “unlawful intermediation and exploitation of labour” (so-called “illegal recruitment”), which aims to safeguard human dignity, offended by the deprivation of liberty and the commodification of the individual, and extends to those who knowingly facilitate, even financially, the said conduct (for example, in the context of disbursements granted to institutions or companies operating in sensitive sectors).

Through the aforementioned Internal Whistleblowing System, It is possible to report conduct that may constitute a breach of human rights.

The subject of human rights is relevant to various operational contexts and generates direct or indirect impacts for stakeholders:

STAKEHOLDERS	AREA OF IMPACT	CONTENTS
Customers	Policies and solutions to combat theft	Page 45
Customers/Empl oyees	Personal and sensitive data protection	Page 63
Community	Cultural life and beneficial activities aimed at respecting human rights	Page 122
Employees	Occupational health and safety and combating work-related stress	Page 89
	Combating personal harassment	Page 45
	Freedom of association	Page 75
	Non-discrimination, equal opportunities and fair remuneration	Page 92
	Family life, through policies to support work-life balance	Page 86
Suppliers	Inclusion of human rights criteria in the supply chain	Page 117

PERFORMANCE INDICATORS AND RESULTS ACHIEVED

INDICATORS	2018	2017	2016
Accidents at work and in transit	66	71	65
Employees registered with the union (% of total)	59.3	59.6	59.9
Employees opting for flexible work (part-time and remote working) (% of total)	20.7	9.3	4.8
Reports of alleged discrimination ¹⁵	1	0	1
Cases of harassment	0	0	0
Complaints regarding personal data protection	13	38	16
Theft - number of events per 100 branches	2.6	1.4	3.1
Suppliers registered to the Supplier Gate (%)	7.9	7.6	7
Donations to vulnerable and disadvantaged categories out of total donations (%)	30	43.8	41.5



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In 2018 one case was reported; this is currently being investigated by the Bank and the competent authorities.



*Credem Customers at the
Reggio Emilia Office*

SUSTAINABILITY RISKS

DISCLOSURE 102-15 KEY IMPACTS, RISKS AND OPPORTUNITIES

MACRO TOPICS	Material Topics	Risks	Control Methods Departments involved	Boundary
Governance, integrity and responsibility	Financial stability, economic - financial performance and creation of value	Reputational risk non-compliance with regulations	First-level risk monitoring is carried out by the following departments:	Credem Group
	Ethics and integrity in Business Management	<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>	<ul style="list-style-type: none"> - General Secretariat for conflicts of interest, management of insider information, 231 Organisational, Management and Control Model; - Compliance, conflicts of interest, MiFID, market abuse detection and personal transactions of significant subjects; - Anti-money laundering for anti-money laundering and anti-terrorism controls; - Internal Audit Department for Whistleblowing; - 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>	



MACRO TOPICS	Material Topics	Risks	Control Methods Departments involved	Boundary
 Social Responsibility	Support for the Privacy and security Accessibility and transparency of financial services and customer satisfaction Innovation Responsible finance	Risk of non-compliance and transparency in the distribution of banking and financial services Operational risk: Conduct Risk IT risk Strategic risk Reputational risk related to product performance Reputational risk aimed providing an estimate of the potential financial impact resulting from reputational damage (Internal Incidents, Bank-Customer Relations)	Risk of non-compliance and Customer transactions are managed through the direct second-level control of the Compliance Department. ¹⁶  Compliance risk with regard to the transparency of banking and financial services is managed through the direct second-level control of the Compliance Department. The product introduction process is structured according to deliberative procedures and involves: <ul style="list-style-type: none"> the Product Management Departments of the Parent Company and Group Companies, who are responsible for introducing new products (or modifying existing products) and implementing the preliminary procedures aimed at creating the product resolution; the preliminary procedures ensure the involvement and request for opinion of the process owner and the other relevant Departments (e.g. competent legal department, AMMIN service for tax-related matters, budgeting and supervisory reports, Finance BU for the assessment of liquidity and financial risks, programming and control departments, etc.); Risk Management, Anti-money Laundering and Compliance Departments and the Data Protection Officer (responsible for II level control), which express an opinion on the proposed resolution. The product introduction process requires the formal involvement of the various company and Group departments responsible for various fields; it is subject to second-level monitoring by the Risk Management and Compliance Departments, with the involvement of certain specialised units (e.g. for tax-related matters, product branding, etc). 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.	Credem



MACRO TOPICS	Material Topics	Risks	Control Methods Departments involved	Boundary
Social	Health and Safety Professional development and skills management Corporate welfare Diversity Operation in the region	Risk of non-compliance safety legislation and employment law Reputational risk aimed at providing an estimate of the potential financial impact resulting from reputational damage (internal incidents)	<p>Risk monitoring activities are managed 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>The management of occupational health and safety at Magazzini Generali delle Tagliate is entrusted to an external Prevention and Protection Service Officer, whose contribution is proportionate to the risk profile of the Company in relation to the particular storage activities carried out. Furthermore, as for other Group companies, external audits are regularly conducted by third parties.</p>	Credem
Environmental responsibility	Environmental impacts	Risk of non-compliance with environmental laws and/or regulations Reputational risk aimed at providing an estimate of the potential financial impact resulting from reputational damage (external incidents)	<p>The risk is centrally monitored</p> <ul style="list-style-type: none"> by the 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

STABILITY, ECONOMIC - FINANCIAL PERFORMANCE AND CREATION OF VALUE

BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

Stability and economic - financial performance are the cornerstone of the Group's general strategy, aimed at creating value.

■ NEW BUSINESS LINES:

- Creacasa SpA: evolution and expansion of the operational scope of the company in order to respond to all domestic financing needs (mortgages, personal loans, salary-backed loans);
- Credemleasing SpA: expansion of offers in the "automotive" sector through the proposal of new Long-Term Lease services aimed at private customers and businesses.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

The strategic guidelines for the Group for the 2019/2022 period, taking into account the global macro-economy and economic cycles, aims to pursue the following objectives:

- **DIGITAL BANKING AND MULTI-CHANNEL SERVICE:** to increase commercial productivity and continue to improve the customer experience of our customers by optimising the advance analytics and machine learning tools; creating a multi-channel structure integrated with external procedures and ecosystems; creation and population of data hubs to facilitate integration between procedures and promote data quality; increase the level of system security (cybersecurity)
- **CREDIT STRATEGY:** further strengthening the quality of loans by improving the operational management method of Non-performing loans with the aim of limiting their impact on total gross loans to below 5%;
- **EVOLUTION OF WEALTH MANAGEMENT:** completing the reorganisation of companies operating in the Wealth Management sector, in order to increase competitiveness and the Group's specialist expertise in the investment services and asset management market;
- **BRAND STRATEGY:** promote the values and company culture through an appropriate corporate and retail communications campaign;

In 2018 the **commitment to support the economy** continued to be significant: there was an increase in loans of almost EUR 800 million, equating to a 3.1% rise compared to the previous year.

Through its multiple activities, the Group generated a total economic value of almost EUR 1.3 billion, allocating **85% to its own stakeholders**. In particular, approximately 55% of distributed economic value was aimed at employees and collaborators; almost 23% was allocated to suppliers, 6% went to shareholders and approximately 16% was distributed to the Public Authorities. An economic value of over EUR 980 thousand was distributed to Local Communities in the form of grants and sponsorships.

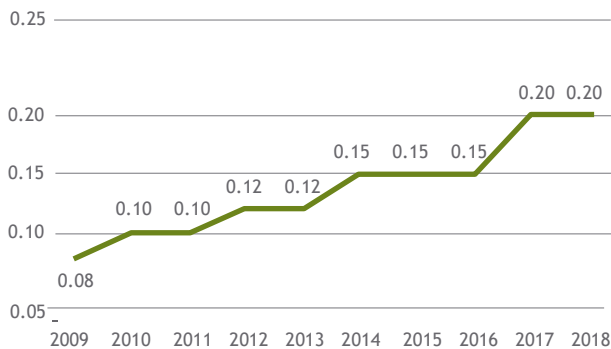
The Group's Sustainability is also confirmed by other performance indicators that demonstrate its capacity to remunerate shareholders and create value for the entire organisation:

1. In the last 10 years, the Group has always guaranteed dividends to its Shareholders, without needing to implement capital increases. Between 2009 and 2018 dividends of approximately EUR 450 million were paid out, against Shareholders' Equity at year-end 2009 of EUR 1,850 million;
2. In the same period, the Group's Shareholders' Equity rose from EUR 1,850 million at year-end 2009 to EUR 2,573 million at year-end 2018, with an increase in equity per share held by shareholders of 39.1%.

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.

EVOLUTION OF DIVIDENDS

(EUR/share)



Capital ratios demonstrate that financial stability is in line with the minimum requirement (SREP) assigned by the European Central Bank (ECB), which envisages a minimum CET1 ratio of 7.37% in 2018; this threshold, set in 2017 at 6.75%, increased solely as a result of the gradual introduction of the Capital Conservation Buffer defined by the Bank of Italy. **The additional obligatory requirement ("Pillar 2 Requirement") assigned by the ECB at the conclusion of the annual assessment process (SREP) remained stable at 1% (the lowest figure of all Italian Banking Groups under the direct supervision of the European Central Bank), a testament to the stability and efficiency of the strategies and processes in place to assess and manage capital, as well as for stable risk management and governance.**

In 2019 the Group received the new minimum CET1 ratio, set at 8.0%; this increase on 2018 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 2018 was 12.66%, compared to 13.69% in 2017, exclusively as a result of the tensions on Italian Government Securities.

The **cost of risk** stabilised at a significantly lower level than the average of the Italian Banking System, demonstrating a further decrease compared to 2017: 24 bps at the end of 2018 compared to 34 bps in the previous year.

Credit quality is one of the characteristic founding principles of the Credem Group and, by ensuring a stable level of equity, is part of the strategic process to create value.

The Group's Credit Strategy Committee, Group Credit Committee and Non-Performing Loan Committee meet on a periodic basis and support the Board of Directors in the definition of the strategic guidelines and in risk monitoring activities.

The granting of loans is strongly anchored by:

- consistency with the connotations of domestic and commercial bank in the assessment of customer activities;
- a technical risk analysis, which ensures that loans are granted on an objective basis in line with the aims and financial needs of the customer, their equity and financial means and their capacity for repayment;
- high quality and adequate information as an essential prerequisite for the objective analysis of the risk profile;
- division of credit risk pursued by diversifying the customer portfolio with a selective approach consistent with the capital and risk/reward objectives;
- consolidated assessment of counterparties at Group level;
- careful management of relations by business units and controls carried out by centralised departments, ensuring the correct application of credit lines, constant updates to the customer information framework, the prompt detection of problematic items and the adoption of the necessary actions to recover any debt exposure;
- adoption of robust policies to classify and hedge impaired loans, prioritising policies aimed at reaching extra-judicial settlements with counterparties.

The Group Policy provides a shared credit culture logic which is essential to ensuring the achievement of the ambitious goals that have historically characterised the quality of Credem's assets in the banking sector.

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 banks ¹⁷, with Credem's Gross NPL ratio (Q4 2018) coming in at 4.4% compared to an average of 9.4% recorded for other "Significant" Italian banks as at 30 September 2018.

Liquidity indicators are considerably higher than the legal minimums, with an LCR of 172.5% in 2018,

penalised by the lower impact of financial securities in foreign currencies.

Return on equity (ROE) was 7.3% in 2018, compared to 7.4% in 2017.

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

FINANCIAL PERFORMANCE INDICATORS	2018	2017	2016
Financial stability ¹⁸			
CET1 ratio [%]	12.66	13.69	13.15
Tier 1 ratio [%]	13.00	13.76	13.15
Total capital ratio [%]	14.87	15.57	14.44
SREP requirement (ECB) on the CET1 ratio issued by ECB / Bank of Italy [%]	7.375	6.75	7.00
Cost of risk [bps]	24	34	32
Rating [] by agencies ¹⁹			
S&P	BBB-	BBB-	BBB-
FITCH	BBB	BBB	BBB
MOODY'S	Baa2	Baa1	Baa1
Financial liquidity [%]			
NSFR	122	123	125
LCR	172	166	211
Credit quality [%]			
Gross NPL ratio	4.4	5.2	5.8
Net NPL ratio	2.2	2.9	3.4
Net Bad Loans ratio	0.9	1.3	1.5

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

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

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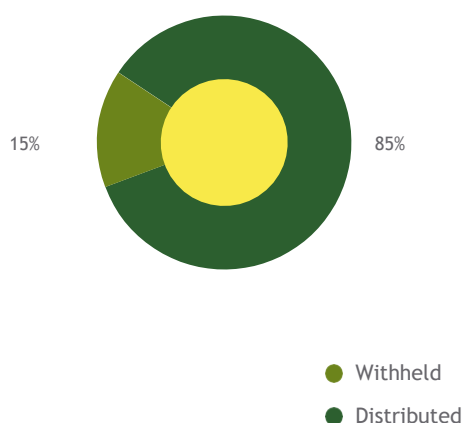
Long-term ratings. For Moody's, the evolution of the "Counterparty Risk Assessment" was considered.

DISCLOSURE 201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED 20

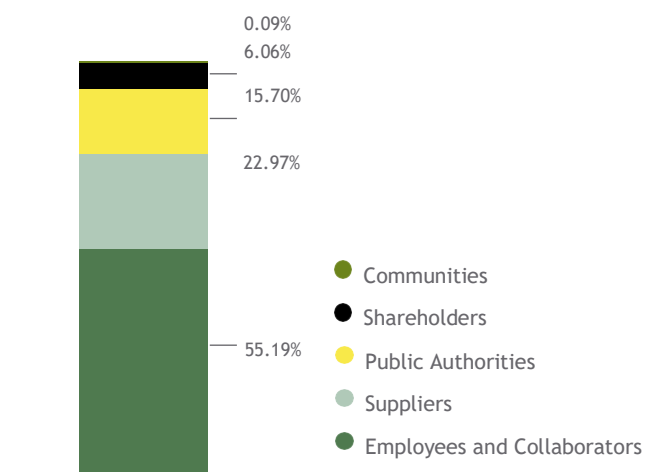
GENERATED ECONOMIC VALUE [EUR/000]	2018	2017	2016
10. Interest income and similar revenues	587,127	635,019	632,137
20. Interest expenses and similar charges	-99,722	-96,540	-129,600
40. Fee and commission income	629,729	621,786	587,187
50. Fee and commission expenses (net of external network charges)	-61,345	-59,689	-56,853
70. Dividend and similar income	1,058	9,384	7,093
80. Net profit (loss) from trading	11,122	15,228	27,771
90. Net profit (loss) from hedging	1,141	4,176	-10,472
100. Gains (losses) on disposal or repurchase of:	36,146	61,090	100,748
a) loans	1,881	-980	5,314
b) financial assets available for sale	33,931	61,739	95,587
c) financial assets held to maturity	334	-12	-
d) financial liabilities	-	343	-153
110. Net result of other financial assets and liabilities designated at fair value through profit or loss (IFRS 7, paragraph 20, letter a) i))*	12	52,021	38,825
115. Net result of financial assets and liabilities pertaining to insurance companies pursuant to IAS39	144,782	-	-
130. Net adjustments for credit risk relative to:	-62,307	-88,406	-75,284
a) Financial assets valued at amortised cost (IAS 1, paragraph 82, letter ba))*	-64,169	-80,462	-79,451
b) Financial assets designated at fair value through other comprehensive income (IAS 1, paragraph 82, letter ba))*	1,862	-5,247	-1,448
b) other financial transactions*	-	-2,697	5,615
135. Net adjustments pertaining to insurance companies pursuant to IAS39	-749	-	-
140. Profit/loss from contract amendments without cancellations	121	-	-
160. Net premium earned	535,533	347,397	554,518
170. Net other operating income/(charges) from insurance activities	-563,318	-372,559	-581,023
230. Other operating income/charges	121,493	134,626	125,570
250. Profit (loss) on equity investments relating to "profit (loss) from disposals"	-	177	-
280. Gains (losses) from sale of investments	1,724	1,915	1,140
A. TOTAL GENERATED ECONOMIC VALUE	1,282,547	1,265,625	1,221,757
DISTRIBUTED ECONOMIC VALUE [EUR/000]			
180 b) Other administrative expenses (net of indirect taxes, grants and sponsorships)	251,396	232,410	257,186
Economic value distributed to suppliers	251,396	232,410	257,186
180 a) Personnel costs (including external network charges)	603,987	600,451	583,884
Economic value distributed to employees and collaborators	603,987	600,451	583,884
Profit allocated to shareholders	66,319	66,246	49,656
Economic value distributed to shareholders	66,319	66,246	49,656
180 b) Other administrative expenses: indirect taxes and taxes	103,352	102,585	99,111
300. Income tax for the current year from continuing operations (excluding prepaid and deferred taxes)	68,431	72,611	72,883
Economic value distributed to the central and local Public Authorities	171,783	175,196	171,994
180 b) Other administrative expenses: grants and sponsorships	982	548	664
Economic value distributed to communities	982	548	664
B. TOTAL DISTRIBUTED ECONOMIC VALUE	1,094,467	1,074,851	1,063,384

WITHHELD ECONOMIC VALUE [EUR/000]			
	2018	2017	2016
200. Net provisions for risks and charges	2,587	10,765	28,749
210. Net adjustments to (Recoveries on) property, plants and equipment	18,160	18,381	17,237
220. Net adjustments to (Recoveries on) intangible assets	34,989	31,538	28,414
250. Profit (loss) on equity investments relating to the valuation component	-3,315	-2,933	-2,025
300. Income tax for the current year from continuing operations (prepaid and deferred taxes)	15,318	12,772	3,709
Earnings allocated to reserves and retained earnings	120,341	120,251	82,289
C. TOTAL WITHHELD ECONOMIC VALUE	188,080	190,774	158,373

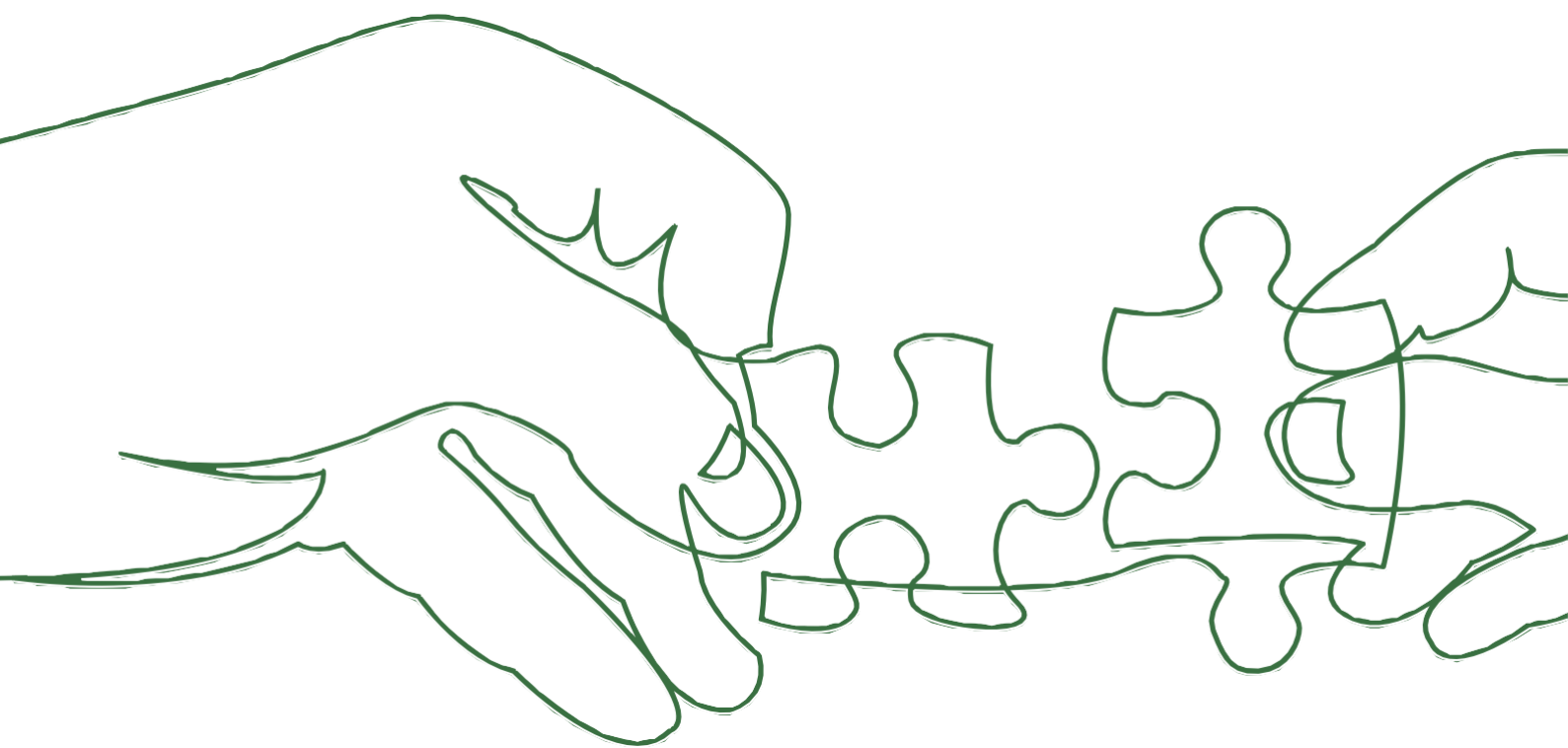
ECONOMIC VALUE GENERATED 2018



ECONOMIC VALUE DISTRIBUTED 2018



* In order to enable the most effective comparison possible, considering the transition of the new accounting standards IFRS9, the items have been associated with the following lines of the balance sheet for 2017 and 2016: "Net profit (loss) from financial assets and liabilities designated at fair value"; "Net adjustments on impairment of loans"; "Net adjustments on impairment of financial assets held for sale"; "Net adjustments on impairment of loans"; "Net adjustments on impairment of financial liabilities".



Focus on Customers

Innovation

INNOvation Unit

Motivational coaching and shift towards change management

Lean Organisation

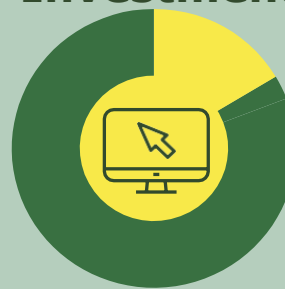
Culture of efficient processes and waste reduction

Privacy & Security

Cyber Security

Internal security system to manage IT security

Investments in digitalisation



Migration to digital transactions index

84.4%

85.4

/ 100

Customer Satisfaction Index



The mission “**Excellence in the creation of value over time**” means striving to fulfil the needs of families, businesses and communities, offering simple, flexible and effective solutions.

In 2018 we incentivised our customer feedback initiatives to better understand their needs and, consequently, improve our understanding of the market; this led to the generation of new knowledge and skills, and influenced the organisational capital available for innovation and growth.

We are an integrated Group, composed of various companies that offer complementary services in the financial, protection and instrumental sectors, aimed to achieve the highest standards of quality with certified Management Systems:

Company		Certified Management Systems
CREDEM	CREDEMTel	UNI EN ISO 9001:2015 Interbank Corporate Banking and Electronic Document Management Services Management System
		Accredited Access Point Peppol provider to convert electronic documents to the Peppol format to enable dialogue with NoTI-ER
		ISO/IEC 27001:2017 Data Security Management System
		AgID-accredited for the storage of electronic documents pursuant to Article 29, paragraph 1 of Italian Legislative Decree no. 82/2005
CREDEM	MAGAZZINI GENERALI DELLE TAGLIATE	UNI EN ISO 9001:2008 - Quality Management System

OUR CUSTOMERS



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

Passion and Responsibility also distinguish the Group's relations with its customers. We promote these values through Branches, Business Centres, Small Business Centres, Private Centres, Agents and Financial Advisors, incentivising a growth model based on our relations with customers.

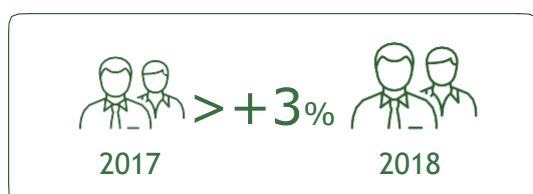
The service model is based on the specialist expertise of our advisors according to the personal and financial needs of the customer:

- the branches are dedicated to services to families and small economic operators,
- the Small business centres are aimed at companies with an annual turnover of up to EUR 5 million,
- i the Corporate centres are aimed at businesses with a turnover of over EUR 5 million,
- the Private centres are aimed at private customers with extensive assets.

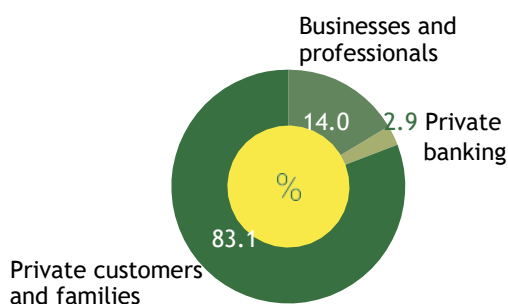
The physical channels are supported by the following digital channels: Internet and Mobile Banking, Contact Centre and the website.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

In line with the commercial growth strategy, in 2018 the number of customers of the Group **rose by 3%** compared to 2017.



Businesses and professionals represent the following largest category at over 14%, while the private banking sector represents just under 3% of the total customer base.



private and family sector, representing 83.1% of the total.

As of 31 December 2018, 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

The age of private customers shows a consistent mix which is in line with previous years; 18% of Group customers are under the age of 35, **58% aged between 36 and 65 years old 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).

This confidence can also be observed among our business customers, with over half (55%) remaining with the Group for over 6 years.

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

In line with 2017, in 2018 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 SERVED ¹

CUSTOMERS	2018	2017	2016
by category [%]			
Private customers and families	83.1	82.7	83.3
Businesses and professionals	14.0	14.6	14.1
Private banking	2.9	2.7	2.6
Total	100.0	100.0	100.0
PRIVATE CUSTOMERS			
by duration of relationship [%]			
Up to 1 year	7.1	7.5	8.3
From 1 to 5 years	26.8	26.6	25.3
From 6 to 10 years	17.9	19.6	20.1
From 11 to 20 years	30.4	29.7	30.3
Over 20 years	17.8	16.7	16.0
Total	100.0	100.0	100.0
by age [%]			
Up to 25 years	4.9	5.1	5.0
From 26 to 30 years	5.8	6.0	5.7
From 31 to 35 years	6.9	7.1	7.0
From 36 to 45 years	17.9	18.9	19.0
From 46 to 55 years	22.0	22.0	21.5
From 56 to 65 years	17.6	16.9	16.8
Over 65 years	24.9	24.0	24.9
Total	100.0	100.0	100.0
by gender [%]			
Men	51.2	51.0	50.8
Women	48.8	49.0	49.2
Total	100.0	100.0	100.0
BUSINESS CUSTOMERS			
by duration of relationship [%]			
Up to 1 year	11.0	11.0	10.9
From 1 to 5 years	34.0	35.0	34.8
From 6 to 10 years	22.0	22.0	23.1
Over 10 years	33.0	32.0	31.2
Total	100.0	100.0	100.0
Female leadership ²			
Number of female entrepreneurs [No.]	29,616	28,054	26,331
Female-led businesses against total number of businesses [%]	17.4	17.0	16.3
by turnover ² [%]			
EUR 0 - 25 million	98.2	98.2	98.3
EUR 25 - 50 million	0.8	0.8	0.9
EUR 50 - 100 million	0.5	0.5	0.5
EUR 100 - 150 million	0.2	0.2	0.2
Over EUR 150 million	0.3	0.3	0.3
Total	100.0	100.0	100.0

1

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

2

Data refers to Credito Emiliano S.p.A.

INNOVATION

BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

Innovation represents the best way to optimise costs, improving the quality of our services and the welfare of all of our stakeholders.

In 2018 the Group founded:

- 1) an **INNOVATION Unit**, appointing a Chief Innovation Officer to support General and Senior Management by promoting and stimulating culture change within the Group by:
 - the selection and development of
 - partnerships in the industry;
 - motivational coaching and shift towards change management;
- 2) a **Strategic Demand Committee** to support the Board of Directors of the Parent Company in the analysis of the main innovative trends and the selection of priority design initiatives. Investments were made into R&D totalling **EUR 1.2 million**. The main projects launched include the initiatives aimed at the gradual digitalisation of customer relations, the IT system upgrade programme, the renewal of the online trading platform and of the personnel management system infrastructure optimised for web and mobile.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

Products and services

In 2018 the investment into digital technology continued, aimed at enabling all customers to use the digital channels more regularly and completely for all transactional operations, without the need to visit the branch.

The number of digital transactions increased from 39.9 million in 2013 to 60.6 million in 2018 (compared to 55.5 million in 2017). At year-end 2018 the **total migration index**, calculated as the ratio between the number transactions made on digital channels and the total number of transactions made in the reference period by all customers (private, retail and corporate), was **84.4%**, an increase compared to the data for 2017 (82.9%).

The scope of the **digital signature** technology continued to be expanded, a tool that enables cash movements and certain contracts to be signed digitally: in 2018 the digitalisation of the investment products and services area was launched (e.g. Funds, SICAVs and Portfolio Management).

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 thus protecting the environment.

In 2018, **68.5%** (+1.1% on 2017) of all documents sent to customers were forwarded via the MyBox system.

Activities on social media intensified, particularly the use of Instagram, to support the branding activities related to the sponsorship of the Men's volleyball championships.

One of the distinctive elements of Credem's range of products and services is the **multi-channel** approach applied to the customer service model: 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 as well as the need for products and services.

The activation of the "Google Hangouts" video conferencing system, a user-friendly tool available on all web and mobile platforms for Credem advisors and customers, was also part of the digitalisation process. This solution responds to the growing demand for contactability anytime, anywhere,

enabling customers to manage their relations with the Bank without needing to visit the branch, with a consequent positive impact not only on the “user experience” but also in terms of the environment, compared to the potential use and consequent pollution of cars or public transport.

In 2018 the concept of “Platforms” was explored, the integration of digital products and services offered to Credem customers from outside the Bank, with the aim of providing a 360° service through timely partnerships with modern and rapid businesses that provide targeted services. One move in this direction is the agreement signed with the start-up **Satispay**: a mobile payment system that enables users to exchange money, pay for goods in affiliated stores and receive payments via the App, simplifying everyday payments in physical stores and online.

Trials were also launched with **Blockchain**, one of the most promising new technologies in the Fintech sector; Credem participated in an AbiLab project aimed at replacing the current “Spunta tra Banche” interbank process with a secure, fast and automatic PHD (Distributed Ledger Technology) solution.

The processes

One of the initiatives aimed at achieving operational excellence was the “**Lean**” improvement plan, a permanent training programme launched in 2014 and devoted to “lean organisation” techniques and the promotion of a culture of efficient processes and waste reduction.

In 2018 a total of 118 improvement initiatives were concluded, of which **51 regarded “Kaizen” initiatives**, characterised by the gradual but continuous improvement of activities or processes in order to generate more value and less waste through a series of small but continuous actions, and **67 were transversal improvement initiatives shared throughout the Group’s offices**, characterised by a broader scope than the “Kaizen” initiatives.

The programme also envisages the provision of specific training to all central department managers. The end goal is to promote a culture of “continuous improvement” of company processes, to identify areas or improvement, reduce duplications and remove any non-worthy activities.

The initiative is in line with the broader programme to develop the leadership, motivational and management skills of Group employees.

The contribution of Group companies

The company Credemtel offers various solutions in the field of Interbank Corporate Banking and the management of Electronic Document Management services, including remote signature, electronic invoicing, digital archiving (of fiscal and legal documents) and the sending of certified emails and/or recorded mail.

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 associated with the business activities of the Group and its customers. In 2018, **over 150 million** documents were stored digitally (86 million in 2017), for a total of **over 600 million pages** which, thanks to this approach, were not printed and consequently resulted in a significant saving of paper.

The company Magazzini Generali delle Tagliate (MGT) is the leading company in Italy in the cheese aging sector, responding to this demand through specific and well-equipped facilities, advanced technology and highly qualified personnel; MGT has also adopted the “Total Quality” system: certification ISO 9001 ensures the highest standards of Parmigiano Reggiano and Grana Padano and guarantees maximum customer satisfaction.

The services dedicated to the special “care” of the cheese (air-conditioned environments, cleaning and regular rotation of wheels) are aimed at all cheese makers, with a 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, the company’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.

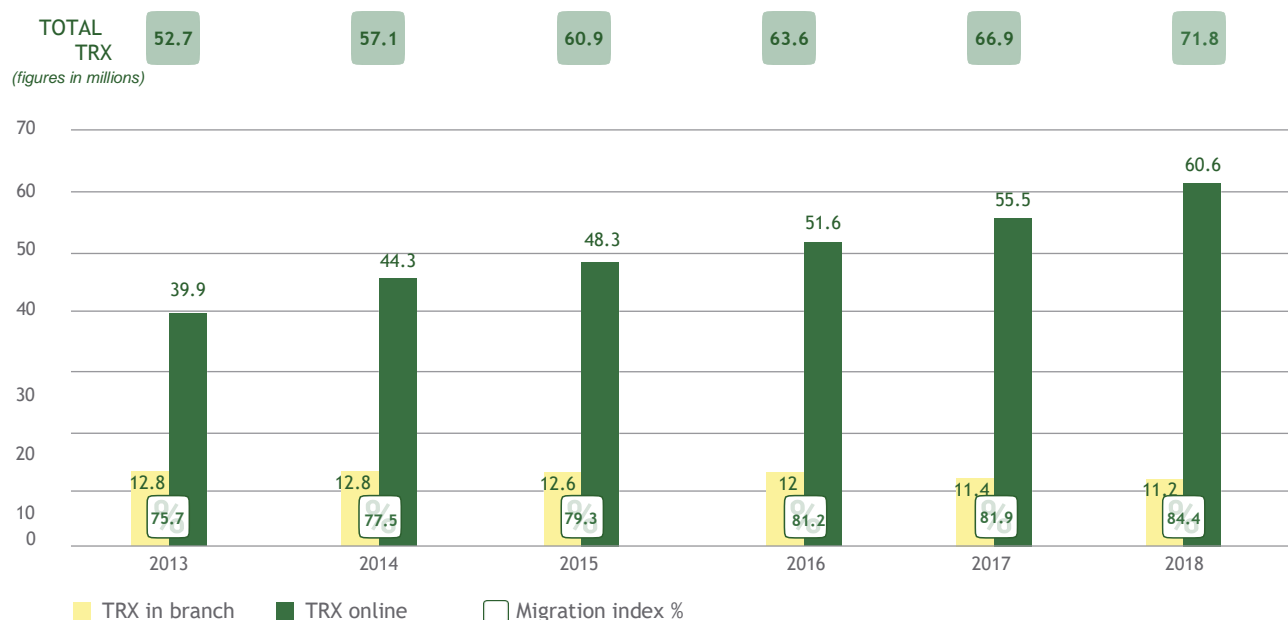


CREDEMVITA

Credemvita is the Group’s life insurance and pension company, operating through a broad range of services aimed at individuals, including:

- **insurance policies**, which since 2014 have been offered at discounted rates also to employees’ non-dependent family members;
- **pension products**, including a publicly accessible Pension Fund mainly for employed workers, who can choose to subscribe as individual members, contributing amounts aimed at consolidating a future integrative pension or as a collective, allocating the Employee Severance Indemnity through agreements with the employer. Members can also choose an individual pension plan, open to all and mainly aimed at freelance professionals.

EVOLUTION OF THE TRANSACTION METHODS



TRANSACTIONS	2018			2017			2016		
	Physical [No./1000]	Virtual [No./1000]	% virtual	Physical [No./1000]	Virtual [No./1000]	% virtual	Physical [No./1000]	Virtual [No./1000]	% virtual
by type and method									
Payment	5,644	69.1	1.21%	5,782	83	1.4%	5,955	92	1.5%
Unscheduled direct debit payments	213	15	6.63%	233	15	6.1%	237	14	5.7%
Payment by slip (MAV/RAV)	230	327	58.70%	243	306	55.8%	236	284	54.6%
Domiciliation/revocation utilities ³	30	26	46.43%	73	38	34.2%	212	274	56.4%
Bank transfer set-up	16	21	57.38%	-	-	-	-	-	-
F24 payment	561	2,213	79.76%	552	2,057	78.8%	583	2,091	78.2%
Bank transfer	1,491	9,492	86.43%	1,473	8,347	85.0%	1,504	7,754	83.8%
Withdrawal	1,918	15,227	88.82%	1,938	14,647	88.3%	1,987	13,959	87.5%
Scheduled direct debits	294	2,678	90.11%	298	2,448	89.2%	274	1,944	87.6%
Activation/reactivation of SDD mandate	45	648	93.46%	55	602	92.0%	67	544	89.1%
CARTAEGO top-ups	44	596	93.13%	40	476	92.2%	40	380	90.5%
MAV presentation	4	89	95.87%	2	66	96.7%	6	63	91.7%
Revocation of SDD mandate	28	539	95.11%	24	437	94.9%	25	378	93.8%
Payment of salaries	132	3,904	96.74%	145	3,459	96.0%	159	2,941	94.9%
Direct debit presentation	162	5,642	97.21%	182	5,277	96.7%	201	5,042	96.2%
Invoice payment	1	226	99.58%	-	196	99.7%	3	159	98.4%
Postal order payment	0	433	99.96%	-	414	99.9%	1	388	99.9%
Car tax payment	0	52	100.00%	-	43	100.0%	-	36	100.0%
CBILL payment	0	28	100.00%	-	17	100.0%	-	8	100.0%
Mobile phone top-up	0	938	100.00%	-	1,012	100.0%	-	984	100.0%
RID presentation	0	6,123	100.00%	-	5,483	100.0%	-	5,192	100.0%
SDD transfer	0	11,340	100.00%	-	10,124	100.0%	-	9,036	100.0%
Issue of cheque book	315	0	0.00%	328	-	0.0%	357	-	0.0%
Collection of various bills	128	0	0.00%	136	-	0.0%	144	-	0.0%
TOTAL	11,226	60,602	84.37%	11,432	55,510	82.9%	11,990	51,565	81.1%

3

The data for domiciliation/revocation of utilities transactions are given in units, not thousands.

PRIVACY AND DATA SECURITY

BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

The matter of privacy and personal data protection continues to be of fundamental importance to the Group and a crucial part of relations between the Group and its stakeholders.

In response to the introduction of GDPR - EU Regulation no. 679/2016 on the subject of personal data protection applicable from 25 May 2018 - which led to the reform of European privacy law, Credem and Group companies:

- appointed the Data Protection Officer (DPO);
- implemented a Group Policy concerning personal data protection and the new Regulation;
- created and maintained the Record of processing activities pursuant to GDPR;
- updated their internal regulations, the contracts and privacy forms;
- implemented a process to assess the impact associated with processing “at-risk” information;
- implemented a procedure for the reporting and management of data breaches.

The Privacy section of the Group website provides public access to all documentation regarding:

- the website privacy policy;
- the General Disclosure on Personal Data Processing pursuant to Articles 13 and 14 of EU Regulation 679/2016 (GDPR);
- the Cookies disclosure;
- List of third parties to whom data may be disclosed, 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.

Aware of the importance of data protection and the confidentiality of customer transactions, the Group has adopted an **internal security system to manage IT security** which, based on Information Security Regulations consistent with the Group policy and approved by the Board of the Group companies, defines the objectives, organisational model, and governance, management and reporting methods concerning IT and cyber security; in particular, the **roles and responsibilities regarding IT security** are defined, both in terms of specific Management Bodies and Organisational Units established to manage IT Risk and Security, as well as through the assignment of specific security responsibilities to each employee according to the internal regulations and the Code of Conduct.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

With reference to the legislation concerning the “Processing of personal data”, Credem has created a specific privacy portal containing, inter alia, the relevant information, general and specific operating instructions, guidelines

for employees, references to regulations, training, and various other information (such as the regularly updated Record of processing activities, a section devoted to DPIA, useful documents, 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 Data Protection Supervisor, transfer of data abroad, appointment of the External Processor, etc.), promptly identifying the relevant subjects and roles.

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. 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 personal data, as describe in the relative disclosure provided to customers.

As regards the IT security management system, a series of technical, organisational and security training measures has been defined, aimed at preventing data leaks, the unlawful or incorrect use of data and unauthorised access. In particular, the Group continues to direct investments towards the evolution of its cyber security procedures and technological measures, in order to maintain effective defences and responses to IT security incidents.

Other specific security services have been made available to customers, including:

- the digital signature feature offered on the Internet Banking portal which enables users to sign bank documents securely using a digital signature instead of a traditional physical signature. The digital signature has the same legal power as a traditional physical signature with the added advantage of saving time when filing the documents, which can be stored in MyBox to protect the customer's privacy;
- **Mr. Pin**, a service that enables Credem customers to receive a one-time password (OTP) for each transaction by SMS, the App or Token.

DISCLOSURE 418-1 SUBSTANTIATED COMPLAINTS CONCERNING BREACHES OF PRIVACY AND LOSSES OF CUSTOMER DATA

COMPLAINTS	2018	2017	2016
concerning privacy breaches [No.]			
Complaints received concerning breaches of customer privacy	13	38	16
<i>of which received from third parties and verified by the organisation</i>	13	38	16
<i>of which received from regulatory bodies</i>	-	-	-
Total number of leaks, thefts or losses of customer data	-	-	-
Total	13	38	16

ACCESSIBILITY AND TRANSPARENCY OF FINANCIAL SERVICES



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

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.

The relevant area of the website contains the following information, which is freely available to the public:

- Information sheets, advertising information and general information about mortgages 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 about 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.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

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, as promptly transposed in the Group Policy and Regulation for Transparency Risk Management.

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.

In order to promote financial inclusion, lines of credit designed for families and businesses are established each year through two specific initiatives:

- **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.
- **Credit 4Ever:** 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.

Active channels for the submission of reports



800 273 336



segnalazionicienti@credem.it



facebook.com/credem



all branches

COMPLAINTS	2018		2017		2016	
by service [No.]						
Banking service complaints	1,803		1,713		1,716	
Investment service complaints	314		222		240	
Insurance service complaints ⁶	84		80		38	
PSD2 complaints ⁷	83		-		-	
Total	2,284		2,015		1,994	
<i>of which refer to Credem Banca</i>	<i>2,175</i>		<i>1,908</i>		<i>1,819</i>	

	2018		2017		2016	
	NO.	%	NO.	%	NO.	%
by reason						
Creditworthiness or similar	201	8.8%	155	7.7%	195	9.8%
Fraud and losses	70	3.1%	53	2.6%	136	6.8%
Performance of transactions	1,219	53.4%	1,017	50.5%	782	39.2%
Conditions	89	3.9%	126	6.3%	179	9.0%
Customer communications and information	217	9.5%	253	12.6%	247	12.4%
Application of conditions	138	6%	140	6.9%	146	7.3%
Reports on risk management	70	3.1%	42	2.1%	59	3.0%
Compound interest	28	1.2%	30	1.5%	45	2.3%
Organisational aspects	66	2.9%	55	2.7%	47	2.4%
Faulty equipment	12	0.5%	10	0.5%	8	0.4%
Staff	94	4.1%	74	3.7%	49	2.5%
Other	80	3.5%	60	3.0%	101	5.1%
Total	2,284	100.0%	2,015	100.0%	1,994	100.0%

5 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. and Euromobiliare Advisory SIM. Data was extracted using the Bank's internal computer archiving procedure (SPHERA).

6 Since 17/01/2017, in accordance with IVASS legislation, insurance complaints are recognised independently. To enable year-on-year comparability, the data for Insurance Complaints received in 2016 is also provided.

7 Since 13/01/2018, in accordance with PSD2 legislation, disputes regarding payment services are recognised independently.

CUSTOMER SATISFACTION ⁸



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

The Parent Company of the Banking Group has developed a distinctive approach to banking based on **customer feedback, structured around defined skills** and aimed at combining innovation with individual requirements.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

“Credem Experience” has been active since 2014, an initiative aimed at managing the customer experience across all channels and monitoring it on an annual basis by conducting periodic and continuous surveys of private and small businesses companies by phone or online.

The Net Promoter Score (NPS) ⁹, a tool employed by the Credem Experience programme, indicates how many customers recommend Credem as a Bank; the rating, calculated as the difference between “promoters” (customers who would recommend Credem with a score of 9-10) and “detractors” (score of 1-6) was 54% in 2018, a slight fall on 2017 but nonetheless still among one of the highest levels in recent years.

The Customer Satisfaction rating, which summarises the customer satisfaction towards Credem as a whole (including branches and remote services) in one single value was 85.4 out of 100, up by one point on the previous year thanks to the contribution of all of the Bank's various channels.

The **branch satisfaction index** for employee services is particularly significant, especially as regards the ongoing training and awareness-raising programmes for financial managers, reaching **85.7 for private customers**

and 83.2 for small business customers, in line with the previous year. Among the areas analysed, customers rated extremely positively on **competence (85.7)**, **staff availability (88.5)** and **support offered in the case of problems (86.2)**, all of which confirm very high levels of excellence.

Customer satisfaction towards remote channels was also significant, with Internet Banking receiving a verdict of 84, while Mobile Banking achieved a score of 84.7 and Inbound Customer Services came at 85.4 in 2018.

NPS [%]	2018		
Promoters	63%	63%	64%
Detractors	9%	7%	8%
Total	54%	56%	56%

63%
Our
promoters



9%
Our
detractors



Survey methods

The data concerning general and branch satisfaction was obtained by a phone survey conducted on a sample of 18,894 private customers and 4,475 small business customers in 2017, and 19,226 private customers and 4,259 small business customers in 2018. These results were integrated with the results of an online questionnaire provided to 1,314 private customers via the internet banking portal and the mobile app, and a further 598 telephone calls made on annual basis to identify customer satisfaction levels with the telephone banking service.

RESPONSIBLE FINANCE



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

The Group extends the concept of sustainable development to its financial activities, aiming to guarantee its “future capacity”, or rather the rational use of resources so as not to compromise the capacity to continue to generate value over time. The aim of responsible finance is to direct capital towards activities able to generate both social and economic gains without overloading the capacity of the environmental system.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

In 2018 the European Commission published the “Action Plan on Sustainable Finance”, which defines a series of initiatives aimed at the financial sector to be implemented by 2019, introducing an incentives scheme to promote funding and investment to stimulate sustainable development in Europe.

To develop the Action Plan, the Commission established a Technical Expert Group (TEG) on Sustainable Finance which will work on the following topics:

- 1) the so-called European taxonomy classification system of mitigation and climate change strategies and other environmental measures;
- 2) an EU Green Bond Standard;
- 3) low-carbon benchmarks for investment strategies with low environmental impacts;
- 4) guidance to improve transparency of environmental and climate-related information.

Credem, through the Investment Center, directly supports the sustainable finance projects launched by the European Banking Federation (EBF) by participating in specific work groups coordinated by the Italian Banking Association.

In 2018 the Group conducted an in-depth analysis of sustainable finance, identifying the perceptions of the market and its stakeholders.

At the end of the ongoing analysis, operating guidelines consistent with the development sustainability strategies will be assessed and highlighted in future reports.

Our products

- 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).
- In 2014 Banca Euromobiliare launched a partnership with the Umberto Veronesi Foundation to support scientific research, extended to Credito Emiliano in 2017. One project to come from this collaboration is the “Euromobiliare Science 4 Life” fund managed by Euromobiliare Asset Management SGR. Recently revised as part of the investment policy and maintaining the flexible approach, the fund extended the scope of its investments, identifying the “Employee” and “Environment” macro trends and placing particular focus on the ageing population, advanced treatments, health and welfare, green technologies, sustainable infrastructure, resource management and innovative materials.

Thanks to the experience and positive results achieved by its employee Welfare initiatives ¹⁰, 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.



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 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.

In 2018 Credem continued to offer support for communities affected by the following natural disasters:

- the earthquakes that struck the province of Catania on 26 December 2018, following which the Bank suspended repayments on mortgages for properties located in the affected area, and unsecured loans relative to vacant buildings or commercial/economic/agricultural management for all persons or businesses residing or registered in one of the affected municipalities;
- the extreme weather of October 2018 that affected various Italian regions, by signing up to the initiative to suspend repayments on mortgages for properties located in the affected area, and unsecured loans relative to vacant buildings or commercial/economic/agricultural management for all persons or businesses residing or registered in one of the affected municipalities;

- the collapse of the Ponte Morandi bridge in Genoa on 22 August 2018, by signing up to the initiative to suspend repayments on mortgages for properties located in the affected area, and unsecured loans relative to vacant buildings or commercial/economic/agricultural management for all persons or businesses residing or registered in the area surrounding the bridge;
- the landslide that struck the province of Stigliano (province of Matera) in December 2017, by signing up to the initiative to suspend repayments on mortgages for properties located in the affected area, and unsecured loans relative to vacant buildings or commercial/economic/agricultural management for all persons or businesses residing or registered in one of the affected municipalities;
- the earthquake of 30 October 2016 that affected various provinces in Marche, Abruzzo, Umbria and Lazio, according to the Memorandum of Understanding signed on 26 October 2015 by the Italian Banking Association, Consumers' Associations and the Department of Civil protection, by signing up to the initiative to suspend - for a maximum of 12 months - repayments on mortgages or unsecured loans for all persons or businesses residing, registering or operating in one of the affected municipalities, in relation 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

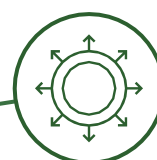
the request of up to 100% of the value of the purchase and installation of solar panels for the home; the subsidiary Credemleasing also offers **Leasing Energia**,

A product designed for businesses and professionals and aimed at the installation of photovoltaic systems and other renewable energy systems.

ADDED VALUE SERVICES



FINANCIAL INCLUSION



GRI FS7 PRODUCTS AND SERVICES WITH SOCIAL GOALS 11

LOANS	2018				2017				2016			
	Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end	
	Granted		Residual debt		Granted		Residual debt		Granted		Residual debt	
	No. (EUR/million)		No. (EUR/million)		No. (EUR/million)		No. (EUR/million)		No. (EUR/million)		No. (EUR/million)	
to families and businesses												
Earthquake Central Italy			-	-	-	-	-	-	5	0.5	-	-
Emilia Earthquake 2012 Tax Loans ¹²	-	-	302	9.2	-	-	308	11.0	-	-	363	14.6
Emilia Earthquake 2012 Reconstruction	212	32.1	665	137.8	170	34.6	453	109.1	172	31.5	404	74.5
Total	212	32.1	967	147	170	34.6	761	120.1	177	32	767	89.1

LOAN SUSPENSION/ EXTENSION	2018				2017				2016			
	Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end	
	Residual debt		Outstanding No. debt		Residual debt		Residual debt		Residual debt		Residual debt	
	No. (EUR/million)		No. (EUR/million)		No. (EUR/million)		No. (EUR/million)		No. (EUR/million)		No. (EUR/million)	
for families												
Solidarity Fund (Consap)	3	0.3	-	-	8	0.9	-	-	14	1.5	-	-
ABI moratorium (Stability Law 2015-2017)	15	0.4	-	-	16	0.8	-	-	19	0.9	-	-
Weather events October 2018	3	0.5	-	-	-	-	-	-	-	-	-	-
Earthquake Central Italy (legal initiative)	19	0.7	-	-	-	-	-	-	-	-	-	-
Extreme weather Savona - Imperia	-	-	-	-	4	0.3	-	-	1,500	150	-	-
	-	-	-	-	-	-	-	-	5	0.3	-	-
Total	40	1.9	-	-	39	2	-	-	1,538	152.7	-	-

11
Data refers to Credito Emiliano S.p.A.

12
Data refers to private customers and businesses.

LOAN SUSPENSION/ EXTENSION LOANS	2018				2017				2016			
	Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end	
	Residual debt No. (EUR/million)		Residual debt No. (EUR/million)		Residual debt No. (EUR/million)		Residual debt No. (EUR/million)		Residual debt No. (EUR/million)		Residual debt No. (EUR/million)	
for small and medium businesses	14	2.6	-	-								
2015 Credit agreement 2015 (ABI moratorium)	43	9.7	-	-	12	2.5	-	-	4	0.7	-	-
Earthquake Central Italy (legal initiative)	8	2.3	-	-	68	8.3	-	-	-	-	-	-
Weather events October 2018					-	-	-	-	-	-	-	-
Total	65	14.6	-	-	80	10.8	-	-	4	0.7	-	-


GRI FS8 PRODUCTS AND SERVICES WITH ENVIRONMENTAL GOALS ¹³

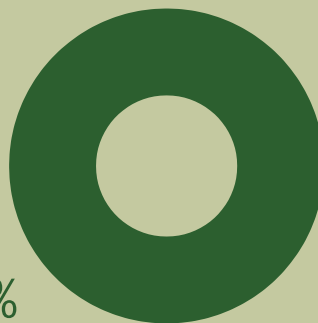
LOANS	2018				2017				2016			
	Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end		Transactions in the year		Stock at year-end	
	Granted No. (EUR/million)		Residual debt No. (EUR/million)		Granted No. (EUR/million)		Residual debt No. (EUR/million)		Granted No. (EUR/million)		Residual debt No. (EUR/million)	
to private and business customers												
Mutuo Chiro Energia	-	-	242	2.0	-	-	279	13.0	-	-	270	12.1
Mutuo Energia	-	-	184	12.9	-	-	212	17.3	2	1.35	236	21.6
Total	-	-	426	14.9	-	-	491	30.3	2	1.35	506	33.7




Focus on Employees

6,264
Employee


65.2%
MEN




34.8%
WOMEN
+3.1%
in absolute
terms vs.
2017



Scuola Credem
40,520
Training days
(almost 6.5 days per
capita)

**Health and
Safety**

5,966
Hours of training



In 2018 the Credem Group continued to pursue sustainability among its employees through training initiatives focused on business ethics, policies and procedures aimed at promoting equal opportunities and the transparency and disclosure of data about all salary levels, as well as internal career guidance and flexible working initiatives.

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

By encouraging commitment and the creation and exchange of knowledge, the social responsibility plans defined by the Group have led to a growth in human capital and have increased productivity, generating corporate growth and developing the capacity to identify opportunities for innovation.

OUR EMPLOYEES

BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

To guarantee the wellbeing and the personal and professional development of our employees, the Human Resources department is centrally responsible for the human capital within the Parent Company and in the Group's Italian companies for the entire duration of employment within the company.

In order to promote a shared management and development approach, the People Management Policy and Regulation have been defined, outlining the principles and values that inspire the HR policies and proposing appropriate actions to ensure their implementation.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

At 31 December 2018 the total workforce of the Credem Group was comprised of 6,264 employees, as well as 1,142 external collaborators mainly represented by Financial advisors and Agents.



The employed workforce, of which 34.8% are women and 65.2% 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 is Emilia Romagna, home to the Group's Head Offices, with a total of 2,559 employees.

Bucking the trend seen in the banking sector, in 2018 the employed workforce of the Group grew by 1.3% compared to 2017, and was characterised by a pronounced predominance of employees hired on a permanent basis, equal to 95% of employed workers, and on full-time contracts, equal to 94% of all employees.

The number of women in the Group increased by 3.1% in absolute terms compared to the previous year. The results of the Group's commitment to gender equality are confirmed by 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 percentage points; in particular, the inbound turnover of young professionals under the age of 30 is four times higher than the outbound rate.

In 2018 the Group obtained the Employment Relations Certification of Compliance envisaged by a protocol signed by the Ministry of Employment and the Order of Employment Consultants, certifying the observance of contribution and remuneration obligations. This public quality certification is the natural evolution of the consolidated implementation of internal controls.

Industrial relations

The Group maintains correct industrial relations, as evidenced by the numerous agreements signed in recent years which refer predominantly to second-level bargaining.

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



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

DISCLOSURE 102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS

EMPLOYEES	As at 31 December 2018			As at 31 December 2017			As at 31 December 2016		
	Permanent	Fixed term	Total	Permanent	Fixed term	Total	Permanent	Fixed term	Total
by geographic area and contract type									
Northern Italy									
Number	3,816	237	4,053	3,752	212	3,964	3,659	226	3,885
Percentage	60.9%	3.8%	64.7%	60.7%	3.4%	64.1%	60.0%	3.7%	63.7%
Central Italy									
Number	648	34	682	648	29	677	649	23	672
Percentage	10.3%	0.5	10.9%	10.5%	0.5%	11.0%	10.6%	0.4%	11.0%
Southern Italy									
Number	1,451	63	1,514	1,452	61	1,513	1,465	53	1,518
Percentage	23.2%	1.0%	24.2%	23.5%	1.0%	24.5%	24.0%	0.9%	24.9%
Luxembourg									
Number	15	-	15	27	-	27	28	-	28
Percentage	0.2%	0.0%	0.2%	0.4%	0.0%	0.4%	0.5%	0.0%	0.5%
TOTAL									
Number	5,930	334	6,264	5,879	302	6,181	5,801	302	6,103
Percentage	94.7%	5.3%	100%	95.1%	4.9%	100%	95.1%	4.9%	100%

EMPLOYEES	As at 31 December 2018			As at 31 December 2017			As at 31 December 2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
by contract type and gender									
Permanent									
Number	3,919	2,011	5,930	3,933	1,946	5,879	3,936	1,865	5,801
Percentage	62.6%	32.1%	94.7%	63.6%	31.5%	95.1%	64.5%	30.6%	95.1%
Fixed term									
Number	168	166	334	137	165	302	119	183	302
Percentage	2.7%	2.7%	5.3%	2.2%	2.7%	4.9%	1.9%	3.0%	4.9%
TOTAL									
Number	4,087	2,177	6,264	4,070	2,111	6,181	4,055	2,048	6,103
Percentage	65.2%	34.8%	100.0%	65.8%	34.2%	100%	66.4%	33.6%	100%

EMPLOYEES	As at 31 December 2018			As at 31 December 2017			As at 31 December 2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
by contract and gender									
Full-time									
Number	4,050	1,862	5,912	4,035	1,797	5,832	4,024	1,731	5,755
Percentage	64.7%	29.7%	94.4%	65.3%	29.1%	94.4%	65.9%	28.4%	94.3%
Part-time									
Number	37	315	352	35	314	349	31	317	348
Percentage	0.6%	5.0%	5.6%	0.6%	5.1%	5.6%	0.5%	5.2%	5.7%
TOTAL									
Number	4,087	2,177	6,264	4,070	2,111	6,181	4,055	2,048	6,103
Percentage	65.2%	34.8%	100%	65.8%	34.2%	100%	66.4%	33.6%	100%

EXTERNAL WORKFORCE [NO.]	As at 31 December 2018	As at 31 December 2017
Financial advisors and agents	1,100	1,125
Temporary staff and interns	42	42
TOTAL	1,142	1,167

TOTAL WORKFORCE [%]	As at 31 December 2018	As at 31 December 2017
Employees	84.58	84.2
Financial advisors and agents	14.85	15.3
Temporary staff and interns	0.57	0.6

DISCLOSURE 102-41 COLLECTIVE BARGAINING AGREEMENTS

COLLECTIVE BARGAINING EMPLOYEES COVERED	As at 31 December 2018	As at 31 December 2017	As at 31 December
	100.00%	100.00%	99.84%
Percentage of employees covered by collective bargaining agreements			

DISCLOSURE 401-1 NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER ³

EMPLOYEES	2018				2017			
	Inbound turnover		Outbound turnover		Inbound turnover		Outbound turnover	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Turnover by geographic area								
Northern Italy	235	5.82%	145	3.59%	225	5.68%	146	3.68%
Central Italy	26	3.81%	20	2.93%	22	3.25%	16	2.36%
Southern Italy	31	2.05%	44	2.91%	38	2.51%	44	2.91%
Luxembourg	-	0.00%	-	0.00%	-	0.00%	1	3.70%
TOTAL	292	4.66%	209	3.34%	285	4.61%	207	3.35%
Turnover by gender								
Men	161	3.94%	144	3.52%	159	3.91%	144	3.54%
Women	131	6.02%	65	2.99%	126	5.97%	63	2.98%
TOTAL	292	4.66%	209	3.34%	285	4.61%	207	3.35%
Turnover by age								
Up to 30 years	193	31.85%	47	7.76%	183	29.47%	48	7.73%
31-50 years	77	2.23%	46	1.33%	82	2.37%	39	1.13%
Over 50 years	22	1.00%	116	5.25%	20	0.95%	120	5.70%
TOTAL	292	4.66%	209	3.34%	285	4.61%	207	3.35%

3

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

STAFF DEVELOPMENT AND MANAGEMENT



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

The professional career of employees within the Group begins during the selection phase and continues throughout the entire duration of their relationship with the Group, with professional development activities delivered in the form of training and incentivisation schemes.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

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.



Transparent and impartial selection during the recruitment phase

The selection process begins with the receipt of CVs through an online portal; this is followed by a screening process based on objective parameters 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 selection process takes the form of mutual comparison and direct assessment by the departments in question.

Regardless of the level of experience required, during the interview process all candidates are assessed according to the Group's Skills Model, which measures the behavioural aptitudes necessary to join the Group's 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;
- Action, which refers to result-oriented approach, organisation, method and flexibility.



Advanced Skills Model

**THOUGHT
RELATIONS
ACTION**

The centrality of human resources in the Group's business model requires close attention to 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.

The training provided is highly diverse, including the development of managerial, behavioural, commercial, technical, regulatory, digital and product-related skills, defining training requirements through 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 (226 one-to-one coaching programmes in 2018), assessment centres, development centres and job rotation, which involves around 25% of the workforce each year.

Since 1998, the Group has also run the "Scuola Credem" training centre, a facility equipped with 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.

In 2018 the Group's Leadership Model, supported and promoted by a multi-year training programme aimed at all employees in managerial positions, was expanded to the entire company workforce in order to define shared leadership goals while maintaining the central role played by the manager, who serves as a coach to stimulate employees' professional growth.

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.

and optimised both professionally and socially.

In 2018 the Group invested more than EUR 1.6 million to deliver 40,520 training days (almost 6.5 days per capita); 32% of all training activities were held in the classrooms of Scuola Credem or decentralised locations while the remaining 68% are delivered online. 49% of all training provided relates to topics required by law, while the remaining 51% focuses on topics surrounding professional development (sales or specialist roles), management skills (leadership) and language skills. Ample time is afforded to soft skills, with a programme of classroom-based and online courses, as well as to personal development, such as assessment and development).



40,520
Training days
(almost 6.5 days per employee)

THE VALUE OF TRAINING

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

1,422 employees took advantage of the English language training, offered on a voluntary basis to all Group employee as a six-month programme delivered via an interactive online platform:

1,102 passed the final exam, earning the CEFR qualification according to European standards.



The 360° assessment approach continued in 2018 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 2018, the initiative involved 770 managers and 4,748 collaborators, representing 88% of the Group's total workforce.

The approach to **remuneration**⁴ 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 objectives** and **attract and retain** employees, supporting and accompanying them as they take on new responsibilities and confront professional challenges.

TALENT MANAGEMENT

With the Credem Group, all employees belong to certain "segments" characterised by targeted talent management actions defined according to the personal experience and characteristics of each resource. Employees classified in the "Target" and "Key People" categories are supported through a merit-based scheme, carried out through professional guidance (for the youngest employees) or the acceleration of career paths, in line with the organisational requirements of the Group and depending on the complexity of the role held.

Employees are classified into "segments/projects" during the "People Review", an annual meeting of the HR Department and their managers.

The focus on accelerated growth continues until the employee reaches a project, process or staff coordination role, providing opportunities and tools to optimise performance and consolidating the skills acquired.

4

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.

SEGMENT	KEY PEOPLE	TARGET
DESCRIPTION	<p>"Key People" are characterised by rapid adaptation, inter-gratation, long-lasting performance and a strong desire to achieve through work. They know how to apply their skills and expertise and are able to take on complex roles both in management and specialist positions, with a sense of responsibility in line with the Group's values, representing a clear point of reference</p>	<p>Recently hired employees in permanent or junior roles whose ability to learn quickly, performance and desire for personal investment suggest rapid professional growth above that of their peers, may lead to access to dedicated managerial or specialist courses.</p>
CRITERIA ADOPTED	<p>Skills (level of content known)</p> <p>Behavioural skills</p> <p>Performance</p> <p>Integration (compliance with Group code of conduct)</p> <p>Leadership</p>	<p>Above-average potential (identified when permanent employment is confirmed)</p> <p>Conduct in line with Group values</p> <p>Performance</p>
ACTIONS ACTIONS	<p>Job rotation (horizontal, interdepartmental, vertical)</p> <p>Dedicated training</p> <p>Coaching</p> <p>Involvement in innovative projects</p> <p>Involvement in promotional strategies</p> <p>Dedicated manager</p> <p>Dedicated interviews</p>	<p>Accelerated job rotation if compatible with organisational requirements</p> <p>Specialist transversal training</p> <p>Dedicated manager</p> <p>Dedicated interviews</p>
Monitoring	<p>Skills assessment</p> <p>Potential (shown at selection, confirmation and assessment centre)</p> <p>Performance over time</p> <p>Conduct questionnaire completed by Manager and GES</p> <p>Leadership Explorer, where applicable</p>	<p>Potential (of selection, of confirmation)</p> <p>Performance</p> <p>Speed of adaptation to increasing levels of complexity</p>

SEGMENT FLOWS IN 2011-2018 AND MANAGEMENT ACTIONS PERFORMED

SEGMENT FLOWS	2011	2012	2013	2014	2015	2016	2017	2018	
stock	315	290	295	241	265	270	280	262	
in	31	23	27	38	36	46	48	34	
out	56	18	81	14	31	36	66	52	
ACTIONS	2011	2012	2013	2014	2015	2016	2017	2018	average
training	84%	90%	144%	89%	80%	104%	118%	103%	102%
compensation	49%	47%	62%	39%	69%	46%	33%	30%	47%
job rotation	51%	50%	62%	50%	42%	44%	45%	56%	50%

WORKING ENVIRONMENT SURVEY

For the Credem Group, **employee engagement and dialogue are strategic aspects** in the achievement of our mission “Excellence in the creation of value over time”.

Just like our shareholders, customers and other partners, employees are fundamental stakeholders for whom we strive to create value.

To this end, between 2003 and 2017 the Group has carried out a survey about the working environment, performed every two years and aimed at identifying the level of corporate wellbeing and employee satisfaction.

From 2018 onwards, in order to stimulate focus and engagement the survey will be carried on an annual basis.

The questionnaire considers numerous aspects of company life, in relation to professional role, relations with the management and other colleagues, professional growth and the Group's culture and values.

The survey conducted in 2018 involved 78.1% of Group employees.

The most significant results referred to:

- shared company values, with a positivity rating of 80.3%;
- conduct in line with the Group's values by management personnel (78.8%);
- relations with managers founded on trust (77.8%) and their ability to delegate (75%);
- opportunity to perform a passionate and engaging job (74.7%);
- mutual willingness and collaboration (72.6%).

The vast majority of employees are proud to represent the company to customers, colleagues and suppliers (78.5%).

Following the survey, senior management carried out a “tour” of 27 meetings, one of each region and business department, in order to continue to promote dialogue and to stimulate debate around the topics identified by the working environment survey.

CERTIFICATIONS

The quality of our working conditions and the comprehensive nature of the HR management tools adopted by the Group have been certified by the Top Employer Institute for the fourth consecutive year, as well as by the Great Place to Work Institute.



"TEAL" ORGANISATIONAL MODELS

In 2018 the Group adopted organisational models characterised by the so-called "teal organisation" approach in the following Companies, all of which operate in the Wealth Management sector:

- Credemassicurazioni SpA
- Credemvita SpA
- Euromobiliare Advisory SIM SpA.

The operating mechanisms of these companies are now governed by simplified hierarchical levels, enabling employees to participate more fully and rapidly in the business and the decision-making process without affecting their clearly defined responsibilities.

Many of the activities are carried out and managed by "fluid" teams, where coordination is overseen by the newly established professional figures of competence leader and team leader.

The adoption of these organisational measures has enabled employees to better express themselves. Indeed, without the physiological restrictions associated with traditional organisational models, the qualities and soft skills of each employee can become drivers for change (cf. the details provided above in reference to the "Skills Model" adopted by the Credem Group and its importance in the employee selection phase), celebrating entrepreneurialism, proactivity, expertise and innovation.



Credem employees at the Group's Head Offices.

DISCLOSURE 102-36 PROCESS FOR DETERMINING REMUNERATION ⁵

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 levels of responsibilities attained, the ability to maintain performance over time and the development of key skills.

Access to 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, 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	2018	2017
Compensation ratio		
Ratio between:		
- Total annual compensation of the organisation's highest-paid individual	20.72	19.92
- Median of annual total compensation of all employees excluding the highest-paid individual		

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.

5

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

DISCLOSURE 404-1 AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE .

TRAINING BY PROFESSIONAL CATEGORY AND GENDER	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives									
Hours of training	5,886	241	6,127	8,281	419	8,700	8,376	323	8,699
Employees as at 31/12	171	8	179	168	7	162	164	8	172
Hours per capita	34.42	30.10	34.23	49.29	59.86	53.70	51.07	40.38	50.58
Middle managers									
Hours of training	104,284	33,228	137,512	115,830	39,641	155,471	138,025	44,435	182,460
Employees as at 31/12	2,292	736	3,028	2,264	717	3,034	2,233	695	2,928
Hours per capita	45.50	45.15	45.41	51.16	55.29	51.24	61.81	63.94	62.32
Remaining employed personnel									
Hours of training	84,087	76,175	160,262	74,874	66,439	141,314	93,864	74,703	168,567
Employees as at 31/12	1,624	1,433	3,057	1,638	1,387	3,049	1,658	1,345	3,003
Hours per capita	51.78	53.16	52.42	45.71	47.90	46.35	56.61	55.54	56.13
TOTAL									
Hours of training	194,257	109,644	303,901	198,985	106,499	305,485	240,265	119,461	359,726
Employees as at 31/12	4,087	2,177	6,264	4,070	2,111	6,181	4,055	2,048	6,103
Hours per capita	47.53	50.36	48.52	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

Once a year, 100% of all Credem Group employees, regardless of gender or professional category, are assessed according to a list of Key Performance Indicators (the KPI scoresheet). »

6

The reporting boundary does not include Credem International Lux.

7

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

8

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

CORPORATE WELFARE

BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

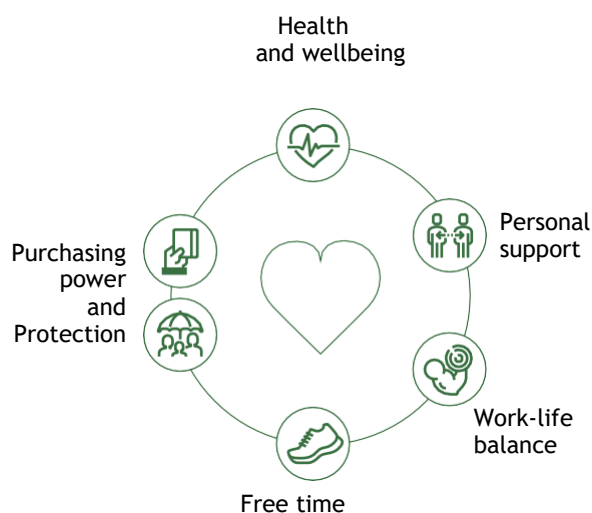
To support employees and develop an increasingly inclusive People Management strategy, the Group has appointed a **Welfare Manager** who coordinates a department devoted to the implementation of initiatives for the protection and improvement of employee welfare.

The **Welfare for Us** project has been in place for a number of years, aiming to improve the working environment and understand employees' needs in order to support them in the achievement of their performance objectives.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

The Welfare plan considers the following aspects:

- Health and wellbeing
- Personal support
- Work-life balance
- Free time
- Purchasing power and Protection



HEALTH AND WELLBEING

Various initiatives have been launched, including a mental health helpline which offers support in the case of personal and professional problems.

In 2018 the service received around 150 telephone calls which were handled by specialist mental health professionals.

As well as the support services in place to help those affected by catastrophic events, to help employees quit smoking and to overcome gambling addictions, the Group also continued its **Cancer Prevention Tour**, offering employees the possibility of accessing specialised medical check-ups throughout Italy to intercept health conditions or potentially harmful problems and act quickly: in 2018, some 2,800 people signed up to the initiative, with a total of 3,600 appointments attended. Initiatives were also pursued in collaboration with **Technogym**, enabling 50 employees to access support from specialists and a personal trainer via Skype to encourage them to exercise, avoiding the potential risks associated with a sedentary lifestyle and poor posture during working hours, as well as promoting healthy eating habits.

PERSONAL SUPPORT

Information and support initiatives aimed at **pregnant women, new mothers and caregivers** were also developed.

The **AlTuoFianco [AtYourSide]** initiative is designed to respond to the needs of employees who choose to become a carer for a member of their family, including themselves. The service aims to provide support in a number of ways, including: finding nursery school places, home schooling, finding babysitters, speech therapy, psychomotor education, homework assistance, support for children with learning difficulties, home care, finding home carers, finding nursing home spaces, home physiotherapy services, nursing care and advice on non-self sufficiency.

In 2018, approximately 40 people were assigned a personal tutor.

With regard to the maternity support initiatives, to facilitate maternity leave and the return-to-work process, a dedicated portal and a number of initiatives have been set up, including focus groups to support new mothers during the first year of parenthood; in 2018, around 120 women took part in the programme.

The On The Road service aims to provide guidance to children when choosing their academic route or when entering the world of work. The project aims to promote self-awareness of personal characteristics to find concrete solutions, enabling young people to effectively adapt to new contexts, increasing their self-awareness of their unique abilities and enabling them to make conscious choices when making decisions about their educational or professional futures. In 2018 approximately 140 young people took part in the initiative.

The Group also offers five days of paid leave per year to help children with special educational needs during their first years of school.

Almost 800 people accessed the legal, tax and administrative support services (including assistance in completing Form 730), established to help employees to correctly interpret the relevant legislation.

In 2018, as part of a trial launched in collaboration with Amazon, an Amazon Locker was installed in the Atm area of Credem General Offices which can be accessed 24 hours a day, aimed at optimising the time of workers who use the online store.

WORK-LIFE BALANCE

The issue of the work-life balance has been confronted through a number of activities, including support of online purchases with dedicated phone lines, home delivery and ironing services.

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.

In 2018 over 1,200 employees worked remotely, by telework or out of the office.

To accelerate the development of a digital culture, all employees are equipped with a company smartphone.

FREE TIME

The project to develop the physical and virtual **company library** continued. Of the 2,900-plus books available, 180 were purchased in 2018 and the library was used by around 500 people. Proteo, the Credem employees' association, continued to organise several recreational events, such as sports tournaments and cultural events, and offers access to various discounts for a range of shopping activities. The association boasts around 5,700 members and its events held throughout Italy are attended by over 2,000 employees each year.

PURCHASING POWER AND PROTECTION

Employees are offered **particularly advantageous conditions** on Credem mortgages and current accounts.

The Welfare Bonus was established in 2015 and is awarded following the achievement of predefined company and Group goals. A dedicated portal has been created in collaboration with the welfare service provider Eudaimon, enabling beneficiaries to use their bonus to access various services (reimbursement of expenses for children or the elderly, vouchers for travel and various services, shopping vouchers) with the consequent tax benefits provided for by law.

Subsidies to incentivise the use of long-term vehicle leases have been established with certified car rental partners, with 61 contracts taken out in 2018.

A car-sharing support service has been set up for the work commute, which now has around 220 members. Meanwhile bike sharing has been trialled as part of a pilot project, with 100 bikes hired in Reggio Emilia, home to the Group's Head Offices. The initiative was launched following an employee survey, after which workers who showed an interest in using the bikes for the commute as well as for short journeys during the working day were selected for the programme.

Initiatives regarding Protection include:

- supplementary health insurance, extended in 2013/2014 to include non-dependent family members without any additional fee. The plan includes contributions and reimbursements for dental fees, appointments with consultants, private nursing care and home care;
- pension funds, enabling employees to “build” a supplementary pension and/or supplement their basic pension with the security of capital returns. Employees also receive a company contribution and benefit from the tax breaks offered by the Government for certain types of supplementary pension schemes, as well as the potential returns generated by the investment over time.

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	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
by gender									
Number of parental leaves started during the year	7	210	217	10	210	220	6	144	150
Returns to work after parental leave	6	182	188	10	161	171	5	131	136
Continuation of parental leave at the given date	1	27	28	-	49	49	1	13	14
Return-to-work rate ⁹	100.0%	99.5%	99.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Still employed with the company 12 months after returning from parental leave	5	130	135	5	130	135	-	-	-
Retention rate after 12 months after returning to work ¹⁰	50.0%	80.7%	78.9%	100.0%	99.2%	99.3%	-	-	-

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.

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



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

Employee health and safety within the Group is governed by the **Safety and Prevention Department** which works in synergy with the training department to provide specific training programmes. The Manager pro tempore assumes the role of **Prevention and Protection Service Officer**. The management of occupational health and safety at Magazzini Generali delle Tagliate is entrusted to an external Prevention and Protection Service Officer, whose contribution is proportionate to the risk profile of the Company in relation to the particular storage activities carried out. Furthermore, as for other Group companies, external audits are regularly conducted by third parties.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

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.

Each year, every occupational health and safety measure and incident is recorded and analysed during the periodic prevention review, convened by the Employer and attended by all Group companies with more than ten employees. For companies with less than ten employees, an annual Occupational Health and Safety Report is submitted to the Employer which reports all of the occupational health and safety initiatives carried out in the previous year. The meeting is attended by the Employer (or a representative of the same), the company Health and Safety Officer, the Prevention and Protection Service and Health and Safety Representatives, elected

by the Company Trade Union Representatives (where present) comprising 10 representatives of Credem and one representative for each of the other companies. The prevention committee represents the interests of the entire workforce.

In recent years, various initiatives have been implemented on the subject of occupational health and safety: **specific training**, **psychological support** relative to the risk of robbery, and **internal procedures** aimed at minimising the risk of accidents.

In 2018, thanks to a dedicated management system, **Supplier certification procedures and measures to monitor compliance with contractual conditions** were established, aimed at supporting the Parent Company and preventing accidents in activities characterised by interference risk.

With reference to **work-related stress**, procedures aimed at the annual review of objective indicators through the Company Information Sheet were consolidated. In 2018 the risk assessment was updated and a Forum was scheduled with the Employer and eleven members of the Prevention and Protection Service and the HR departments, including the company doctor.

The Forum set the following targets:

- 1) monitor the entire work-related stress evaluation process;
- 2) promote the interpretation of the data in consideration of the company's specific context;
- 3) coordinate the various phases of the project. The evaluation process saw the involvement of Health and Safety Representatives during the periodic prevention review and 314 employees during 49 focus group meetings and 12 interviews; the meeting enabling data on the context and type of work to be collected through a comparison with a representative sample of workers.

In 2018, **5,966 hours of training** on occupational health and safety were provided; priority was given to classroom-based activities as these are deemed more effective than online training.

The Prevention and Protection Service organises **obligatory health checks** on an annual basis for “VDT operators”, applying the health protocol defined by the appointed company doctors. In 2018 a total of 810 health checks were carried out by group of doctors coordinated by a medically qualified project manager.

As regards activities to protect women in the various stages of pregnancy, a policy has been adopted to protect pregnant women from jobs at risk of trauma, avoiding customer-facing roles to prevent the risks associated with direct contact with potential attackers; furthermore, employees may request early maternity leave if the jobs in question do not offer adequate protection for pregnant workers. In compliance with the current legislation on the subject, (Article 35 of Italian Legislative Decree no. 81/2008), a

periodic prevention meeting is organised at least once a year, attended by the Employer, the Officer and representatives of the Prevention and Protection Service, the Company Doctor and the Health and Safety Representatives.

Each year, the Prevention and Protection Service **reports** to the Employer of each Group company, describing the activities carried out during the previous year, any issues encountered and the schedule of activities to be carried out in the following year.

In 2018, **26 injuries occurred in the workplace** and **40 injuries occurred in transit**, with a **frequency rate of 2.67** and **4.10** respectively. The severity index was 0.12 and the absenteeism rate was 2.73.

DISCLOSURE 403-1 PERCENTAGE OF WORKERS REPRESENTED IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES

EMPLOYEES	2018	2017	2016
Percentage of workers represented in formal joint management-worker health and safety committees	100.00%	100.00%	-

TYPES OF INJURY, RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES

INJURIES	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
at the place of work [No.]									
Northern Italy	8	7	15	12	6	18	9	7	16
Central Italy	2	1	3	1	2	3	2	0	2
Southern Italy	3	5	8	5	1	6	11	4	15
Luxembourg	0	0	0	0	0	0	0	0	0
TOTAL	13	13	26	18	9	27	22	11	33

FREQUENCY RATE	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
at the place of work by geographic area and gender									
Northern Italy	1.98	3.05	2.37	3.09	2.80	2.99	2.34	3.33	2.68
Central Italy	2.71	3.05	2.82	1.39	6.40	2.90	2.79	0.00	1.93
Southern Italy	1.68	8.68	3.39	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	0.00	0.00	0.00
TOTAL	1.98	4.07	2.67	2.81	2.99	2.86	3.41	3.73	3.51

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

INJURIES	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
in transit [No.]									
Northern Italy	10	17	27	20	17	37	14	7	21
Central Italy	1	2	3	3	1	4	2	1	3
Southern Italy	4	6	10	3	0	0	6	1	7
Luxembourg	0	0	0	0	0	0	0	1	1
TOTAL	15	25	40	26	18	44	22	10	32
CONTENTS FREQUENCY RATE	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
in transit by geographic area and gender									
Northern Italy	2.48	7.42	4.27	5.15	7.92	6.14	3.63	3.33	3.51
Central Italy	1.36	6.09	2.82	4.16	3.20	3.87	2.79	3.16	2.90
Southern Italy	2.25	10.42	4.24	1.68	0.00	1.29	3.26	1.93	3.00
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00	0.00	74.60	21.55
TOTAL	2.29	7.82	4.10	4.05	5.98	4.67	3.41	3.39	3.41
CONTENTS SEVERITY RATE	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
of injuries by geographic area and gender									
Northern Italy	0.05	0.12	0.08	0.20	0.19	0.19	0.15	0.24	0.18
Central Italy	0.03	0.15	0.07	0.12	0.12	0.12	0.27	0.04	0.19
Southern Italy	0.16	0.52	0.25	0.08	0.10	0.09	0.22	0.07	0.19
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.06
TOTAL	0.08	0.19	0.12	0.15	0.17	0.16	0.18	0.19	0.18
TASSO ABSENTEEISM RATE	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
by geographic area and gender									
Northern Italy	1.88	2.90	2.27	2.1	2.9	2.4	1.88	2.55	2.13
Central Italy	2.54	3.90	2.99	2.6	3.4	2.8	2.41	3.67	2.82
Southern Italy	3.81	3.94	3.84	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	2.49	3.19	2.73	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 cases of fatal injury or occupational disease were reported.

¹
The severity index is calculated as follows:
(no. days lost due to injury in the place of work or in transit/total no. possible working hours)*1,000

³
The absenteeism rate is calculated as follows:
(no. of days of absence/no. working days)*100.

DIVERSITY



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

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.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

At year-end 2018, the employed workforce of the Credem Group was composed of 179 executives, 3,028 middle managers and 3,057 people belonging to the category “remaining staff”; this includes 3,033 clerical workers and **24 manual workers**, the latter representing the labour force typical of the activities of the company Magazzini Generali delle Tagliate S.p.A.

A “YOUNG” company



The Group considers itself a young company, with employees between the **ages of 30 and 50** representing 55% of all employees.

In terms of the employment of persons belonging to minority groups, pursuant to Law no. 68/1999 the Group operates in compliance with regulations and employs a total of 374 people from this category.

As described above, 34.8% of the workforce are women while 65.2% 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.

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 working environment survey and the direct involvement of colleagues in dedicated focus groups. 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.

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 using an array of means (plenary sessions, webinars, videos about the Group's work, feedback questionnaires, word cafés, leaflets, dedicated email address, diversity newsletter, etc.) so as to meet specific needs and devise new initiatives.

The project is founded on the four key concepts of 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, and interviews before and after maternity leave to offer support and intercept specific needs.

In addition, video conferences are organised for new mothers to enable them to share their personal experiences and discuss various topics 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, female strengths and emotions, as well as videos produced about the corporate culture and the "Ask the expert" initiative aimed at addressing Stereotypes and Prejudices.

In 2018 the Work Group attended a number of themed events:

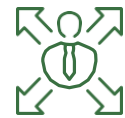
- meeting with Valore D, a business association aimed at promoting diversity, talent and female leadership;
- the "Donne al Quadrato" ["Women squared"], part of the Group's Financial Education plan for 2018/2019 ¹⁴;
- a dedicated meeting with the Welfare department to address specific needs, ensuring the implementation of the initiatives.

DISCLOSURE 405-1 EMPLOYEE DIVERSITY

EMPLOYEES	As at 31 December 2018			As at 31 December 2017			As at 31 December 2016		
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
by professional category and age [%]									
Executives	0.00	26.26	73.74	0.00	31.43	68.57	0.00	34.30	65.70
Middle managers	0.07	53.07	46.86	0.07	54.75	45.19	0.31	55.27	44.42
Remaining staff	19.76	58.68	21.56	20.46	58.48	21.06	19.92	59.06	21.02
TOTAL	9.67	55.04	35.28	10.05	55.91	34.04	9.91	56.69	33.39

EMPLOYEES	As at 31 December 2018		As at 31 December 2017		As at 31 December 2016	
	Men	Women	Men	Women	Men	Women
by professional category and gender [%]						
Executives	95.53	4.47	96.00	4.00	95.35	4.65
Middle managers	75.69	24.31	75.95	24.05	76.27	23.73
Remaining staff	53.12	46.88	54.15	45.85	55.20	44.80
TOTAL	65.25	34.75	65.85	34.15	66.44	33.56
in minority groups ¹⁵ , by professional category and gender						
Executives						
Number	2	0	3	0	3	0
Percentage	100.00%	0.00%	100.00%	0.00%	100.00%	0.00%
Middle managers						
Number	89	29	91	27	90	27
Percentage	75.42%	24.58%	77.12%	22.88%	76.92%	23.08%
Remaining staff						
Number	159	95	156	95	158	96
Percentage	62.60%	37.40%	62.15%	37.85%	62.20%	37.80%
TOTAL						
Number	250	124	250	122	251	123
Percentage	66.84%	33.16%	67.20%	32.80%	67.11%	32.89%

MANAGEMENT OF THE NETWORK OF FINANCIAL ADVISORS AND AGENTS



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

As at 31 December 2018, the Group's distribution structure includes over 487 branches and 68 financial outlets, operating in 19 regions and 89 Italian provinces, with 812 external financial advisors with mandates, 196 Creacasa agents and 92 agents for salary-backed loans.



812
Financial
advisors



288
Agents

The network of Financial advisors of the Parent Company is structured as follows:

- three management figures

Market Manager (responsible for one or more regions) Regional Manager (responsible for one region) Growth Manager (responsible for one outlet);

- three professional financial advisors

Wealth Planner
Global Financial Planner
Business Planner

characterised by highly specialised skills and the provision of a personalised and complete service in synergy with other networks within the Group.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

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:

- the improper use of company assets and instruments permitted for use;
- respect for health and safety regulations;
- improper use of confidential and private information and documents;
- 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.

In order to maintain constant communication with its distribution network, the Group has established a company portal dedicated to Financial Advisors, which is constantly updated and structured by topic.

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.

The **CF Academy** has been established for many years, a training programme for financial advisors that offers an array of courses available free of charge which cover different themes relevant to the industry.

In 2018 the role of **Product Specialist** (trainer) was created within the Credem network of advisors. The new position is currently assigned to 15 Credem advisors, selected for their abilities and skills in terms of operations and products, who play an important role in assisting and supporting the network to guarantee the provision of a high quality service to customers.

DISCLOSURE 102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS

COLLABORATORS OPERATING IN THE DISTRIBUTION NETWORK [NO.]	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Financial advisors of Credito Emiliano S.p.A.	497	500	551
Financial advisors of Banca Euromobiliare S.p.A.	315	320	304
Agents of Creacasa S.r.l.	196	207	259
Agents for salary-backed loans of Credito Emiliano S.p.A.	92	98	102
TOTAL	1,100	1,125	1,216



*Credem customers and advisors
at the Group's Head Offices.*



Environmental impacts

Emissions avoided



Creation of
Credem
Forest

> 6,500

Kg



100%

Electricity from
renewable sources

→ 9,500t

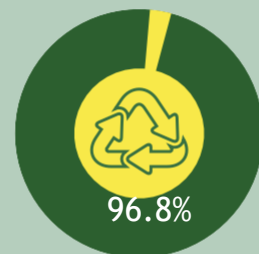
Self-generated electricity



over
362
MWh per year

Photovoltaic plant at Magazzini
Generali delle Tagliate

Waste disposed



Recycling



The **United Nations** has long been committed to preventing human interferences that are harmful to the environment.

In 2018 the Conference of the Parties (COP24) produced a handbook aimed at implementing all of the resolutions of the Paris Climate Change Agreement, due to come into force in 2020, which aims to limit global temperature increases to below 1.5 degrees and, therefore, reduce atmospheric emissions of CO₂ by 45% by 2030.

The Credem Group is aware of the importance of pursuing a clear and effective strategy to combat climate change. To this end, for many years it has strived to reduce its emissions by:

- purchasing electricity from renewable sources;
- implementing measures to optimise energy efficiency (reduction of use of lighting and air conditioning systems, selection of energy-efficient office equipment, plant maintenance, recycling, etc.);
- developing mobility management initiatives to reduce emissions associated with commuting and work meetings.



MATERIALS USED AND WASTE PRODUCED



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

The primary materials used by the Group are paper (copier paper for printing and photocopying, forms and company reports), toner and ink cartridges, which represent the main categories of generated special waste.

The Group has established a centralised Logistics Coordination Department for the procurement and disposal of office supplies (paper, toner, ink cartridges), which has launched projects aimed at reducing the use of paper and toner through:

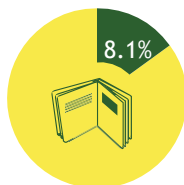
- document dematerialisation and digitalisation;
- recommendations to print documents only when strictly necessary;
- the adoption of “best practices” aimed at fulfilling short-term demand, reducing excess materials, avoiding waste and the risks associated with the pulping of waste materials that can no longer be used due to changes to products or legislation.

The measures put in place have enabled the Group to reduce its use of paper and toner, a particularly significant achievement when considering the growth of the company and the higher number of customers served in the year.

In 2018 the use of recycled copier paper was incentivised, increasing from 0.7% in 2017 to 8.1% as a result of a change in procurement and usage strategies. These results became particularly evident in the last few months of 2018 and the trend is expected to continue in 2019.

POLICIES IMPLEMENTED

Recycled copier paper



POLICIES IMPLEMENTED AND RESULTS ACHIEVED

The guidelines for the use of consumables prohibit the use of materials that generate hazardous waste.

Special waste (toner and ink cartridges) is recycled by a specialist firm.

In 2018 the majority of generated waste was recycled (96.8% of total waste), followed by incineration to generate electricity (1.9%) and landfill (1.3%).



A number of projects are in place to limit the use of office materials:

- iMeetingRoom, aimed at the digital management of the Board of Directors and other Governance committees, enabling members to share documentation on iPads and Android tablets in a safe and secure way;
- the digital storage service, accepted both fiscally and legally, which includes an electronic invoicing service for Public Authorities, the sending of documentation by email or certified email address, and the sharing of data between companies via the electronic data interchange (EDI).

Activities to ensure separation and correct disposal of urban waste are governed by the Parent Company and entrusted to external companies according to specific contracts.

Group companies observe the agreements signed and the provisions set forth by the Municipalities in which the Group's buildings are located.

Credem International Lux is not included in the reporting boundary.

Since 2013, separated waste collection facilities have been made available at the building complexes in Reggio Emilia (Head Office, Via Che Guevara, Via Gandhi, Scuola Credem and Central Offices on Via Brigata Reggio), for plastic, glass/metal and general waste. In 2017, in consideration of the high volume of employees at the Head Office and the growing awareness of the importance of recycling, a second initiative was launched with the provision of a further 14 mobile containers for separated waste collection.

DISCLOSURE 301-1 MATERIALS USED BY WEIGHT OR VOLUME

CONSUMPTION OF OFFICE MATERIALS	2018	2017	2016
by type of material			
Paper [t]	637.36	655.05	603.10
Toner and ink cartridges for printers [units]	10,598	12,384	17,080

The decrease in the number of toner cartridges used in 2018 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	2018	2017	2016
by type of material			
Number of employees as at 31/12	6,264	6,181	6,103
Paper (kg/employee) ²	101.75	105.98	98.82
Toner and ink cartridges [no. of units/employee]	1.69	2.00	2.80

DISCLOSURE 306-2 WASTE BY TYPE AND DISPOSAL METHOD ³

WASTE GENERATED	2018		2017		2016	
	Tonnes	Percentage	Tonnes	Percentage	Tonnes	Percentage
By type and disposal method						
Recycling	591.53	96.8%	661.27	98.0%	618.8	96.3%
of which Paper and cardboard	577.89	-	644.73	-	594.14	-
of which Toner and ink cartridges	13.64	-	16.54	-	24.66	-
Waste-to-energy incineration	11.63	1.9%	10.32	1.5%	15.72	2.5%
Landfill	7.69	1.3%	3.6	0.5%	7.84	1.2%
TOTAL	610.85	100.0%	675.19	100.0%	642.36	100.00%

² 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 loan agents as these do not use materials purchased by the Group.

³ The waste disposal method is the responsibility of the supplier company and is determined on the basis of the materials supplied.

ENERGY CONSUMPTION



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

In order to develop projects aimed at improving energy efficiency and to monitor the Group's activities, the following departments have been established:

- a central Building Planning and Energy Department, responsible for the management, monitoring and reporting of energy consumption relating to heat and electricity at all of the Group's Italian offices;
- a central Mobility Services Department in charge of managing the fleet of company vehicles and, more generally, to meet the professional mobility needs of Group employees while balancing efficiency and affordability.

Pursuant to Law no. 10/91, the Parent Company appointed an Energy Manager, responsible for identifying actions, interventions and procedures aimed at promoting the rational use of energy.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

In 2018 the following initiatives were implemented:

- a continuous energy consumption monitoring system was installed in four of the Group's most energy-intensive buildings, with an investment of around EUR 47,000; simultaneously the contract for the performance of energy audits to be performed in 2019 relating to these buildings, which account for 18% of the Group's energy demand, was awarded;
- a pilot project was launched at 40 branches with the adoption of a Building Energy Management System (BEMS) aimed at the continuous monitoring of significant energy consumption and enabling remote system management. The preliminary phase of the call for tenders to select the supplier who will implement the trials in 2019, including the "machine learning" logics, was launched;

- new design standards for lighting systems were adopted, envisaging the use of LED lights in all new buildings and major refurbishments;
- an operating manual focused on environmental protection was produced, defining roles and responsibilities in the design phases of specific building and the management of real estate. The manual aims to ensure compliance with regulations, supported by the involvement of external professionals, through the use of specific self-assessment checklists;
- membership to the Green Banking Observatory of ABILAB, to explore topics relating to energy and environmental management and the new standards adopted by the Global Reporting Initiative regarding the disclosure of environmental impacts to stakeholders.

Internal energy consumption predominantly relates to the **use of buildings** which are instrumental to the commercial activities; this includes electricity and thermal energy for heating and air-conditioning and totalled **152,228 GJ** in 2018.

In relation to this type of consumption, the Group defines an annual energy efficiency plan; in the last three years, 128 initiatives have been carried out, regarding:

- general refurbishment of buildings;
- replacement of windows and doors to minimise heat loss;
- improvement of effectiveness of external **cladding**;
- replacement of heat pumps, boilers and refrigeration units with energy-efficient devices.



152,228 GJ
Internal energy
consumption for buildings

In 2018 energy consumption fell by 1% due to a reduction in the consumption of electricity ⁴.

In 2018 it was not possible to record the consumption of the company Credem Lux which ceased operations on 31/12/2018 (this contribution was nonetheless negligible, and was estimated to account for less than 1%).

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 and train, which totalled 62,564 GJ in 2018.



62,564 GJ
Energy consumption for business trips

Energy consumption for business trips refers mainly to the combustion of fossil fuels, with the exception of the use of four electric vehicles located at the Head Office in Reggio Emilia (21,415 km driven in 2018, roughly equivalent to 10 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 train journeys in **economy class**.

In 2018 the fleet of company cars available to employees included 354 cars: 320 diesel cars for mixed use, 27 diesel cars for service use, 6 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:

Incentive to **downsize the engine capacity of the cars** available to employees;

Promotion of **Smart Working**, which in 2018 enabled **1,266 employees** to work remotely from home, avoiding the environmental impacts associated with the corresponding commute.



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 2018, 113 employees took advantage of the course.

**DISCLOSURE 302-1 ENERGY CONSUMPTION
WITHIN THE ORGANISATION**

ENERGY CONSUMPTION WITHIN THE ORGANISATION [GJ]	2018	2017	2016
Use of fuel for heating	34,952	35,141	33,395
of which natural gas ⁴	34,842	34,915	33,210
of which LPG	110	226	186
District heating ⁵	9,380	9,067	8,631
District cooling ⁵	255	337	362
Electricity	107,641	109,337	105,994
of which from renewable sources	107,641	109,337	105,994
Total internal consumption of buildings	152,228	153,881	148,382
Long-term leased vehicles			
Diesel for service use	1,675	1,697	1,645
Diesel for mixed use	17,694	18,149	16,263
Hybrid petrol for mixed use	14	12	4
Electric for service use	10	6	8
Total internal consumption of company vehicles ⁶	19,392	19,864	17,920
Total consumption within the organisation	171,620	173,746	166,302

Considering the significant contribution of electricity consumption to total internal energy consumption, the Group acquires electricity certified by guarantees of origin, entirely sourced from renewable energy sources: in 2018 only 37% of all internal energy consumption derived from the use of fossil fuels.

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/m^2], 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 office heating 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 "medium" and "small" engine capacities indicated in the ABI Guidelines 2018, 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 emission factors [$\text{kgCO}_2\text{eq}/\text{km}$] 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 2018. For hybrid cars, reference was made to the average conversion factors indicated in the ABI Guidelines 2018 for European-standard engine capacities and technologies.
- Business mileage for mixed-use vehicles has been considered as 70% of the total, as indicated by the ABI Guidelines 2018.
- 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.

4

The data for natural gas consumption for 2017 has been reclassified with respect to the data published in the 2017 NFS, due to the significant adjustments (in the order of 10%) to consumption in 2018. For previously published data, reference should be made to the 2017 NFS published in the Sustainability section of the Group's website.

5

District heating and cooling refers to the distribution of energy through heat-conveying fluids (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.

6

The data for the energy consumption of the company fleet for 2016 and 2017 has been reclassified with respect to that shown in the 2017 NFS following the adoption of the new conversion factor calculation method in line with the update to the ABI Lab Guidelines on the application of GRI Environmental Indicators by banks. For previously published data, reference should be made to the 2017 NFS published in the Sustainability section of the Group's website.

CONVERSION FACTORS	Source	Coefficient	Unit of measurement
Fuel for heating			
natural gas	ABI Guidelines 2018	0.03428	GJ/Smc
LPG (density 0.56 kg/l)	ABI Guidelines 2018	0.04613	GJ/kg
District heating	ABI Guidelines 2018	0.0036	GJ/kWh
District cooling	ABI Guidelines 2018	0.0036	GJ/kWh
Electricity	ABI Guidelines 2018	0.0036	GJ/kWh
Service and mixed-use vehicles			
Medium	ABI Guidelines 2018	0.00225	GJ/km
Large	ABI Guidelines 2018	0.00308	GJ/km
Hybrid petrol	ABI Guidelines 2018	0.00177	GJ/km
Electric	Vehicle specifications; ABI Guidelines 2018	0.00046	GJ/km

DISCLOSURE 302-3 ENERGY INTENSITY

ENERGY INTENSITY	2018	2017	2016
Internal energy consumption for the use of buildings			
Employees and financial advisors as at 31/12 [No.]	7,364	7,305	7,319
Net surface area [m ²]	301,124	302,325	301,377
Energy intensity per person [GJ/person] ⁸	20.67	21.07	20.27
Energy intensity by net surface area [GJ/m ²]	0.51	0.51	0.49

CALCULATION METHOD

In consideration of the significant changes to real estate which took place in 2018, the surface area used in the calculation has been weighted in relation to the actual possession (or use) of the building, considering new acquisitions, new leases, and the handover of buildings at the end of existing lease during the year.

DISCLOSURE 302-2 ENERGY CONSUMPTION OUTSIDE OF THE ORGANISATION

ENERGY CONSUMPTION OUTSIDE OF THE ORGANISATION [GJ]	2018	2017	2016
Employee cars	35,040	36,252	36,390
Train	3,770	3,973	4,041
Aeroplane	4,362	4,786	5,385
TOTAL⁹	43,172	45,011	45,816

CALCULATION METHOD

- The conversion factor used to calculate energy consumption relating to business flights has been estimated on the basis of the CO₂eq provided by the ticket service provider, calculating the corresponding quantity of CO₂ emitted with the conversion factors issued by the Department for Environment, Food and Rural Affairs (DEFRA),

applying the conversion factor for consumed energy indicated in the ABI Guidelines 2018.

- The conversion factor used to calculate energy consumption relating to business journeys by rail has been estimated as the average of the conversion factors for the five most common journeys in 2018, processed according to the methodology indicated in the ABI Guidelines 2018 using the Ecopassenger app (<http://ecopassenger.hafas.de>) to calculate the coefficients per kilometre. For previous years, given the absence of sufficient data the conversion factor associated with the mileage indicated for 2018 (data not reported in the previous NFS) has been applied.

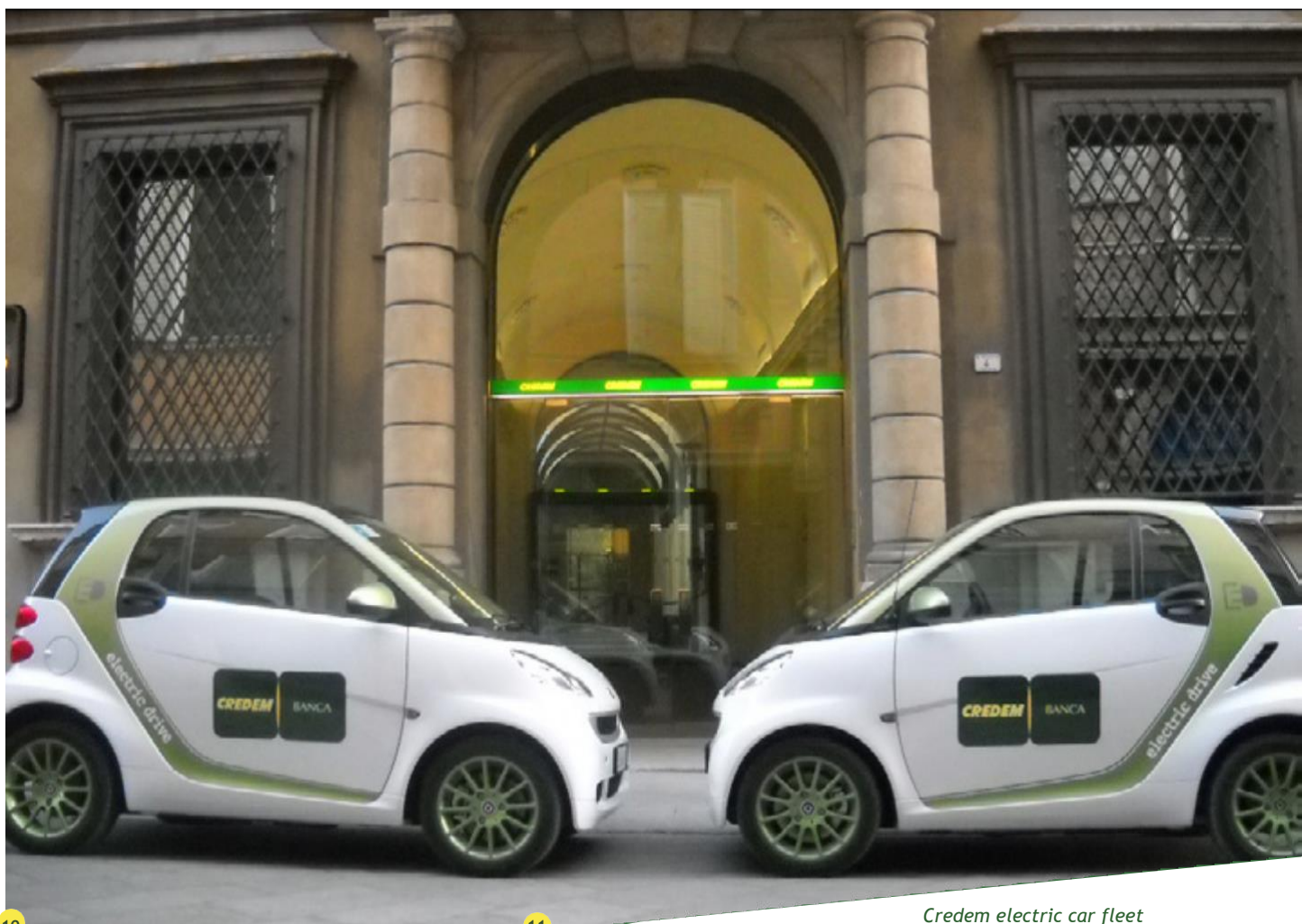
- To calculate energy consumption arising from the use of private cars used by employees for business trips, due to the absence of information on the type of fuel used the conversion factor for petrol cars has been applied, deemed to be the most likely scenario for cars with medium-sized engines; the conversion factor was estimated as the average of the conversion factors associated with technologies with Euro ratings from 1 to 6 (cf. ABI Guidelines 2018). For data pertaining to previous years the same method regarding engine classification has been applied retrospectively, given that in previous years petrol cars with engine capacities of over 2.0 litres were also considered.

The data for the energy consumption of the company fleet for 2016 and 2017 has been reclassified with respect to that shown in the 2017 NFS following the adoption of the new conversion factor calculation method in line with the update to the ABI Lab Guidelines on the application of GRI Environmental Indicators by banks. For previously published data, reference should be made to the 2017 NFS published in the Sustainability section of the Group's website.

CONVERSION FACTORS	Source	Coefficient	Unit of measurement
Employee cars	ABI Guidelines 2018	0.00291	GJ/km
Train	ABI Guidelines 2018	0.000796	GJ/km
Aerop	ABI Guidelines 2018; DEFRA 2018; internal estimate	0.0015534	GJ/km

DISCLOSURE 302-4 REDUCTION OF ENERGY CONSUMPTION

ENERGY EFFICIENCY ACTIONS	2018	2017	2016
Number of actions energy efficiency plan:	36	60	42
<i>Restructuring</i>	6	6	3
<i>Windows</i>	1	1	2
<i>Heat pump</i>	13	20	12
<i>Boiler</i>	3	5	3
<i>Refrigeration unit and Air Conditioning Unit</i>	13	28	22
Estimated total energy savings [GJ] ¹⁰	11 2,383	2,158	1,766



Credem electric car fleet

Energy saving is calculated by comparing the annual energy consumption of each site subject to energy efficiency actions before and after their adoption. Based on internally developed algorithms, efforts have been made to "sterilise" the effect of climatic conditions.

Of which 332 GJ for electricity, 1900 GJ for methane gas; 151 GJ for district heating.

ATMOSPHERIC EMISSIONS



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

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.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

Atmospheric emissions are mainly generated by the **energy consumptions** described in the previous chapter, as well as greenhouse gas emissions relating to the production of the **paper** used by the Group.

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 **3,079 tCO₂eq** in 2018. Emissions deriving from the consumption of direct thermal energy comprise 53% of Scope 1 emissions; the remaining 47% relates to the use of vehicle for business use.

2018

SCOPE 1 Emissions
Direct:

3,079 tCO₂eq

Indirect emissions are classified as Scope 2, which refers to energy carriers acquired and consumed by the Credem Group, and Scope 3, deriving from

sources which are not controlled by the Credem Group.

Scope 2 emissions ¹² include emissions relating to the use of electricity, district heating and office heating, and district cooling, totalling

10,530 tCO₂eq in 2018 according to the Location-based approach and 992 tCO₂eq according to the Market-based approach.

In 2018 it was not possible to record the consumption relating to the company Credem Lux which ceased operations on 31/12/2018 (this contribution was nonetheless negligible).

2018

SCOPE 2 Emissions
Indirect - Location-based: Indirect - Market-

10,530 tCO₂eq
992 tCO₂eq

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 3,732 tCO₂eq in 2018.

2018

SCOPE 3 Emissions
Modes of transport:

3,732 tCO₂eq

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 2018. In terms of NO_x and SO₂, in 2018 emissions totalling 13,754.06 kg of NO_x and 26.7 kg of SO₂ were recorded (the calculation also considered the contribution of employee cars).

2018

Other emissions
Nitrogen oxides (NO_x): Sulphur oxides (SO₂):

13,754.06 kg
26.7 kg

12

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.

The centralised management of utilities provides an overview of energy consumption within the Group and led to the achievement of the goal to source 100% of all electricity from certified renewable sources ¹³, avoiding approximately 9,500 tCO₂eq in 2018.

The **photovoltaic system** of Magazzini Generali delle Tagliate in Castelfranco Emilia (MO) aims to generate the electricity used to power the warehouses themselves and covers a surface area on the roof of the building of 4,500 m²: it was designed to provide

a peak nominal capacity of 400 kW and in 2018 enabling the self-generation of almost 362,763 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 six electric cars for service use (two more than last year) and two electric bicycles, located at the Head Office in Reggio

Emilia to encourage the use of environmentally friendly alternatives when travelling between offices.

To facilitate the commute between home and work and to offer a comfortable and convenient alternative mode of transport, Credem has adopted Jojob Corporate Carpooling, a platform designed for colleagues who want to car-share on the daily commute.

Users can register free of charge on the website or download the app to share rides with colleagues who take similar routes or depart from similar locations, splitting the travel costs.

In 2018 Jojob facilitated 531 shared rides, covering a total distance of 12,824 km

and saving **869 kg of CO₂** equivalents.



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

The photovoltaic plant at Magazzini Generali delle Tagliate, at the Castelfranco Emilia (MO) factory.

Disclosure 305-1 Direct (Scope 1) GHG emissions

SCOPE 1 EMISSIONS [TCO ₂ EQ]	2018	2017	2016
Use of fuel for heating	1,624.3	1,658.7	1,522.4
<i>of which natural gas</i>	1,617.0	1,643.8	1,510.1
<i>of which LPG</i>	7.3	14.9	12.3
Use of fuel for company vehicles	1,454.7	1,483.1	1,344.9
<i>Diesel cars for service use</i>	126.9	130.3	126.4
<i>Diesel cars for mixed use</i>	1,326.8	1,351.9	1,218.2
<i>Hybrid petrol cars for service use</i>	1.0	0.9	0.3
TOTAL	3,079.0	3,141.8	2,867.3

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 "medium" and "large" envisaged by the ABI Guidelines 2018 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.
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 2018.
- Business mileage for mixed-use vehicles has been considered as 70% of the total, as indicated by the ABI Guidelines 2018.

EMISSION FACTORS	Source	Coefficient	Unit of measurement
Fuel for heating			
Natural gas	ABI Guidelines 2018	1.989	kgCO ₂ eq/Smc
LPG (density 0.56 kg/l)	ABI Guidelines 2018	3.052	kgCO ₂ eq/kg
Service and mixed-use vehicles			
Diesel medium	ABI Guidelines 2018	0.169	kgCO ₂ eq/km
Diesel large	ABI Guidelines 2018	0.231	kgCO ₂ eq/km
Hybrid petrol	ABI Guidelines 2018	0.131	kgCO ₂ eq/km

DISCLOSURE 305-2 INDIRECT (SCOPE 2) GHG EMISSIONS

Scope 2 emissions are calculated according to the “Location-based” and “Market-based” methods ¹⁵.

SCOPE 2 EMISSIONS [TCO ₂ EQ] LOCATION-BASED	2018	2017	2016
Electricity purchased from the national grid	9,537.7	9,672.4	9,347.9
District heating	571.4	552.3	525.8
District cooling	15.5	20.5	22.0
Office heating	405.1	383.1	417.8
TOTAL	10,529.7	10,628.3	10,313.5

SCOPE 2 EMISSIONS [TCO ₂ EQ] MARKET-BASED	2018	2017	2016
Electricity purchased from the national grid	0	0	0.0
District heating	571.4	552.3	525.8
District cooling	15.5	20.5	22.0
Office heating	405.1	383.1	417.8
TOTAL	992.0	955.9	965.6

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)	ABI Guidelines 2018	0.323	kgCO ₂ eq/kWh
District heating/ district cooling (Italy) District heating (Luxembourg)	ABI Guidelines 2018	0.2193	kgCO ₂ eq/kWh
Electricity purchased from the national grid (Luxembourg)	TERNA 2014	0.223	kgCO ₂ eq/kWh
Natural gas for office heating	ABI Guidelines 2018	1.989	kgCO ₂ eq/Smc

DISCLOSURE 305-3 OTHER INDIRECT (SCOPE 3) GHG EMISSIONS

SCOPE 3 EMISSIONS [TCO ₂ EQ]	2018	2017	2016
Energy consumption from business trips	3,116.5	3,247.8	3,305.0
<i>of which refer to flights</i>	315.1	345.7	389.0
<i>of which refer to train journeys</i>	199.2	209.9	213.6
<i>of which refer to employee vehicles for service use</i>	2,602.1	2,692.2	2,702.4
Paper consumption	615.1	639.2	576.9
TOTAL	3,731.6	3,887.1	3,881.9

CALCULATION METHOD

- To calculate the CO₂ equivalent relative to flights the data provided in the report of the ticketing service provider has been used.
- To calculate emissions relative to rail transport, reference was made to the Ecopassenger method proposed by the ABI Guidelines for the calculation of t CO₂ and the subsequent application of equivalence factors (t CO₂ eq/ t CO₂), calculated according to the conversion factors provided by the Department for Environment, Food and Rural Affairs (DEFRA).
- To calculate greenhouse gas emissions arising from the use of employee cars for business use, CO₂ equivalent emissions were 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 e 265 respectively. In the absence of information regarding the type of fuel used by said cars, the emission factor for petrol vehicles has been used, therefore applying the worse of the potential factors but which is however deemed most likely for vehicles with medium-capacity engines; the conversion factor has been estimated as the average of the conversion factors associated with technologies with Euro ratings from 1 to 6 (ABI Guidelines).
- To calculate paper emissions reference was made to the conversion factors issued by the Department for Environment, Food and Rural Affairs (DEFRA) for Material use and Waste disposal; in the latter case, emissions were weighted according to the waste disposal system actually used.

EMISSION FACTORS	Source	Coefficient	Unit of measurement
Business trips			
Use of employee private vehicles	ABI Guidelines 2018	0.2160	kgCO ₂ eq/km
Train travel	Ecopassenger 2018; internal estimate	0.0421	kgCO ₂ eq/km
Flights	Supplier Report 2018	0.1122	kgCO ₂ eq/km
Paper			
Virgin paper	DEFRA 2018; internal estimate	0.9770	kgCO ₂ eq/kg
Recycled paper	DEFRA 2018; internal estimate	0.8168	kgCO ₂ eq/kg

The data for Scope 3 emissions relative to 2016 and 2017 was reclassified compared to the figures indicated in the NFS 2017 following the adoption of the new conversion factor calculation method for energy consumption by the company fleet in line with the update to the ABI Lab Guidelines on the application of GRI Environmental Indicators by banks, and following the periodic update of emission factors aimed at ensuring greater comparability. For previously published data, reference should be made to the 2017 NFS published in the Sustainability section of the Group's website.

DISCLOSURE 305-4 GHG EMISSIONS INTENSITY

INTENSITY OF EMISSIONS SCOPE 1 + SCOPE 2 (MARKET-BASED)	2018	2017	2016
Scope 1 + Scope 2 emissions (Market-based) [tCO ₂ eq]	4,071	4,097.7	3,832.9
Employees and financial advisors as at 31/12 [no.]	7,364	7,305	7,319
Net surface area [m ²]	301,124	302,325	301,377
Emission intensity per person [kgCO ₂ eq/person]	552.8	560.9	523.7
Emission intensity by net surface area [kgCO ₂ eq/m ²]	13.5	13.6	12.7

DISCLOSURE 305-6 EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS)

In 2018, according to the major investment plan almost all refrigeration units and heat pumps using HCFC and CFC gases were replaced with new air-conditioning systems using non-ozone-depleting refrigerants.

At year-end 2018, around 15 systems containing R22 were still in use, in relation to which no gas leaks or losses have ever been reported.

As regards automatic shut-off devices, none of the systems in place contain Halon, other CFC/HCFC gases or substances included in the Montreal Protocol.

DISCLOSURE 305-7 NITROGEN OXIDES (NO_x), SULPHUR OXIDES (SO₂) AND OTHER SIGNIFICANT AIR EMISSIONS

NO _x [KG]	2018	2017	2016	SO ₂ [KG]	2018	2017	2016
from natural gas for heating	1,057.1	1,059.6	1,007.8	from natural gas for heating	10.5	10.5	10.0
from LPG for central heating	3.3	6.9	5.6	from LPG for central heating	-	-	-
from electricity from non-renewable sources	-	-	-	from electricity from non-renewable sources	-	-	-
from company vehicles	12,693.7	13,053.9	12,586.5	from company vehicles (excluding employee vehicles)	16.2	16.6	16.0
TOTAL	13,754.1	14,120.33	13,599.9	TOTAL	26.7	27.2	26.1

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			
from natural gas for central heating	ABI Guidelines 2018 ABI	0.00104	kgNO _x /Smc
from LPG for central heating (density 0.56 kg/l)	Guidelines 2018	0.00140	kgNO _x /kg
from the company fleet	SINAnet-Sistema Inf.vo Naz.le Ambientale	0.00062	kgNO _x /km
SO₂			
from natural gas for central heating	ABI Guidelines 2018 ABI	0.0000103	kgSO ₂ /mc
from LPG for central heating (density 0.56 kg/l)	Guidelines 2018	0.000102	kgSO ₂ /kg
from the company fleet	SINAnet-Sistema Inf.vo Naz.le Ambientale	0.00000079	kgSO ₂ /km

17

The data for Scope 1 and 2 emissions for 2016 and 2017 has been reclassified with respect to the figures provided in the NFS 2017,

as a result of significant adjustments (around 10%) to natural gas consumption in 2018 following the adoption of the new conversion factor calculation method for energy consumption for the company fleet in line with the update to the ABI Lab Guidelines on the application of GRI Environmental Indicators by banks, and following the periodic update of emission factors aimed at ensuring greater comparability. For previously published data, reference should be made to the 2017 NFS published in the Sustainability section of the Group's website.

18

The data for NO_x and SO₂ emissions for 2016 and 2017 has been reclassified with respect to the figures indicated in the NFS 2017 due to the entry into the reporting boundary of the data for fuel consumption deriving from the use of employee cars for business trips, and following the periodic update of emission factors aimed at ensuring greater comparability. For previously published data, reference should be made to the 2017 NFS published in the Sustainability section of the Group's website.

THE CREDEM FOREST



In 2018 Credem founded its very own forest through Treedom, an environmental organisation that enables members to plant trees remotely and to follow them online.

The Group focused its support on Italy, particularly the Alcantara valley and the area around Motta Sant'Anastasia in the fertile valleys of Catania. The planted trees will be part of two agricultural and forestry projects, both with huge environmental and social importance:

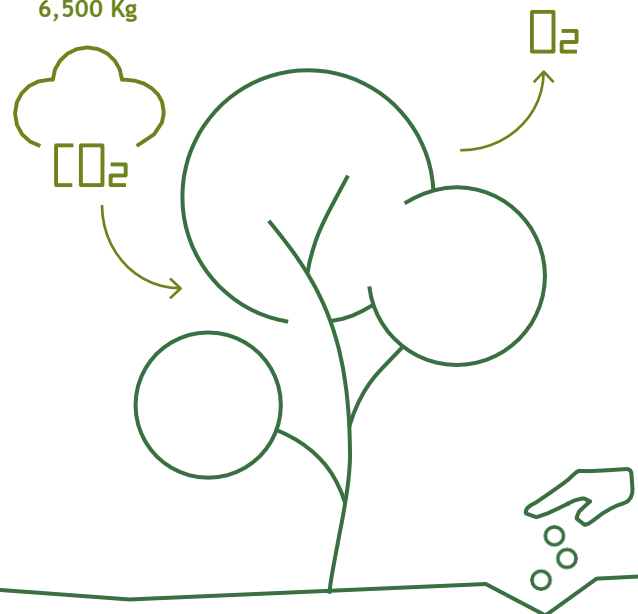
- in the Alcantara valley, in collaboration with the Carpe Diem-Insieme per l'autismo Non-Profit Organisation, the project will promote employment and social integration of young people with autism;
- in Motta Sant'Anastasia, in collaboration with the Beppe Montana Cooperative, the first Libera Terra cooperative in Catania, the project will promote the social and economic recovery of assets seized from the Mafia.

In 2018 the first 130 pomegranate trees were planted, which will:

- absorb 6,500 of CO₂;
- protect biodiversity and environmental regeneration;
- promote the employment and social integration of young people with autism.



6,500 Kg



land
confiscated
from the
Mafia

helping young
people to
work
integrate

Pomegranate trees - Credem Forest.

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 conducts constant **monitoring** activities with the aim of **reducing waste and saving water**.

Water consumption



from Aqueducts	99.5%
from Wells	0.5%

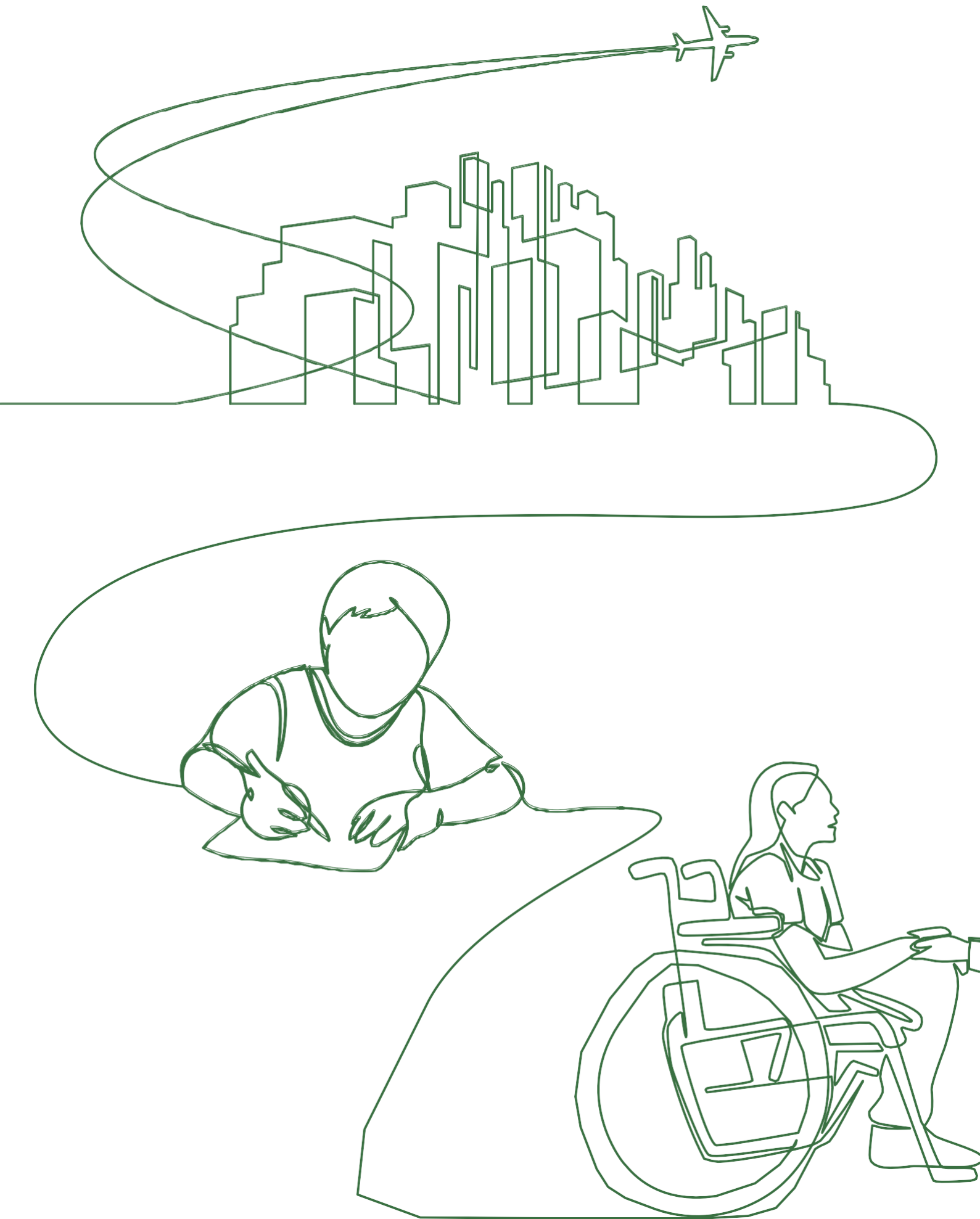
DISCLOSURE 303-1 WATER WITHDRAWAL BY SOURCE

WATER WITHDRAWAL BY SUPPLY SOURCE [M ³]	2018	2017	2016
Aqueduct	130,448	126,065	125,592
Well	700	760	768
TOTAL	131,148	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 in 2018).

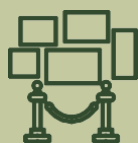
The average weighted tariff was calculated on the national average for buildings served by an exclusive supply contract; consequently, water consumption has been estimated and a parametric value which represents the average consumption of each building has been identified. This value was used to calculate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



Corporate social responsibility

REGIONAL EVENTS

over **87** % focused on:



**Art,
Culture
& Society**



**Financial
Education**

Events in
partnership with
FEDUF

Over

**EUR 980,000
in grants and
sponsorships**



The Group recognises the **value of its external stakeholders.**

In this respect, the Group engages in collaborative projects and partnerships with the supply chain, the business network, the community and the region in which it operates, stimulating organisational capital and promoting innovation and shared social value.



*Palace invitation 2018:
public opening of Palazzo Spalletti Trivelli and
the Credem art collections.*

PROCUREMENT PRACTICES



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

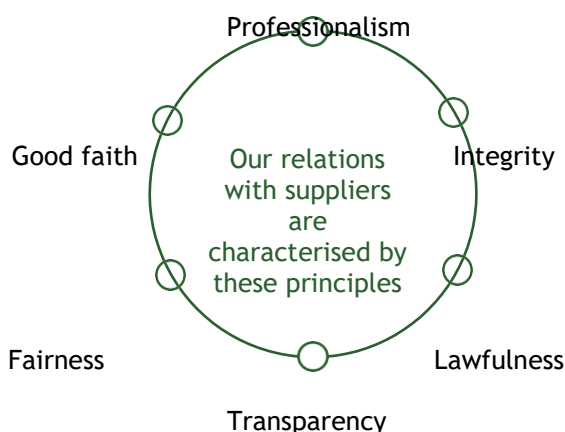
Relations with suppliers are regulated by a specific regulation that defines the negotiation, procurement and monitoring procedures for supplies through a structured mapping of processes, roles and associated responsibilities.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

The Group is committed to ensuring the continuous supply of goods and services, managing supplier relations during negotiation, procurement and supply, and continuously monitoring alternative forms of supply

to increase service quality.

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.



Payment terms are guaranteed and contractual conditions are strictly observed.
Suppliers are required to acknowledge and observe

the Code of Ethics updated in January 2018 with a specific clause pursuant to Italian Legislative Decree no. 231/01 in all supply contracts, with failure to do so resulting in the termination of the business relationship.

In 2018 the supply chain of the Parent Company, which remained largely unchanged on previous years, involved over 3,300 suppliers; 97% operate in the same region as the Group, demonstrating the preference for local suppliers, pursuing a development strategy focused on forging stable relationships with the local community.



97% of Suppliers
operate in the national area served by the Group

The “Authorised Suppliers Register” includes:

- Suppliers who in the last calendar year have recorded a total turnover of
- EUR 100.000 or above;
- names of suppliers notified by the expenditure planning team who, in the year of validity of the Register, are expected to achieve an annual turnover of over EUR 100,000.

In 2018, the register included 265 suppliers. The vendor rating process is activated for suppliers

- in relation to departments whose operations are considered to present significant risk profiles and whose outsourcing is subject to greater caution;
- of strategic importance with a total invoiced amount in excess EUR 100,000;
- 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. The assessment considers the criteria of professionalism, reliability, financial stability and affordability.

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 2018, supplier assessment activities aimed at the allocation of the vendor rating were carried out on 83 suppliers for 130 supply contracts; a total of 24 suppliers were placed under observation.

Assignment of the vendor rating

 **83**
Suppliers
assessed

 **24**
under
observation

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 (CICPC). In 2018, 27 out of a total 848 (3.18%) new suppliers appointed by the Parent Company presented CICPCs, representing 11.4% of new supplies in terms of turnover.



Business meeting at the Credem Head Office.

SUPPORT FOR THE BUSINESS NETWORK



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

The Group has enjoyed a close connection with small and medium enterprises in Italy for over a century, providing support in the form of credit lines and dedicated services.

POLICIES IMPLEMENTED AND RESULTS ACHIEVED

In order to ensure the 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:

with **ISMEA** (Istituto di Servizi per il Mercato Agricolo Alimentare), agreements are in place to support access to credit and investments for companies operating in the agricultural sector since 2014;

with **SACE** (Società per Assicurazione Credito Estero), partnership agreements are in place to facilitate 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. 662/96 the Group facilitates access to credit for Italian SMEs that make investments or supports their working capital requirements;

with the **MiSE** (Italian Ministry for Economic Development), we 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.

Continuing the trend of recent years, the Group will continue to support the business network in the future, positively assessing the development of new programmes and renewing existing projects aimed at supporting the development and growth of small and medium businesses, in line with the company's credit policies.

Credem supports the **Legality rating system**, a tool introduced into Italian law to promote ethical standards in corporate activities by offering beneficial access to loans to businesses who achieve the rating for preferential access to credit: in the period between 1 April 2017 and 31 March 2018, 21

companies notified Credem S.p.A. of their Legality rating; the Bank made the decision to offer 20 of these businesses improved 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 2018 to 31 March 2019 will be published on the Transparency section of the website www.credem.it by 30 April 2019.

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:

Assessment and issue of loans: 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 that produce it, the company accepts wheels of 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 in the Municipality of Quattro Castella (RE) and Castelfranco Emilia (MO) where suitable temperature, humidity and maintenance conditions are guaranteed.





Wheels of cheese stored in the maturing warehouses of Magazzini Generali delle Tagliate.

INITIATIVES TO SUPPORT BUSINESSES ²

CATEGORY INITIATIVE	2018	2017	2016
ISMEA	2.0	0.5	1.8
SACE	49.1	37.3	40.6
EIF - InnovFin	103.4	177.7	111.5
EIF - COSME	139.4	155.2	285.5
MCC - SME Guarantee Fund	220.3	157.2	157.7
MISE - New Sabatini Law	10.0	16.1	30.5
TOTAL LOANS GRANTED [EUR/million]	524.2	543.9	627.6

CONTRIBUTIONS BY MAGAZZINI GENERALI DELLE TAGLIATE

CONTRIBUTION OF MAGAZZINI GENERALI DELLE TAGLIATE	2018	2017	2016
Wheels - volume [No.]	393,989	344,225	363,925
<i>of which from Montecavolo</i>	<i>164,148</i>	<i>138,268</i>	<i>184,875</i>
<i>of which from Castelfranco Emilia</i>	<i>229,841</i>	<i>205,957</i>	<i>179,050</i>
Deposit warrants and credit notes issued [No.]	376	393	490
<i>of which from Montecavolo</i>	<i>166</i>	<i>177</i>	<i>245</i>
<i>of which from Castelfranco Emilia</i>	<i>210</i>	<i>216</i>	<i>245</i>

At year-end 2018, the value of the goods held by Magazzini Generali delle Tagliate totalled over EUR 175 million, equivalent to 459,000 wheels of cheese: of these, approximately 245,000 - for a value of around EUR 98 million - were pledged for advance transactions, while the remaining 214,000 are free.

2

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



BUSINESS MANAGEMENT AND ORGANISATIONAL MODEL

An efficient, high-performing region that expresses its many different local identities is essential to the manufacturing system and represents an invaluable source of competition in the manufacturing system, able to attract new businesses and promote social welfare.

In this regard, along with social and economic cohesion the European Union introduced regional cohesion into its strategic objectives, pursued through efficiency, quality and regional identity at national, regional and local levels.

Through its business, the Group aims to support and develop the region through its services, the generation of income and jobs, and through grants, sponsorships, hospitality and a programme of events aimed at promoting social, cognitive and environmental capital in the regions in question.

In 2018 Credem began to constantly analyse its reputation to understand - according to the Group's strategic objectives - the current position of the business with a view to improving its overall perception in line with stakeholders' expectations with regard to corporate capabilities (products and services, innovation, performance) and the legal aspects associated with its corporate responsibilities (corporate social responsibility, environmental responsibility, transparency, ethics, occupational health, leadership) 3.

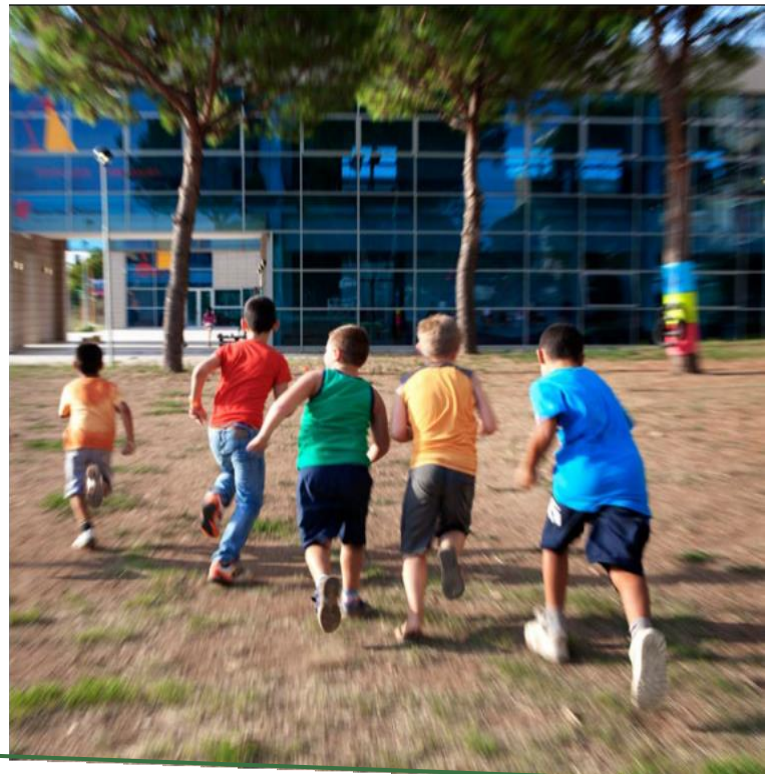
POLICIES IMPLEMENTED AND RESULTS ACHIEVED

In 2018 the Group issued over **EUR 980 thousand** in grants and sponsorships and organised/promoted numerous activities, aiming to support the specific needs of the region with positive social and cultural effects which will be felt in the years to come.

OUR SOCIAL COMMITMENT

The "Illuminiamo il futuro dei bambini in Italia" project organised by **Save the Children**: a campaign to raise funds and public awareness launched in 2014 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:

- "Punti Luce" (Light Points): a community project characterised by 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; we helped to found 23 light points in 18 Italian cities through collaborations with local associations;
- "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.



Results in 2018:

- 17,855 beneficiaries reached and engaged by support centre activities;
- 6,604 young people in regular attendance at support centres; 1,647 learning devices provided.

At Christmas, an advertising campaign was launched online and in branch, aimed at raising public awareness of the charity and how to support it.

Associazione Paolo Pini in Milan provides home care for chronically ill children.

Banca Euromobiliare promoted and supported an exclusive concert at the National Museum of Science and Technology in Milan. As part of the event, the exquisite Andrea Guarneri 1694 violin was played by master violinist Matteo Fedeli, a long-standing supporter of this charitable cause. All proceeds were donated to the Association.

Associazione per il Bambino Nefropatico in Milan, aimed at provided a much-needed paediatric nephrology and dialysis service.

For a number of years Banca Euromobiliare has organised an event at La Pinetina Golf Club in Appiano Gentile, aimed at raising money for the Association in order to fund a specialist centre for the care and treatment of children affected by renal failure at the city's Clinica De Marchi.

I Bambini delle Fate - Caleido project, a social enterprise aimed at supporting the families of children with disabilities.

Banca Euromobiliare continues to provide its support to promote initiatives aimed at providing rehabilitation and social inclusion initiatives designed to improve the lives of children and young people with autism and disabilities and offer respite for families through the provision of childcare and support.

A.G.E.O.P. Ricerca Onlus, an association that for over thirty years has accommodated and cared for children and young people with cancer and their families, aiming to improving quality of life and support them throughout their treatment, as well as funding scientific research to combat childhood cancer.

In 2018 a toy donation and fund raising initiative was launched, with the proceeds donated to patients on the Paediatric Oncology and Haematology Wards at Policlinico Sant'Orsola Malpighi in Bologna, a newly constructed department equipped with state-of-the-art facilities and custom-designed for children. Through Credem's contribution, the toys were donated to children who were hospitalised in the clinic over the Christmas period. Furthermore, they will be added to the "Cupboard of Courage", from which, at the end of each appointment or invasive exam, each child is allowed to select a toy.

Casa Madonna dell'Ulivo based in Reggio Emilia, the service provided by the Foundation and long supported by Credem aims to support citizens who for various reasons encounter difficulties associated with cancer.

An Information Centre was established to offer free access to information, dialogue and support; the Centre also offers a continuous help service, companionship and support for patients with cancer and their families.

10th Science for Peace World Conference, aimed at finding solutions to global inequalities. Various studies have proven that income inequality has a serious impact on different aspects of people's lives, resulting in complications in the development of skills and knowledge, reduced access to healthcare and a lower life expectancy. Distribution policies (social, health, training, employment policies, etc.) are an essential tool in helping the Group to function better and more fairly as a whole.

Since 2014 Banca Euromobiliare has supported the Umberto Veronesi Foundation to promote scientific research aimed at improving quality of life, particularly as regards changes in diet, neurodegenerative diseases, and cancer research, diagnosis and treatment, and was a partner for the Science for the 10th Peace World Conference which, with the help of intentionally renowned experts, aims to find a solution to these global inequalities.

Atelier dell'Errore (AdE), a visual arts workshop aimed at children under the care of the Child Neuropsychiatric services and designed and organised by the visual artist Luca Santiago Mora.

Launched in 2002 to support the Local Health Authority in Reggio Emilia, the project quickly developed into a structured environment able to inspire narrative processes that swiftly bring to light the poetic talent and imagination of these young children.

In 2015 the Atelier dell'Errore BIG was established, a highly specialised and professional visual arts college designed for children who, having outgrown the Child Neuropsychiatric service and entered Adult Disabilities service, would otherwise not be able to continue their artistic career with AdE.

Since its foundation, the Atelier dell'Errore BIG has been housed the Maramotti Collection in Reggio Emilia, a private collection of contemporary art located in the old Max Mara factory and which has been open to the public since 2007.

In 2018, after sixteen years of operation, Atelier dell'Errore BIG s.c.s. was founded, a genuine social and cooperative enterprise positioned on the markets of contemporary and applied arts to enable the young people attending the college to become true professionals.

As part of the 2018 Christmas concert, the Credem Group collaborated with the college to produce the themed installations associated with the musical programme.

Atelier dell'Errore in Reggio Emilia; the college collaborated with Credem to produce the Christmas concert.



OUR COMMITMENT TO THE ENVIRONMENT

200 del FAI: Banca Euromobiliare participated in the “200 del FAI”, a group of patrons who, through the funding of the Foundation's recapitalisation fund, contributed to supporting ongoing restoration projects, opening to the public Italy's cultural heritage and managing those locations that are already accessible in an attentive and sustainable way, continuing to enhance our country's heritage.

FAI - Ten-year sponsorship of Villa Necchi Campiglio, Milan: built between 1932 and 1935 by Milan-based architect Piero Portaluppi and later modified by architect Tommaso Buzzi, Villa Necchi Campiglio is located in the very heart of the city.

To actively help to protect the beauty of Italy's heritage, Banca Euromobiliare has adopted an area of the villa for the next ten years, contributing to its preservation and maintenance.

*Villa Necchi Campiglio:
part of the villa is protected and
preserved by Banca Euromobiliare.*



OUR SUPPORT FOR RESEARCH

Fondazione GRADE Onlus in Reggio Emilia. Support is provided through:

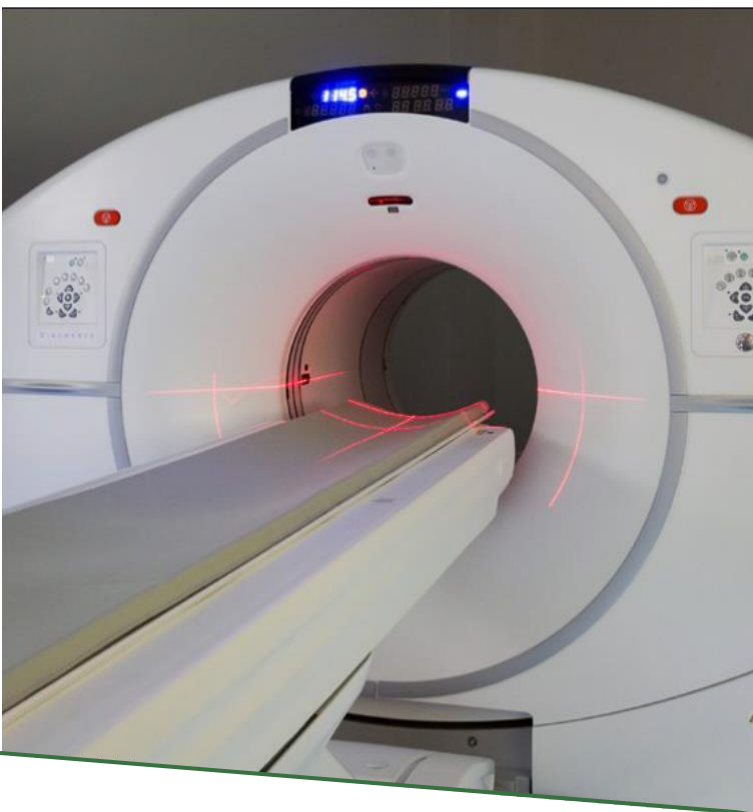
- the continued support of the five-year project for Haploidentical stem cell transplantation, which carries out procedures on donors who are only a 50% match at the Haematology department of the Arcispedale Santa Maria Nuova hospital in Reggio Emilia. The project concerned an investment to provide specialist 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 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. Credem granted a loan of EUR 700,000 in order to finalise the negotiations and to schedule

the machine's entry into operation in 2018, with benefits not only for the local region but potentially the wider national and international community as well.

Associazione CuraRe Onlus, in collaboration with which Credem has supported the foundation of MIRE (Maternità Infanzia Reggio Emilia), a state-of-the-art mother and baby unit located at Santa Maria Nuova hospital in Reggio Emilia.

Fondazione Natalino Corazza, an association supported by Credem that conducts broad-ranging studies and research into psoriasis, psoriatic arthritis and onco-dermatological diseases, operating nationally and internationally.

Associazione Bimbo Tu o.n.l.u.s., founded in 2007 in the Paediatric Neurosurgery Division of the Neurosurgery department of Ospedale Bellaria in Bologna to support parents of ill children. Credem supports the non-profit organisation, which in 2013 was awarded a Silver Medal for Public Hygiene by Presidential Decree.



Positron Emission Tomography (PET)

Medical staff at the haematology department of Arcispedale Santa Maria Nuova hospital in Reggio Emilia, dedicated to the experimental five-year project supported by Credem.

OUR CONTRIBUTION TO CULTURAL PROMOTION

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.

The historical Palazzo Spalletti Trivelli, home to our Head Offices, also houses:

- 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 to be one of the most important private collection in Italy.

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

In 2018 the Credem Art Collection was further enriched by the acquisition of two new ancient paintings:

- “Christ casts out Lucifer”, painted by masters of the Emilian School in the late seventeenth century;
- “Still life of mushrooms and vegetables” by an anonymous master conventionally known as Painter of Rodolfo Lodi, dating to the second half of the seventeenth century.

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:

- Support for the seventeenth edition of the **Invitation to the Palace** event, opening the Palazzo Spalletti-Trivelli, the Group’s Head Offices, to the public and organising guided visits of the art collections and the archaeological site. During the event the recently acquired painting “Saint John the Baptist in the Desert” by Bernardino Campi (1575) was presented to the public;
- **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.



“Saint John the Baptist in the Desert” by Bernardino Campi (1575), presented to the public during the seventeenth Invitation to the Palace event.

In 2018 Credem organised a number of workshops at its archaeological site to illustrate the techniques used to create the Roman mosaics.

The year was also characterised by the progressive consolidation of the **Spazio Credem** project, aimed at promoting and protecting the Bank's historical, artistic and

architectural assets. This cultural heritage was promoted through personalised guided visits for Group stakeholders.

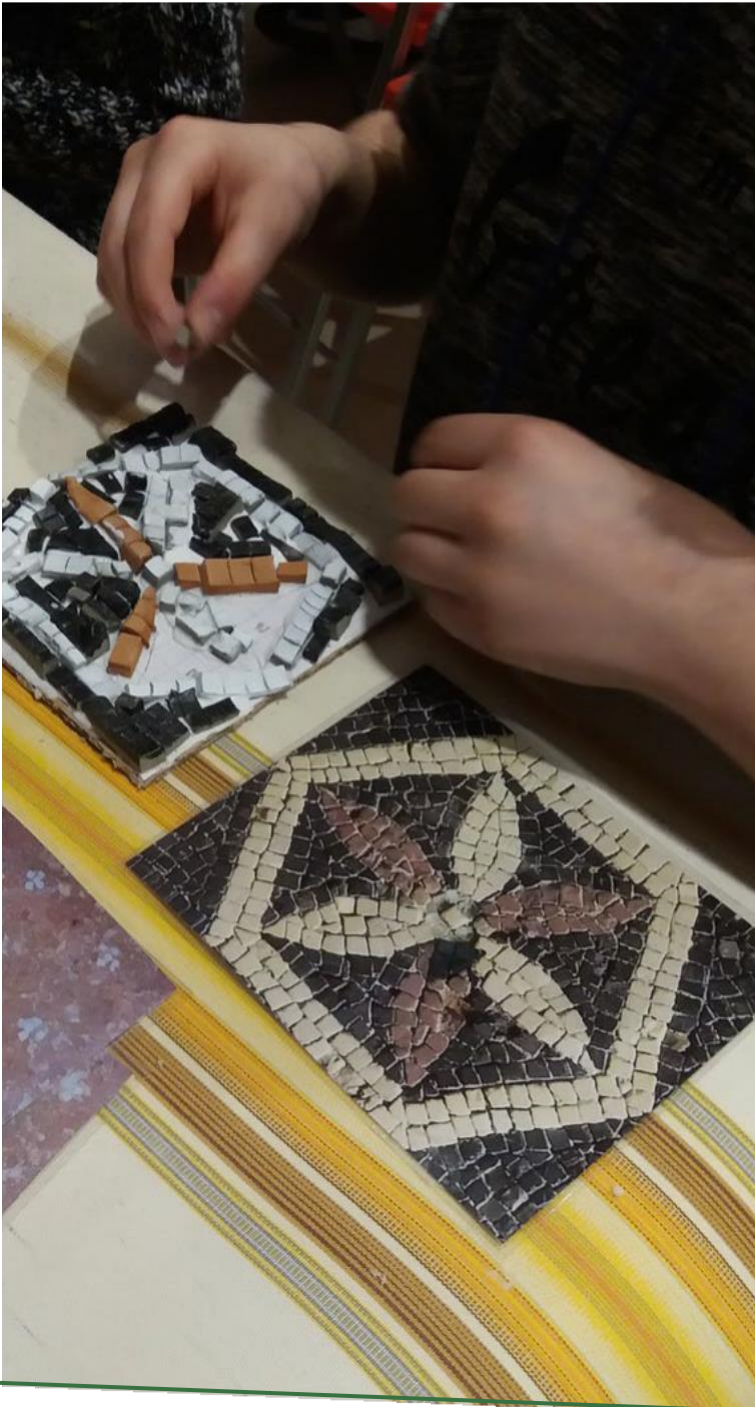
The sites involved in the project were Palazzo Spalletti Trivelli, the Roman archaeological site, the art collections and the warehouses of Magazzini Generali delle Tagliate which specialise in the maturing and storage of Parmigiano-Reggiano cheese, one of Italy's best-known specialities.

Private opening of the photographic exhibition **THE ART OF SHADE** by Andrea Jako Giacomini, known in the art world as VONJAKO, a multi-award-winning Italian filmmaker and photographer based in Los Angeles. In **THE ART OF SHADE**, supported by the Group, VONJAKO captured the murals of Los Angeles and reinterpreted them according to his own unique aesthetic vision.

Fondazione I Teatri di Reggio Emilia, where Credem's support is still rooted in adult education and training, with events held each Sunday in the Mirror Room of Teatro Romolo Valli with writers, academics and philosophers at the forefront of Italy's cultural scene.

Guided visits and exhibitions to support cultural promotion: during the year, Credem and Banca Euromobiliare organised guided visits to some of the leading exhibitions and cultural events in Italy, located particularly in the piazzas of Bologna, Milan, Rome and Turin.

Themed conferences. In 2018 Credem and Banca Euromobiliare promoted and organised several training and information events on important current topics directed at certain stakeholders, aimed at promoting the diffusion of a more aware and responsible financial culture.



Workshops organised by Credem during the Festival of Creative Culture.



Palazzo Spalletti Trivelli, home to Credem's Head Offices; painted murals of Vincenzo Carnevali.

OUR CONTRIBUTION TO REGIONAL ENHANCEMENT

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 2018, the Parent Company supported several awareness-raising initiatives:

- guided visits and tasting events at the vinegar distillery donated 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 and secondary schools in the Municipalities of Casalgrande and Novellara.

ON THE ROAD. Via Emilia 187 a. C. - 2017.

An exhibition 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 aimed to promote the Via Aemilia Roman road founded by the Roman Consul Marcus Aemilius Lepidus through various initiatives.

In this regard, Credem, working in collaboration with the Civic Museums and the Diocesan Museum of Reggio Emilia, hosted the "Regium Lepidi Underground" **Via Emilia San Pietro 6** exhibition, opening its own archaeological site to the public on the first and third Saturday of the month from February to June 2018.



Credem vinegar cellar at Castello di Bianello, Municipality of Quattro Castella (RE).



Credem archaeological site during the "Regium Lepidi Underground. Via Emilia San Pietro 6" exhibition

Support for the restoration of Torre di San Prospero in Reggio Emilia. The Parent Company has decided to support the restoration works of one of the city's iconic historical monuments, designed by Giulio Romano, who studied under Raphael.

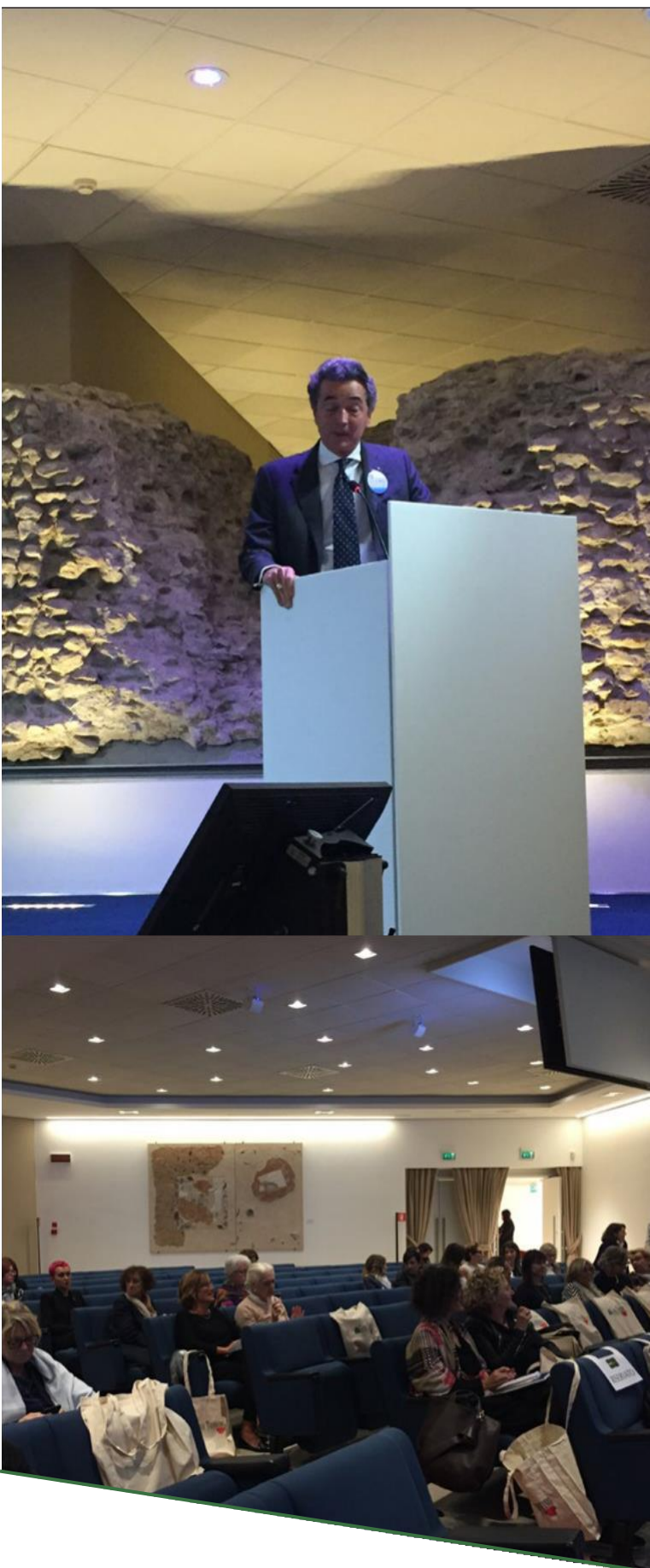
Amici della Biblioteca Panizzi, a project whose primary aim is to launch an inter-library programme, involving public libraries and businesses in the region.

Libraries are currently confronting epochal changes, characterised by new types of users and demands and the consequent need to innovate services. Credem has forged a partnership with the programme, aiming to develop library services and promote cultural growth and education among library users and citizens.

Reggionarra, an initiative that once a year transforms Reggio Emilia into the City of Stories: professional narrators and theatre companies, along with parents who take on the role of storytellers, enliven several locations throughout the city to create narrative spaces devoted to spoken word. It is an experience for adults and children alike, with theatrical performances, fairytales, stories, exhibitions and workshops, all of which are supported by Credem.



Reggionarra 2018: one of the events supported by Credem.



OUR CONTRIBUTION TO THE CREATION OF COGNITIVE CAPITAL

In partnership with the **Foundation for Financial Education and Savings (FEDUF)**, the **University of Modena and Reggio Emilia**, **Assiom Forex** and the **Global Thinking Foundation**, seminars were organised in the Credem Auditorium aimed at encouraging and promoting financial education.

The training was aimed at:

- the local and regional media, with the involvement of the Order and Foundation of Journalists of the Emilia Romagna region;
- members of the Free University of Crostolo in Reggio Emilia;
- leading women's associations in the region, through the presentation of the "Donne al Quadrato" project, aimed at women who work as freelance professionals. During World Investor Week 2018, conceived and promoted by the International Organisation of Securities Commissions, Credem presented an initiative that will be developed throughout 2019 across six themed modules certified according to ISO 9001:2015.

The Group's commitment to school-age children was consolidated by the donation of decommissioned company equipment to non-profit organisations and primary and secondary schools in the region of Reggio Emilia (44 desktop computers, 21 laptops and 44 monitors).

"Giochi virgiliani": Banca Euromobiliare promoted the initiative aimed at promoting culture among young people through its support for "Virgil's Games": in the name of Aeneas, Dido and Anchises students from Liceo Ginnasio Statale Antonio Canova in Treviso and Liceo Classico Leopardi-Majorana in Pordenone competed in games inspired by the Aeneid.

Virgil's classic work was chosen due to its founding role in European culture and its importance in the development of Europe's literary and artistic tradition.

Credem's chairman, Lucio Igino Zanon di Valgiurata, opens the series of Financial Education events "Donne al Quadrato".

DISCLOSURE 413-1 OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, DEVELOPMENT PROGRAMS

In 2018, financial education and artistic, social and cultural events represented 87.5% of all events organised by the Group.

COMMUNITY ENGAGEMENT INITIATIVES	NUMBER OF PARTICIPANTS
Financial education	259
Journalism and financial education	59
Returns, risks and liquidity	158
Donne al Quadrato	42
Art, Culture, Society	5,783
“Regium Lepidi” press conference	75
Reggionarra	152
Sergio Marchionne book presentation	140
Jean Dufubbet. L’arte in gioco	225
Musical events	569
Invitation to the palace	900
“Regium Lepidi Underground. Via Emilia San Pietro, 6” exhibition	1,130
Festival of Creative Culture	100
Notifications by PEC and recent guidelines of the Court of Cassation	208
Evolution of scientific studies of Alzheimer’s	84
Young people as drivers for change in Italy	191
One, none, one hundred thousand freelance careers	189
Institution and citizens against criminality: where are we now?	232
The risk of terrorism	443
25th annual conference - APB	135
RES User Meeting 2018	61
Reform of bankruptcy law	132
Credem area	367
Autumn symphony programme - Saluzzo	100
Charity concert in aid of Associazione Paolo Pini	200
Charity event in aid of Associazione Bambino Nefropatico	150

GRI content index

CORRELATION OF MATERIAL TOPICS TO GRI STANDARDS

MATERIAL TOPICS FOR THE CREDEM GROUP	GRI STANDARDS
Stability, economic - financial performance and creation of value	201 Economic performance
Ethics and integrity in Business Management	206 Anti-competitive behaviour 205 Anti-corruption 307 Environmental compliance With regards to the topic at stake, which is not strictly associated with a GRI Standard, the approach adopted by the Group's management and the relative indicators are duly reported.
Support for the business network	418 Customer privacy
Privacy and security	417 Labelling of products and services With regards to the topic at stake, which is not strictly associated with a GRI Standard, the approach adopted by the Group's management and the relative indicators are duly reported.
Accessibility and transparency of financial services and customer satisfaction	
Innovation	
Responsible finance	Product portfolio ¹
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102-2	Primary brands, products, and services	19-20	
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102-8	Information on employees and other workers	75-77	
102-9	Supply chain	117	
102-10	Significant changes to the organisation and its supply chain	In the course of 2018 no significant changes to the organisation or its supply chain were recorded.	
102-11	Precautionary Principle or Approach	48	
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Strategy			
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102-18	Governance structure	21-22	
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102-38	Annual total compensation ratio	84	
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GRI-103: Management approach (2016)		
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Independent Auditors' Report

Credito Emiliano S.p.A.

Non-Financial Statement as at 31 December 2018

Independent Auditors' Report pursuant to
Article 3, paragraph 10 of Italian Legislative Decree
no. 254 of 30 December 2016, and Article
5 of CONSOB Regulation no. 20267

Independent Auditors' Report on the Consolidated Non-Financial Statement pursuant to Article 3, paragraph 10 of Italian Legislative Decree no. 254/2016 and Article 5 of CONSOB Regulation adopted by Resolution no. 20267 of 18 January 2018

To the Board of Directors of Credito
Emiliano S.p.A.

Pursuant to Article 3, paragraph 10 of Italian Legislative Decree no. 254 of 30 December 2016 (hereinafter the "Decree") and Article 5 of CONSOB Regulation no. 20267/2018, we were appointed to carry out the limited assurance engagement audit of the Consolidated Non-Financial Statement of Credito Emiliano S.p.A. (hereinafter the "Bank") and its subsidiaries (hereinafter the "Group" or the "Credem Group") relative to the year ended 31 December 2018 prepared pursuant to Article 4 of the Decree, and approved by the Board of Directors on 14 March 2019 (hereinafter the "NFS").

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in compliance with the provisions of Articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative (hereinafter "GRI Standards"), as indicated in the paragraph "Methodology" of the NFS, identified by the Directors as the reporting standards.

The Directors are also responsible, within the terms provided by law, for the part of the internal control that they consider necessary to allow the preparation of the NFS that is free from significant errors caused by fraud or non-intentional behaviours or events.

The Directors are also responsible for identifying the content of the NFS within the topics mentioned in Article 3, paragraph 1 of the Decree, considering the business and characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's activities, its performance, its results and its impact.

Finally, the Directors are responsible for defining the Group's business management and organisational model, as well as, in reference to the topics identified and reported in the NFS, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

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

Auditor's independence and quality control

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

Auditors' responsibility

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

The procedures performed on the NFS were based on our professional judgement and included inquiries, primarily with Bank personnel responsible for the preparation of the information included in the NFS, as well as document analysis, recalculations and other procedures in order to obtain evidence deemed appropriate.

In particular, we have performed the following activities:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the NFS, in order to assess the reasonableness of the selection process applied in accordance with the provisions of Article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the scope of consolidation in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the NFS with those included in the Credem Group's Consolidated Financial Statements for the year ended on 31 December 2018;
4. understanding of the following aspects:
 - the Group's business management and organisational model, with reference to the management of the topics indicated in Article 3 of the Decree;
 - the policies adopted by the Group related to the topics indicated in Article 3 of the Decree, results achieved and related key performance indicators;
 - the main risks generated or incurred related to the topics indicated in Article 3 of the Decree.

With regards to these aspects, we obtained documentation supporting the information contained in the NFS and carried out the procedures described in item 5, letter a).

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

Furthermore, for significant information, considering the Group's activities and characteristics:

- at Group level:
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies implemented and the main risks, we carried out enquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data;
- for the companies Credito Emiliano S.p.A., Banca Euromobiliare S.p.A. and Credemleasing S.p.A., which we have selected for their relevance to the performance indicators at consolidated level, we have obtained documents regarding the appropriate application of the procedures and calculation methods in use for the indicators.

Conclusions

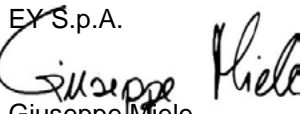
Based on the procedures performed, nothing has come to our attention that causes us to believe that the Consolidated Non-Financial Statements of the Credem Group for the year ended on 31 December 2018 have not been prepared, in all material aspects, in accordance with the requirements of Articles 3 and 4 of the Decree and the GRI Standards, as indicated in the paragraph "Methodology".

Other information

The comparative data presented in the NFS in relation to the year ended on 31 December 2016 was not subject to audit.

Bologna, 3 April 2019

EY S.p.A.



Giuseppe Miele
(Partner)

Concept
Graphic
Design Layout



MERCURIO_{GP}
Milan

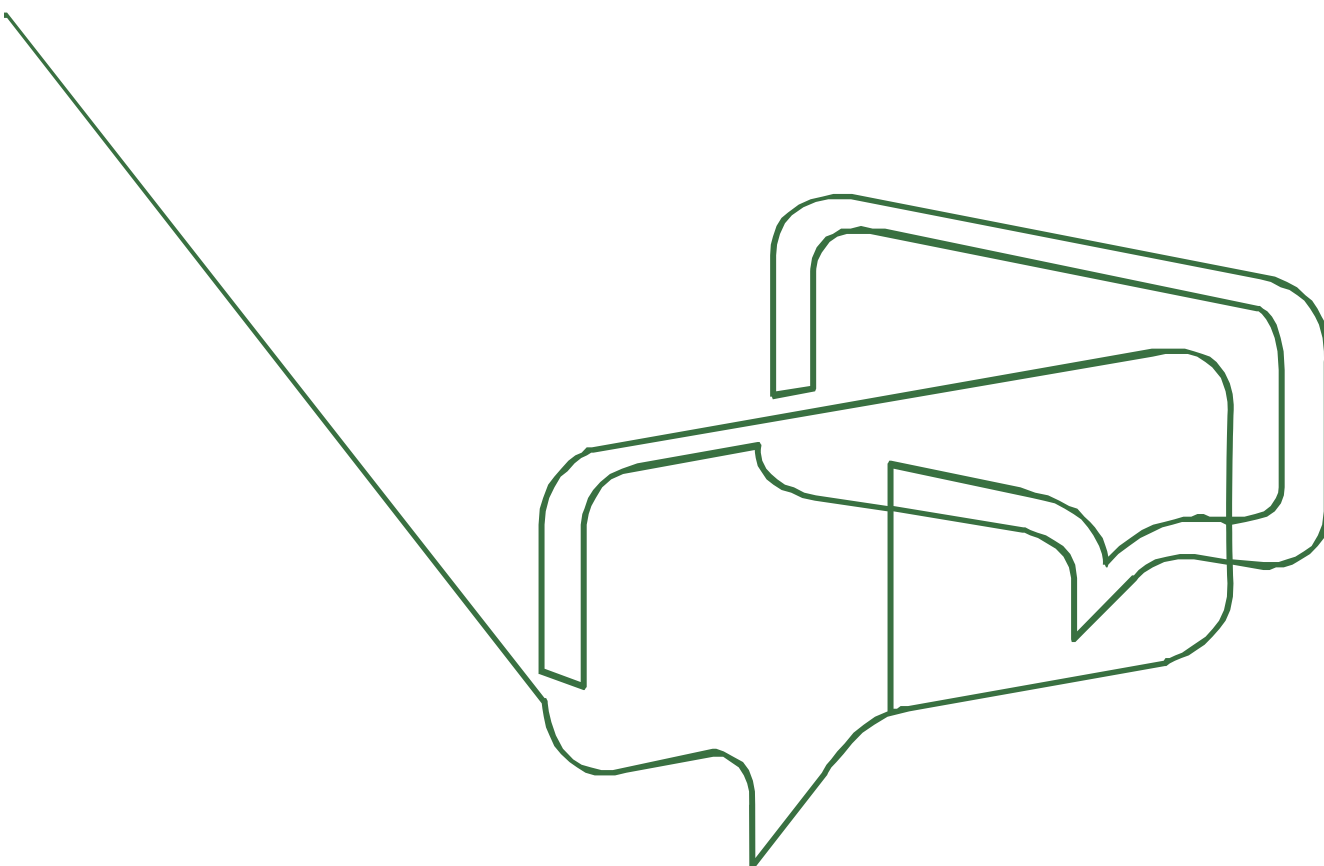
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Credito Emiliano S.p.A.

Consolidated disclosure of non-financial information as
at December 31, 2018

Independent auditor's report pursuant to article 3, par. 10,
of Legislative Decree n. 254, dated December 30, 2016 and
article 5 of Consob Regulation n. 20267 dated January 18, 2018

(Translation from the original Italian text)

Independent auditors' report on the consolidated disclosure of non-financial information pursuant to article 3, par. 10, of Legislative Decree n. 254 dated December 30, 2016 and to article 5 of Consob Regulation adopted with Resolution n. 20267 dated January 18, 2018 (Translation from the original Italian text)

To the Board of Directors of
Credito Emiliano S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree n. 254 dated December 30, 2016, (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Credito Emiliano S.p.A. (hereinafter the "Bank") and its subsidiaries (hereinafter the "Group" or "Credem Group") for the year ended December 31, 2018 in accordance with article 4 of the Decree and approved by the Board of Directors on March 14, 2019 (hereinafter "DNF").

Responsibilities of directors and those charged with governance for the DNF

The directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" published in 2016 by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard, as illustrated in the DNF section "Methodological Note".

The directors are also responsible, within the terms provided by law, for such internal controls as they determine is necessary in order to enable the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

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

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

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence,

confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

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

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

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Credem Group's consolidated financial statements at December 31, 2018;
4. understanding of the following aspects:
 - o Group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF. In particular, we have conducted interviews and discussions with the Management of the Bank and with its personnel and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation,

processing and transmission of non-financial data and information to the function responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics we have:

- o at Group level,
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidences;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- o for the entities Credito Emiliano S.p.A., Banca Euromobiliare S.p.A. and Credemleasing S.p.A., which we have selected based on their relevance to the consolidated performance indicators, we have obtained evidences about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

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

Other Information

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

Bologna, April 3, 2019

EY S.p.A.

Signed by: Giuseppe Miele, Partner

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