

Consolidated non-financial statement

drawn up pursuant to Italian Legislative Decree 254/2016

2017 Sustainability Report



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Letter to stakeholders



We are now facing profound changes in the European and global context in terms of corporate governance, concerning new issues and rapidly evolving areas. Among these issues, sustainability clearly stands out, no longer viewed as an extra feature for the most virtuous companies, but as a true driver of global development, capable of creating competitiveness and attracting funding. Managing sustainability in the company means managing risks and opportunities across the board, including new challenges linked to environmental and social aspects.

Banks and the financial world in general have a key role to play in the transition to an innovative, inclusive and sustainable economy. Like water in a field - to use a metaphor - they are able to “irrigate” and thus make this momentous change grow. Our Banking Group, well aware of the role to be played, has started a process of integration of sustainability within the corporate values, with the strategic objective of creating benefits for all stakeholders over the medium-long term.

Upon closer examination, however, this now structured path started a long time ago. Its roots are in a history of values and people on which we reflected, during 2017, with a series of events and initiatives to commemorate the 150 years of the Institute, which have focused, in direct relationship with the communities served, on issues such as inclusion, the reduction of inequalities and a sustainable future.

In terms of specific banking activities, the year 2017 marked significant operational challenges: mention goes to the successful integration of Nuova Cassa di Risparmio di Ferrara into the BPER Group, the great work done to improve credit quality and the launch of the new Business Plan, which is now at an advanced stage of development. And last but not least, preparation of the first consolidated Sustainability Report, as required to Decree 254 of 2016. Indeed, the regulations require that, in addition to the financial statements for the year, a non-financial statement be drawn up and submitted, illustrating the measures undertaken in certain well-defined areas: environmental impacts, personnel management, return for the company and the territory, human rights and the fight against corruption.

Therefore, the consolidated sustainability report has now become an integral part of the Group’s reporting. Its publication, year after year, will permit the monitoring and assessment of sustainability performance over time and its communication to all stakeholders.

It is an important achievement, and one to be proud of. But this successful result, at the end of such a complex process, would not have been possible without the contribution of all colleagues operating in the various departments of the Group Companies. AND it is to them that I extend my most sincere thanks, along with the conviction that we will continue to operate in such a cohesive and motivated environment. An excellent starting point to plan for the challenges of the future.

Alessandro Vandelli
Chief Executive Officer

Highlights

Total employees: **11,686**

Average annual hours of training: **48**

Percentage of women over total employees: **44%**

Part time: **9%**

New employee hires in 2017: **53%** women

Board of Directors: **33%** women, **67%** men

Number of customers: **2,251,495**

Loans disbursed: Euro **47,814,808,000**

Turnover (net interest and other banking income): Euro **1,980,657,000**

Total economic value redistributed: **1,293,525** euro (85%)

Total economic value generated directly: Euro **1,508,856**

9 photovoltaic systems for a total of: **541 kWp**

83% renewable energy

CO_{2e} saved: **33,842** t, which corresponds to planting a forest of almost **48** hectares (**68** football pitches)

Saving of CO_{2e} from the placement of Etica Azionario (Etica Sgr):

253,129 t, equal to planting a forest of **360** hectares

Charitable donations: Euro **1,116,756**

Total expenditure for sponsorships, events, projects, products with social and/or environmental impacts: Euro **7,876,016**

Methodological note

This document constitutes the first consolidated Non-Financial Statement (hereinafter also “Sustainability Report” of the BPER Banca Group (hereinafter also “Group” or “BPER Group”) with regard to the year 2017.

The BPER Banca Group shall draw up the Sustainability Report annually. In fact, the main objective of the document is to respond to stakeholder expectations, highlighting, in a transparent manner and according to international guidelines, the work undertaken to increase sustainability of the BPER Banca Group.

The Sustainability Report of the BPER Banca Group has been drawn up to the extent necessary to ensure comprehension of the BPER Banca Group’s business, its performance, its results and the impact it generates, and also covers issues deemed relevant and envisaged by Art. 3 of Italian Legislative Decree 254/2016 with regard to the year 2017 (from 1 January to 31 December). In particular, definition of the significant aspects for the BPER Banca Group and for its stakeholders took place through a structured process compliant with the reference standards: the guidelines of the Global Reporting Initiative - GRI and the AA1000APS standard of AccountAbility, both focused on the materiality principle. This process also took into consideration the requirements of the aforementioned Italian Legislative Decree 254/2016.

This 2017 Sustainability Report was drawn up according to the “G4 Sustainability Reporting Guidelines” and the “Financial-Services-Sector-Disclosures”, both defined in 2013 by the GRI - *Global Reporting Initiative*, according to the “Core” option. In drawing up the document, the UNI EN ISO 26000 guidelines for the Social Responsibility of organisations and the guidelines of the ABI (Italian Banking Association) were also taken into consideration, along with the EC 2017/C215/01 Guidelines. An integral part of this document is the “GRI Content Index” section, which includes the GRI table, in order to provide full disclosure of the coverage of GRI indicators associated with each issue deemed to be material.

Since 2017, BPER Banca has participated in the United Nations (UN) Global Compact, and the Sustainability Report therefore includes the requested information for the purposes of drawing up the Communication on Progress (COP).

With regard to the economic data, the reporting perimeter is the same as the consolidated financial statements of the BPER Banca Group¹. As regards the qualitative information and quantitative data of the social and environmental aspects, the parent company and its subsidiaries fully consolidated into the BPER Banca Group’s consolidated Financial Statements were included in the scope of reporting. Any changes in said scope have been appropriately noted in the document.

The External Relations and CSR (Corporate Social Responsibility) Office collected the data and prepared the financial statements, involving the relative departments of the BPER Banca Group companies included in the aforementioned perimeter in each phase.

With regard to the year ended 31 December 2016, BPER Banca S.p.A. had drawn up an individual sustainability report, subjected on a voluntary basis to a limited examination in accordance with ISAE 3000 (Revised) by an independent auditor.

To enable the comparability of data over time, the comparison with data relating to 2016 was introduced, even if not previously published; to ensure the reliability of data, the recourse to estimates that, where present, are appropriately indicated in the document, was limited as much as possible.

¹For the list of fully consolidated Group companies, see Section 3 - Scope and methods of consolidation - of the Notes to the Consolidated Financial Statements of the BPER Group.

This report was submitted to the Control and Risk Committee on 6 March 2018 and was subsequently approved by the Board of Directors on 8 March 2018.

The Sustainability Report was also subject to a limited examination (limited assurance engagement, according to the criteria indicated by the ISAE 3000 Revised principle) by Deloitte & Touche.

With regard to the extraordinary transactions that took place during the reporting period under consideration, mention goes to acquisition of Nuova Carife on 30 June and to the subsequent merger by incorporation of the same into BPER Banca, which took place on 20 November 2017 (with economic and tax effect on 1 July 2017). The relative data and information are included in the environmental and social data of the Group starting from 1 July 2017. Any exceptions are appropriately indicated in the text.

With regard to the activities of Corporate Social Responsibility, particular attention is paid to aspects regarding operational risk, reputational risk and risk of non-compliance with regard to the following issues:

- Human Resources management;
- health and safety;
- customer relations (product responsibility, transparency, privacy);
- anti-corruption and anti-money laundering;
- environmental impacts;
- social impacts.

Note that the BPER Banca Group has undertaken a path of continuous improvement in the development of policies and analysis of risks generated or suffered with regard to the material issues envisaged by Art. 3 of Italian Legislative Decree 254/2016. In particular:

Active and passive measures to fight corruption

The issue of active and passive measures to fight corruption has already been governed for some time as part of the Organisation Model 231/01 adopted by the Parent Company and by the subsidiaries². Moreover, a Group anti-corruption policy that envisages common guidelines and is a tool for further governance of this topic is currently in the approval phase.

Social and personnel issues

Personnel issues are primarily governed through Group Guidelines that outline the general principle through which to pursue a common logic of management and development of human resources and specific policies on recruitment, management and development of personnel.

Issues regarding customers are highly governed as well: BPER Banca S.p.A. (with regard to the provision of Contact Centre services for the BPER Group) and Modena Terminal S.r.l. possess UNI EN ISO 9001 quality certification; BPER Banca S.p.A. also possesses UNI EN ISO 15838:2010 certification, which defines the monitoring of specific KPIs for the Contact Centres and imposes the achievement of minimum expected objectives for each channel and service. BPER Banca Group also has a set of Group Regulations on the management process in terms of complaints and Group Regulations on the process for development and approval of the commercial offer. The “sustainable business” issue is governed through the “Linee Guida di Gruppo per la regolamentazione dei rapporti delle Banche del Gruppo BPER Banca con gli Operatori della difesa e le Imprese produttrici di armamenti” (Group Guidelines for regulation of the relationships of the BPER Banca Group with Defence operators and Weapons manufacturers).

Also note that a Group policy on privacy and protection of customer data is also being prepared, with a view to providing common guidelines at the Group level, consistently with the Group’s principles and values.

² The following companies have a 231/01 Organisation Model: BPER Banca, Banco di Sardegna, Banca di Sassari, Cassa di Risparmio di Bra, Cassa di Risparmio di Saluzzo, BPER Services, Sardaleasing, Emilia Romagna Factor, BPER Credit Management and Carife SEI.

Human Rights

Note that this item is already covered in the Code of Ethics and is binding for shareholders, the members of Corporate Bodies, Top Management, employees, including executives, as well as all of those who, even if not part of BPER Banca, operate directly or indirectly on the Company's behalf³. Furthermore, despite the respect of human rights not being deemed significant, considering the operational and regulatory context of the BPER Banca Group, it intends to implement an assessment of human rights oriented towards employees and suppliers.

Environment

In 2017, the Group continued its commitment towards environmental issues, implementing over time monitoring processes aimed at reducing consumption in terms of both management of raw materials as well as energy, thanks to the efficient use of resources and optimal management of waste.

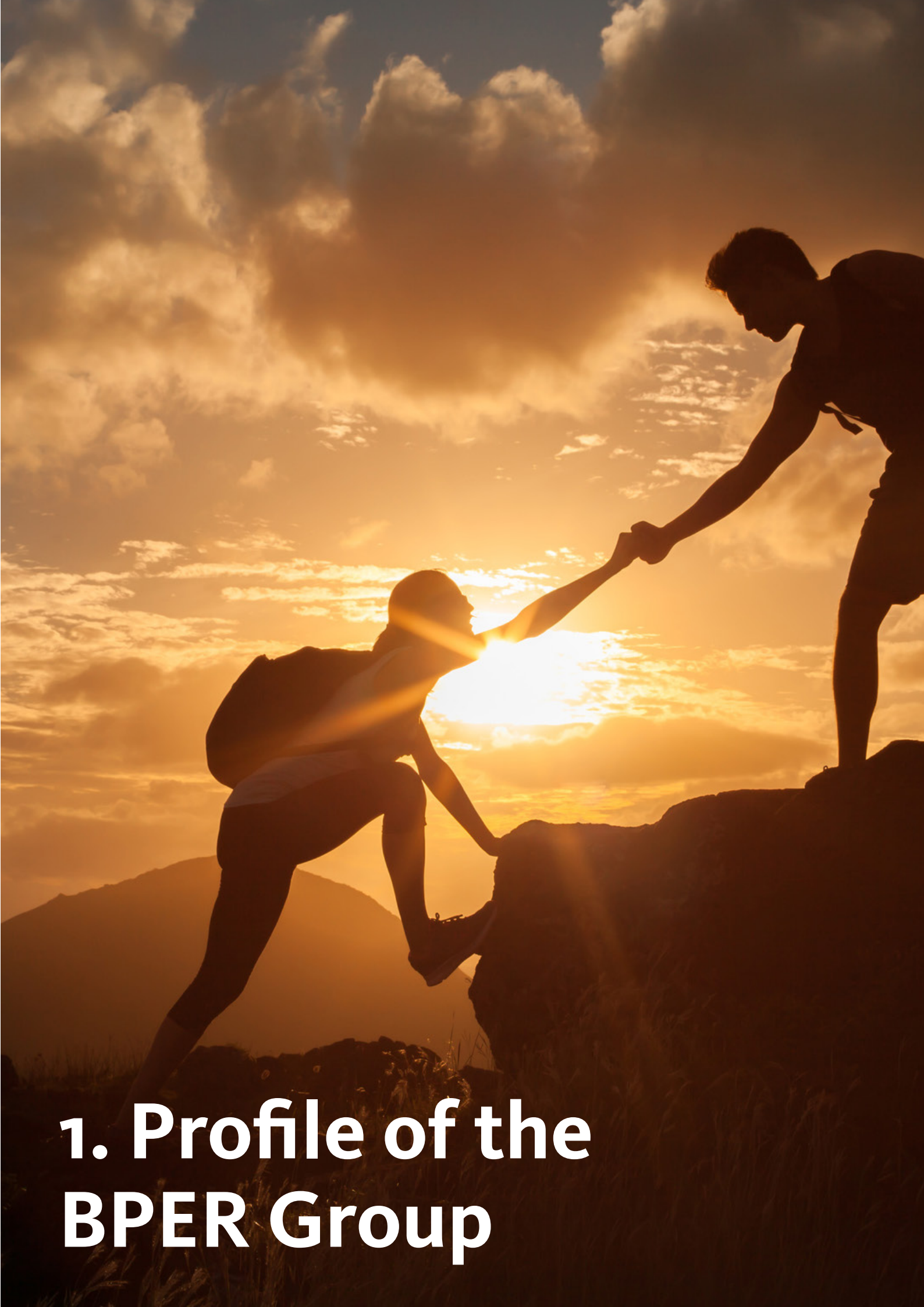
Note that a Group environmental policy on energy consumption, waste and, to a residual extent, water consumption is currently in the preparation phase. This policy will provide common guidelines to all Companies for reduction of the environmental impacts with regard to the aforementioned issues.

However, water consumption, given the business sector, was not deemed significant for the purposes of ensuring comprehension of the business activities: nevertheless, an estimate of the consumption during the year has been provided in this document.

Development and implementation of these activities may reasonably require a period of approximately 12 months, within April 2019.

The 2017 Sustainability Report is also published on the web site www.gruppobper.it
Clarification and information may be requested from: External Relations and CSR Office, rsi@bper.it.

³In its role as Parent Company, BPER Banca requires that none of the companies belonging to the Group carry out behaviours or make decisions that are prejudicial to the integrity and reputation of the Group or its components. Therefore, all Group companies are required to include in their Code of Ethics the same values expressed in the Code of Ethics of the Parent Company, adapting their behaviours to it, in accordance with the current laws and with any regulations in force.



1. Profile of the BPER Group

1.1 The BPER Group

“

Deeply rooted but forward thinking. To serve you even better, we are backed by a large Group but our objectives have not changed, focusing on your requirements and on your projects.

”

The BPER Group was established in 1992 through an initiative by BPER Banca⁴ (then named Banca popolare dell'Emilia Romagna). The underlying objective was to create a reality in which each Bank could capitalise on the synergies of a large Group, while maintaining its operating autonomy and deep roots in the local areas.

Now the sixth largest Banking group in Italy in terms of total assets, deposits and loans, it operates in all the main market segments, also through investee companies or joint ventures:

- Corporate & Investment Banking;
- Wealth Management & Insurance;
- Leasing;
- Factoring;
- Consumer Credit.

The BPER Group is currently present in 18 Italian regions, with a network of 1,218 branches nationwide, in addition to a branch in the Grand Duchy of Luxembourg of subsidiary BPER (Europe) International S.A.

Backed by four commercial banks, all independent and well-established in their various local areas, the Group also includes numerous product companies (managed assets, personal credit, leasing and factoring) and instrumental companies.

Through a solid partnership network, it is able to provide assistance to its customers in Europe and in the rest of the world.

A clear example of this international vocation is the aforementioned example of Banca popolare dell'Emilia Romagna (Europe) International S.A., subsidiary of BPER: it is a Luxembourg-based bank that has been active for over 20 years in the areas of Wealth Management, Private Banking, treasury management and customer loans, as well as in the management of a diversified portfolio of investments. The main services offered by the Bank to its customers are current accounts, custody and administration of securities, trading and brokerage of financial instruments and derivatives, stipulation of fiduciary contracts, collective and individual asset management, wealth management services and the paying agent service for the issue of bonds on behalf of customers. The Bank's reference markets are the private market (High Net Worth Individuals) and the Corporate market.

⁴ BPER Banca S.p.A. based in Modena, Via San Carlo, 8/20; Parent Company of the BPER Banking group, registered in the Register of Banking Groups under no. 5387.6 www.bper.it – www.gruppobper.it.

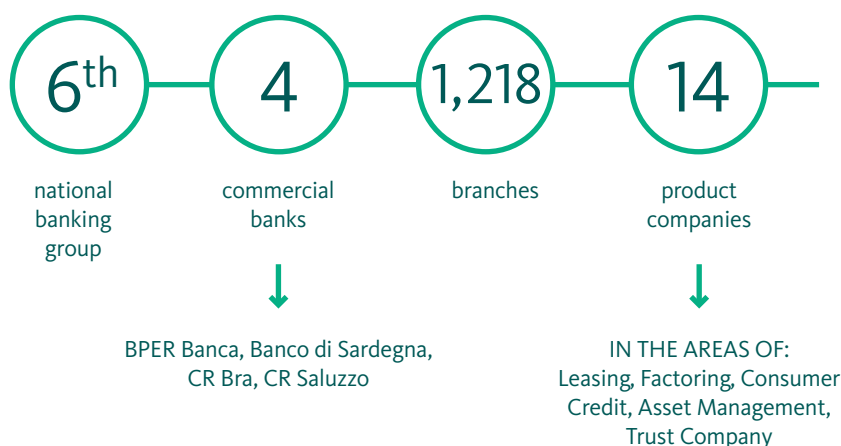
BPER Banca Group has been registered since 7 August 1992, under no. 5387.6 of the List pursuant to Art. 64 of Italian Legislative Decree 385 of 1 September 1993.

BPER Banca S.p.A. has operations predominantly in Italy, covering fifteen regions with a network of 827 branches. It has been listed on the FTSE Mib, the most important share index of Borsa Italiana, since September 2011.

BPER Banca's goal is to respond to the challenges of increasingly competitive markets, combining the solidity of a top national bank with true knowledge of the territories in which customers live and operate. A bank focusing on households and on small to medium-sized companies, in line with its objectives to actively support and meet the needs and projects of the socio-economic community of the areas in which it is based.

OUR GROUP

We offer our services to over 2 million customers



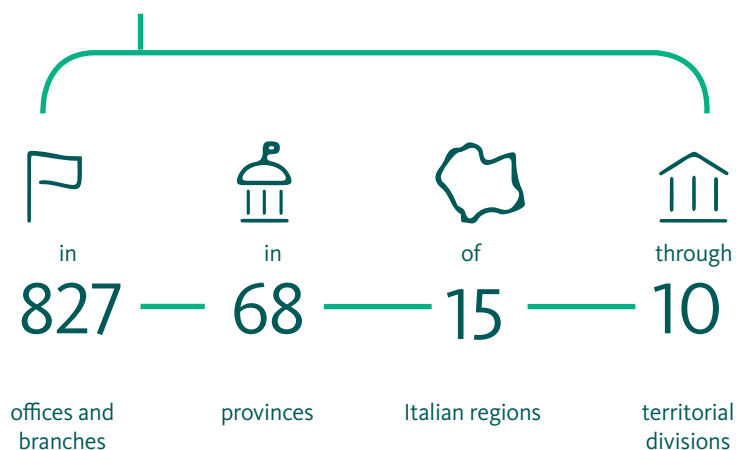
The distribution network of Banco di Sardegna is subdivided into five Territorial Areas (South, North, West, East and Peninsula).

BPER Banca's domestic distribution network is organised into ten Territorial Divisions, which in turn are divided into thirty-one Territorial Areas.

- Lombardy and Triveneto Territorial Division, based in Milan, which encompasses the Territorial Areas of Milan, Padua and Verona;
- Emilia West Territorial Division, based in Reggio Emilia, which covers the Territorial Areas of Reggio Emilia and Parma;
- Tuscany-Emilia Territorial Division, based in Bologna, which encompasses the Territorial Areas of Bologna city, Bologna province and Tuscany;
- Ferrara Territorial Division, based in Ferrara, which encompasses the Territorial Areas of Basso Ferrarese and Alto Ferrarese;
- Emilia Centre Territorial Division, based in Modena, which encompasses the Territorial Areas of Carpi, Modena-Sassuolo and Vignola;
- Romagna Territorial Division, based in Ravenna, which encompasses the Territorial Areas of Cesena, Ravenna and Rimini;
- Lazio Territorial Division, based in Rome, which encompasses the Territorial Areas of Rome and Aprilia;
- Adriatic Territorial Division, based in Lanciano, which encompasses the Territorial Areas of Campobasso, Lanciano, L'Aquila and Pescara;
- Campania Territorial Division, based in Avellino, which encompasses the Territorial Areas of Naples-Caserta, Avellino-Benevento, Foggia, Salerno north and Salerno south;
- Southern Territorial Division, based in Crotone, which encompasses the Territorial Areas of Sicily, Puglia, Basilicata, Calabria north and Calabria south.

THE BPER BANCA NETWORK

Today we welcome our customers



On the Italian front, the BPER Group covers most of the national territory, thanks to companies that are deeply rooted in their relative areas:

Territorial banks

BPER Banca

Cassa di Risparmio di Bra

Cassa di Risparmio di Saluzzo

Banco di Sardegna

Product companies

Asset Management

Optima Sim

Extended banking services, consumer credit

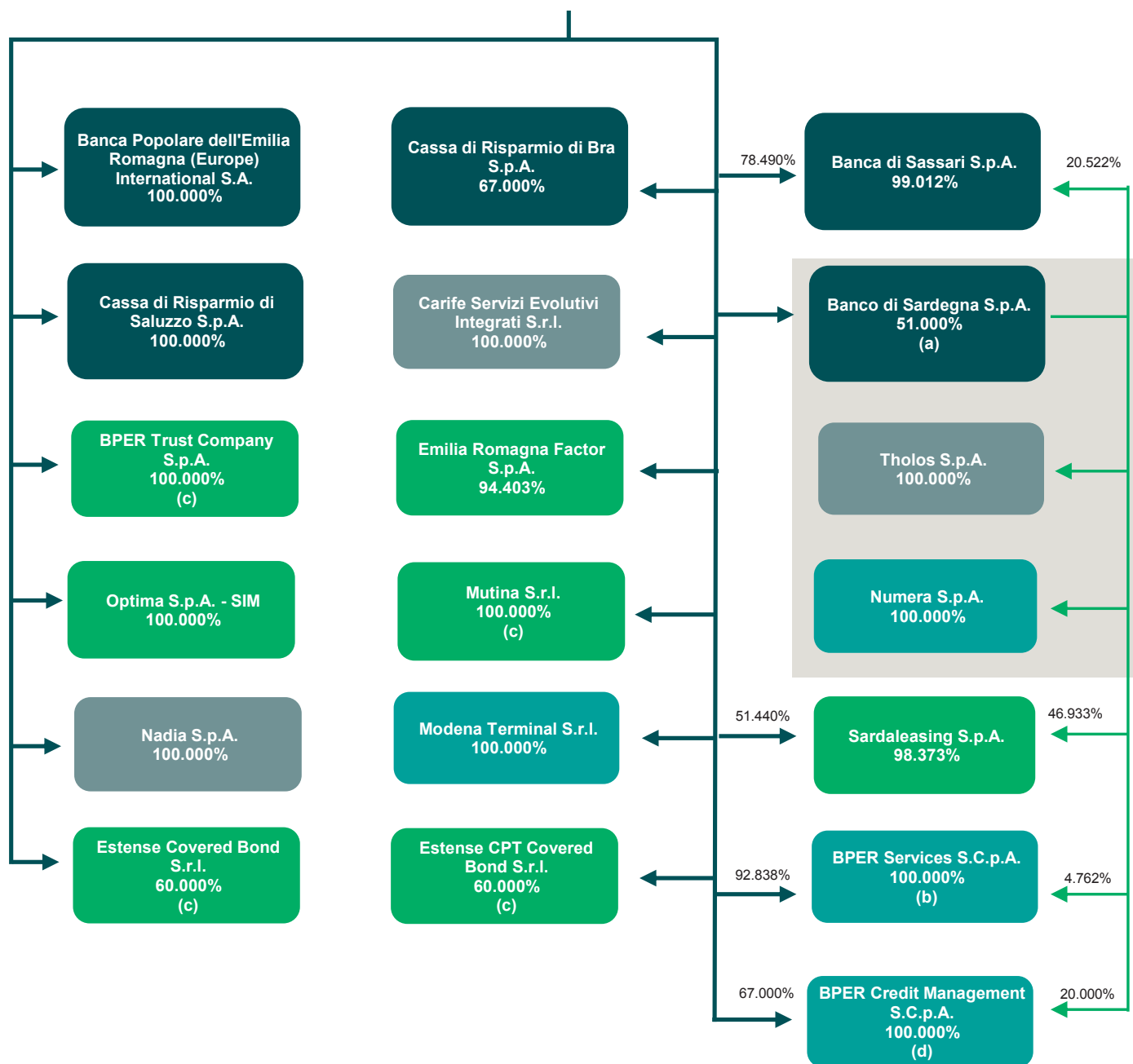
Sardaleasing (BPER Leasing)

Emilia Romagna Factor (BPER Factor)

Banca di Sassari (Consumer Division)

BPER:

Banca



a) Corresponding to 50.901% of the entire amount of share capital comprising ordinary, preferred and savings shares, the latter of which do not have voting rights.

b) Also part of BPER Services S.C.p.A.:

- Banca di Sassari S.p.A. (0.400%);
- Optima S.p.A. SIM (0.400%);
- Sardaleasing S.p.A. (0.400%);
- Cassa di Risparmio di Bra S.p.A. (0.400%);
- BPER Credit Management S.C.p.A. (0.400%);
- Cassa di Risparmio di Saluzzo S.p.A. (0.400%).

c) Subsidiaries consolidated using the equity method in the Consolidated Financial Statements, excluding the qualitative information and quantitative data regarding the social and environmental aspects presented in this document.

d) Also part of BPER Credit Management S.C.p.A.:

- Sardaleasing S.p.A. (6.000%);
- Banca di Sassari S.p.A. (3.000%);
- Cassa di Risparmio di Bra S.p.A. (2.000%);
- Cassa di Risparmio di Saluzzo S.p.A. (1.000%);
- Emilia Romagna Factor S.p.A. (1.000%).

The scope of consolidation also includes subsidiaries not recorded as part of the group, as they lack the necessary instrumentality requirements, consolidated with the equity method in the Consolidated Financial Statements, excluding the qualitative information and quantitative data regarding the social and environmental aspects presented in this document.

- by the Parent Company:

- Adras S.p.A. (100%);
- Italiana Valorizzazioni Immobiliari S.r.l. (100%);
- Polo Campania S.r.l. (100%);
- Sifa S.p.A. (51%);
- Banca Farnese S.p.A. in liquidazione (65.13%).

- by Nadia S.p.A.:

- Galilei immobiliare S.r.l. (100%).

- by Italiana Valorizzazioni Immobiliari S.r.l.:

- Costruire Mulino S.r.l. (100%);
- Frara S.r.l. (100%).

Banco di Sardegna

A Territorial Bank since always: its history is closely tied to the evolution of the economy and of the Sardinian company, and its roots are based in agriculture and in farming loans. Leader on the Island, with an 80% presence in the Sardinian municipalities, 327 branches in Sardinia and over 630,000 customers. To ensure sustainable results over time, it promotes a growth style based on trust and customer satisfaction, on a sense of belonging by its collaborators and on comprehension of the needs of families and companies, working in an environment of continuous innovation, always consistent with the values of simplicity, transparency and efficiency. Winner of the 2016 “Value Creator Award” of “Milano Finanza Global Awards 2016” and in 2017 of the award reserved for the 100 top Italian Companies that in 2017 contributed, through their work, to enhancing their Country around the world, presented in the Sala della Regina at Palazzo Montecitorio.

Banca di Sassari

Product company of the BPER Group that oversees the money market, personal loans, salary-backed loans and money transfers for the Group's banks. Banca di Sassari adopted the product company configuration on 23 May 2016, following the disposal of its network of bank branches to Banco di Sardegna. At the end of 2017, it held a portfolio of payment cards of over 2 million units, comprising credit cards (545,000), debit cards (1,130,000) and prepaid cards (364,000). Since 2016, it has managed the personal loans placed by the Banks of the BPER Group and, as part of the salary-backed loans, it handles disbursement on the network of branches of the Group's Banks, also through its own network of Agents. Since 1995, it is the first Italian Bank to act as Western Union agent and currently operates through a network of approximately 1,400 bank branches.

Cassa di Risparmio di Bra

Monte di Pietà di Bra was established in 1763; on 7 July 1842, it approved the establishment of Cassa di Risparmio di Bra. In 1847, the Sardinian government at that time authorised Cassa di Risparmio di Bra to expand its operations from the city of Bra to the entire “province” of Alba. As time passed and the territorial area widened, Monte di Pietà di Bra was fully absorbed by Cassa di Risparmio di Bra. On 24 December 1991, Cassa di Risparmio di Bra, public credit entity, became a joint-stock company (S.p.A.). Following this, a division took place between the aforementioned joint-stock company, focused on banking activities, and Fondazione Cassa di Risparmio di Bra; the latter maintained its nature as public entity and manages the stake in the S.p.A. (as majority shareholder). It currently operates through a distribution network of 28 branches located in the provinces of Cuneo, Asti, Alessandria and Turin. On 7 February 2013, BPER Banca acquired control of Cassa di Risparmio di Bra: the transaction granted BPER Banca ownership of a controlling stake of 67% of the share capital of Cassa di Risparmio di Bra.

Cassa di Risparmio di Saluzzo

Cassa di Risparmio di Saluzzo S.p.A. has been part of the BPER Group since the end of 2016, and is 100%-owned by the same Group. It has deep local roots and operates with 27 branches distributed within the Provinces of Cuneo (particularly in the Saluzzo area) and Turin (Pinerolo area). The bank has always operated predominantly with families and small businesses; it is the point of reference for agricultural entrepreneurs, artisans and merchants, in accordance with its activities as territorial bank.

BPER Services

The company has a consortium role and its purpose is to carry out the following activities in favour of member companies: study, design, realisation and development of IT and organisational systems and applications, as well as data processing and transmission services; it provides back office, administrative, accounting and operational support services as well as services relating to the management of purchases. The main consortium members are banks and companies of the BPER Group.

BPER Credit Management

BPER Credit Management is responsible for the recovery and management of non-performing loans and any other operation aimed at facilitating enforcement and/or collection in favour of Group companies.

The streamlined organisational structure, the new operating models and the high professionalism of the Company's Human Resources have permitted greater effectiveness of the management strategies for impaired exposures. Two years from its establishment, the Company has succeeded in achieving ambitious goals in terms of both management and assets: in its second year, the "cash in" recovery rate was approximately 40% higher than in the previous year.

Sardaleasing

The Company's purpose is the object is the leasing of movable and immovable assets, intangible assets and any other asset or right in general, including commercial companies of any type, as well as the granting of loans provided that they are connected to leasing operations.

The Company may also carry out consumer credit activities solely in the technical form of leasing.

It carries out activities that are instrumental to and connected with the corporate purpose and, in particular: management of assets acquired or held due to termination of leasing contracts in relation to the time strictly necessary for their leasing or sale, respectively, and operating leases, provided they are carried out under the conditions envisaged by supervisory regulations.

Financial products are distributed through the Group's banking channel, thereby offering clientele of the Group an additional tool for investments, with a very high tax appeal. Another important channel consists of agents and credit brokers.

Emilia Romagna Factor

The predominant activity is the purchase of trade receivables and the disbursement of loans, in addition to the residual activity of leasing.

The Company operates predominantly on the national market, although it also has dealings with other European countries (largely Greece and Spain). The main products regard the purchase of recourse and non-recourse receivables, financing of contracts and maturity (extensions to debtors). Moreover, in terms of services offered, the Company has a "WIP platform" product that electronically links customers and the Company.

Optima SIM

Securities Brokerage Company with the BPER Group as sole shareholder. Provides portfolio management services upon authorisation by banks of the Group. Starting from August 2014, the Company manages, upon authorisation by UBS Third Party Management Company S.A. and through a team of specialised managers, 3 segments named "Open Selection" of BPER International SICAV, i.e. the SICAV authorised for placement in Italy, established by BPER Banca in the Grand Duchy of Luxembourg.

Furthermore, in May 2016, the Company expanded its range of services to include Optima-brand Proprietary Portfolio Management services, reserved for Professional customers pursuant to the MiFid regulations.

As of 30 November 2017, the total portfolios managed, delegated or on own behalf, amounted to Euro 3,543 million.

Modena Terminal

Since 1983, Company strongly committed to the provision of custody, storage, logistics and handling services for domestic, EU and foreign goods. Located in the customs area, it has a large courtyard area of over 25,000 sqm, onto which the offices overlook, a warehouse for the storage of various goods and a cold store for the storage of food (traditionally, Parmesan cheese).

Authorised to operate in all its premises under the "general warehouse" system, Modena Terminal may issue deposit slips and pledge notes on the goods deposited. ISO 9001 certified.

Numera

Company of the BPER Group active in software development and ICT Services - two significant areas of expertise: electronic payments and electronic document management.

In these areas, the Company boasts the most important sector certifications, namely the PCI-DSS for payments and AgID accreditation as Registrar of Electronic Documents. ISO 14001 certified.

Nadia, Carife Servizi Evolutivi Integrati, Tholos

Real estate companies, operating predominantly at the Group level. The business consists of the acquisition, administration, management and leasing of real estate assets for functional use by the Group Companies.

The BPER Group can also count on a solid network of partnerships and investments, some of which controlling, in foreign financial institutions. These relationships, through the use of specific “Italian desks”, provide effective operational support to all companies engaged in internationalisation processes.

- SINTESI 2000 SHANGHAI OFFICE
- Banca popolare dell’Emilia Romagna (Europe) International S.A.

TERRITORIAL PRESENCE

BPER:
Banca



CRB CASSA
DI RISPARMIO
DI BRA
BPER: Gruppo



 Cassa
di Risparmio
di Saluzzo S.p.A.



 Banco di Sardegna
BPER: Gruppo



BPER:
Gruppo





History

BPER Banca celebrated 150 years in 2017. Throughout its history and development, we can trace a strong connection with the economic and social events of the territory in which we have deep roots. From the documents contained in the Bank's archives, we can extrapolate the values that guide the Group: terms and concepts like solidarity, soundness, deep-rooted, prudence and development are expressly mentioned in the texts and highlight how these values have always been shared by the shareholders and directors of the Bank, right from the very beginning. The founding values of BPER Banca have been the basis for the Emilia-based bank's success. The production of economic value, with a constant growth trend, has enabled a small local bank to become one of the country's major banking groups.

On 12 June 1867, Banca Popolare di Modena was founded on the initiative of Società Operaia di Mutuo Soccorso. In 1973, a long process of growth in which the Bank aggregated several banks in the Emilia-Romagna area began, until it achieved a significant size in the region.

History



1866

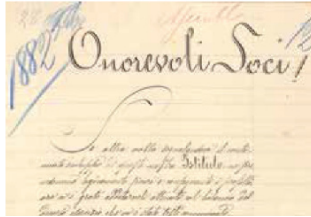
15 October 1866

Letter of Convocation of Società Operaia di Mutuo Soccorso to discuss the creation of Banca Popolare.



June 1867

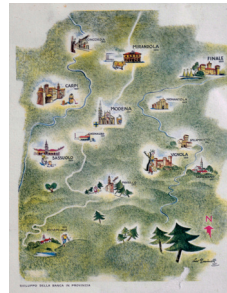
Manifest posted by the promoting committee to notify citizens about the establishment of Banca Popolare.



1882

1882

The shareholders' meeting is convened to approve the transformation into a Cooperative Company. In the 1920s, it sponsored works such as railway electrification and agricultural land reclamation, and helped save the University of Modena from closing.



1920S

The expansion into the Province continued in the early twentieth century, with opening of the Carpi branch in 1925 bringing the total branches located outside of the capital to 9.

After the war, it sponsored new projects to benefit society, as well as helping the numerous micro-enterprises that had emerged throughout the province.

1950

1950

The new city livestock market, largely financed by Banca Popolare as well, is home to a bank counter and embryo of the first city branch that would open in 1956.

In the years of the construction boom, it provided first-time mortgages to citizens to help them achieve the dream of buying their own home.



1967

1967

On 15 October, the centennial of the foundation of Banca Popolare di Modena was celebrated with an event at the city theatre. The figure shows a sketch of the scenography.



1973

In 1973

a process of growth in which the Bank aggregated several banks in the Emilia-Romagna area began, until it achieved a significant size in the region. On 1 May 1992, through a merger with the over one-hundred-year-old Banca Popolare di Cesena, founded in 1873, Banca popolare dell'Emilia Romagna was founded.



1984

After the merger with Banca Cooperativa di Bologna, the name Banca Popolare di Modena was retired and the Banca popolare dell'Emilia brand was born.



1979

Voting during the extraordinary shareholders' meeting in 1979, year that marks a significant expansion towards Reggio Emilia and Parma, through the incorporation of Banca Popolare di Castelnovo Sotto and Banca Popolare Bedoniese.



1992

Top management of the two banks at the official signing of the merger of Banca popolare dell'Emilia and Banca Popolare di Cesena.

The BPER Group was established in **1994** through an initiative by BPER Banca.

The following Institutes were acquired or incorporated between 1994 and 2000: Cassa Rurale di Sicignano negli Alburni, Banca Popolare del Materano, Banca CRV – Cassa di Risparmio di Vignola, Banca Popolare di Crotone, Credito Commerciale Tirreno, Banca Popolare della Val d'Agri, Banca Del Monte di Foggia, Banca Popolare del Sinni, Banca Popolare di Castrovillari e Corigliano Calabro, Banca Popolare di Salerno and Banca Popolare dell'Irpinia. The Group's expansion continues into the new millennium and, year after year, major acquisitions and transactions are carried out, with BPER Banca becoming the sixth leading banking group in the country.



2001

2001

The major acquisition of Banco di Sardegna is completed and, through its sub-holding, Banca di Sassari and other subsidiaries, including Sardaleasing.



2003
Banca Popolare dell'Irpinia, Banca Popolare di Salerno and the former Credito Commerciale Tirreno (previously merged into Banca popolare dell'Emilia Romagna in 1997) merge, giving life to Banca della Campania, leading credit company in the Region.

2004

2004

Purchase of the majority stake of Eurobanca del Trentino and ABF Factoring (factoring company).



2005
Purchase of full control of ABF Leasing (company specialised in leasing).

2006

2006

Banca della Campania incorporates Banca del Monte di Foggia.

2008

Banca Popolare del Materano and Banca Popolare di Crotona merge, creating Banca Popolare del Mezzogiorno.



2008

2009

Through a full takeover bid, Meliorbanca, specialised in corporate and private banking, becomes part of the BPER Group. Banca popolare dell'Emilia Romagna stock is admitted to trading on the MTA market of Borsa Italiana, Blue Chip segment.



2010

Banca popolare dell'Emilia Romagna incorporates Eurobanca del Trentino. Banca popolare dell'Emilia Romagna incorporates Banca CRV - Cassa di Risparmio di Vignola.

2011

2011

Merger by incorporation of ABF Factoring S.p.A. into Emilia Romagna Factor S.p.A.

2012

Merger by incorporation of Meliorbanca into Banca popolare dell'Emilia Romagna.

2013

Incorporation of Cassa di Risparmio della provincia dell'Aquila, Banca Popolare di Lanciano e Sulmona and Banca Popolare di Aprilia into Banca Popolare dell'Emilia Romagna. Banca popolare dell'Emilia Romagna acquires control of Cassa di Risparmio di Bra.



2013

2014

Incorporation of Banca Popolare del Mezzogiorno, Banca della Campania and Banca Popolare di Ravenna into Banca popolare dell'Emilia Romagna.



BPER:
Banca

2015

Banca popolare dell'Emilia Romagna becomes BPER Banca.

2016

The branches of Banca di Sassari join the Banco di Sardegna network, adopting the brand and name. BPER Banca acquires Cassa di Risparmio di Saluzzo.

2016

26 November 2016

BPER Banca transforms into an S.p.A. (joint-stock company)



2017

12 June 2017

BPER Banca celebrates 150 years.

2017

On 30 June 2017, BPER Banca acquires Nuova Cassa di Risparmio di Ferrara. On November 2017, Nuova Cassa di Risparmio di Ferrara is incorporated into BPER Banca.

150 ANNI DI VALORI

Storia illustrata
di BPER Banca

The 150 years of BPER Banca

The anniversary of BPER Banca was celebrated with a series of cultural initiatives and events open to citizens. With a shared objective: a sustainable and inclusive economy, in which banks, market operators and investors are increasingly able to integrate social and environmental factors in their decision-making processes. The heart of the celebrations took place in Modena on 10, 11 and 12 June: three days of cultural events that moved and involved the entire community: the concert by Paolo Fresu and Paola Turci (10 June), the meeting with author Alessandro D'Avenia with "L'arte di essere fragili", based on the Mondadori bestseller (11 June), the first national recital with Michele Placido and Ramin Bahrami "Parole e Musica" (11 June) and special guest speaker Angus Deaton, 2015 Nobel Prize winner for Economics (12 June at the BPER Forum Monzani).

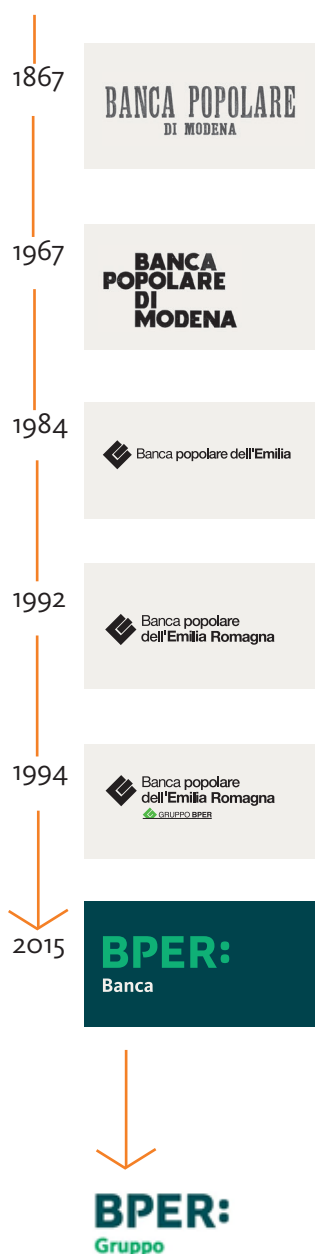
The rich programme of annual initiatives included another two important national events: apart from two tours by the group Spira Mirabilis, of which BPER Banca has been partner, the Institute has begun an important project to enhance its artistic portfolio, with the aim of ensuring not only greater optimisation of the paintings of a very important collection, but to also implement a more advanced way of protecting them (see [Lagalleria.collezioneearchiviostorico](#) - chapter 9).

To trace the history of BPER Banca, which is also that of the territory and of the entire country, an original method was chosen: the first illustrated book that applies visual history to the events of a bank and its territories. "150 years of values. Illustrated history of BPER Banca" is the title of the book by Paolo Battaglia, which presents over one thousand images from the archives of the Institute and of the banks that have joined the Group, as well as the historic archives of Fondazione Fotografia di Modena. An editorial project that aims to present the life of a credit institution in a new light, not limited to paper but transformed into a temporary exhibition of the same name, set up between June and July at the Church of San Carlo in Modena.

The anniversary will also remain forever engraved on the commemorative stamp issued by the Ministry of Economic Development, as part of the series "The excellences of the productive and economic system", 150 years after the Bank's foundation on 12 June. Lastly, in 2017, BPER Banca consolidated its presence alongside one of the most important literary prizes in Italy: this year the bank sponsors the 71st edition of the Premio Strega, as well as the Premio Strega Giovani and Premio Strega Ragazze e Ragazzi, which it has supported for several years.



1.2 Evolution of the Parent Company's brand



In 2017, BPER Banca's significant commitment to widespread promotion of its brand was enhanced through various promotional and content campaigns. Communications were disseminated across all contact points, both traditional and digital, and triggered a sharp increase in brand awareness and consideration. At the heart of the entire brand content strategy of 2017 was the bank's willingness to act as interlocutor, able to offer the right solution for the requirements of people, in accordance with transparency and consistency of the offer. Consumers often perceive banks as detached from the everyday challenges and problems of families, entrepreneurs and companies. BPER Banca strives to dispel this common belief, and the proposal to "choose together to grow together" fully achieves this objective, reflecting BPER Banca's strength as a national bank and its widespread knowledge of the various Italian territories. Similarly, the promise perfectly encompasses the spirit of our offer: "Nearby. Beyond expectations". The two points in the logo, which evoke BPER Banca's ability to open a dialogue with its customers, are the backbone of communication and are reflected daily in the company's identity, both internal and external, while the use of natural and spontaneous photographs increasingly highlights the understanding and the sincere and attentive approach to customers' needs. Financial education remains the focus of BPER Banca's commitment in expressing its identity as a bank that supports the real economy. Providing content that is particularly close to our area of competence means contributing to the dissemination of knowledge of economic/financial issues, in order to make people increasingly aware of their choices. Numerous initiatives are carried out, providing out experience and consulting, without commercial ends, on the issues of asset management and household budgets, with a particular focus on the new generations. Moreover, a solid online campaign supported by a social media strategy with content predominantly aimed at providing useful information in order to choose in an informed manner optimised on the value of BPER Banca to strengthen the brand positioning between customers and non-customers.

1.3. Business model and corporate strategy

Becoming BPER

The objective of the 2015/2017 Business Plan “Becoming BPER” was to create and distribute value to shareholders.

Objectives	
Solidity	To become a more solid bank, guaranteeing sustainable profit levels and dividend policies over time, maintaining efficient management of liquidity and capitalisation, in accordance with the limited defined by the Group’s RAF
Simplicity	To design a simpler, faster and more efficient bank, thanks to organisational rationalisation, simplification of processes and support of an integrated omni-channel offer
Specialisation	To increase the specialisation and quality of services and products of the BPER Group, through a greater focus on segments with high added value and the creation of a unit specialised in the management of NPLs
Selectivity	Selective and strategic allocation of the bank’s key resources (employees, capital, technology) among various business segments and the different territorial areas based on potential
Stakeholders	To create significant, sustainable and long-lasting value for all stakeholders

Community

BPER Banca is an active member in all of the communities in which it is present (e.g., over Euro 45 billion in loans disbursed)

Shareholders

Attention to the expectations of private and institutional investors, also due to an increase in the pay-out policy

Regulator

The regulatory requirements have been considered as core development elements of the Business Plan



Customers

Customer satisfaction as a key strategic pillar to define the Plan’s initiatives

Employees

Involvement of Group personnel at all levels:

- Questionnaire with the contribution of over 7,500 employees
- Social collaboration and focus groups
- High involvement and significant support from Senior Management

Commitment to Sustainable Development Goals (SDGs)

The Global Agenda for Sustainable Development (Agenda 2030), approved by the United Nations in September 2015, identified 17 Objectives and 169 Targets as the path to sustainability for Countries and organisations around the world.

These objectives, to be achieved by 2030, describe how the current development model is unsustainable not only from a social and environmental point of view but also from an economic one, according to a highly integrated vision. Moreover, the implementation of Agenda 2030 involves not only countries, but all the components of society, from businesses to Third Sector organisations, universities and operators in the world of communications and culture.





Even Italy is committed in the pursuit of the SDGs, and a number of developments took place in 2017 in this respect:

- on 5 January, the Ministry of the Environment presented the document “Italian positioning with respect to the sustainable development objectives of Agenda 2030”, an analysis of the Italian situation with respect to SDGs;
- on 13 March, the Ministry of the Environment presented the draft of the National Strategy for sustainable development, and a few days later it was discussed and placed into consultation in order to gather suggestions from society. The document defines a programme in line with Agenda 2030 that directs the country’s policies and recommends that environmental, economic and social issues be handled in a structural manner;
- on 7 June, the Presidency of the Council agreed to take on coordination of the Sustainable Development Strategy;
- on 10 November, the National Energy Strategy was presented.

As of today, the SDGs aim to act as a driver particularly for the world of business, key players in the achievement of sustainable development.

It is in this respect that the BPER Group also intends to base its sustainability reporting within this international framework, thereby highlighting the strong relationship that exists between the pursuit of business objectives and sustainability objectives.

The Sustainable Development Goals that the Group has decided to pursue are indicated below, through a number of examples in relation to the activities implemented.

Reference SDGs	Main actions
 <p>1 POVERTÀ ZERO</p>	<p>Goal 1: “Development of products that allow greater accessibility in terms of financial inclusion, including microcredit initiatives”.</p> <p>The activities carried out by the BPER Group aim to achieve:</p> <ul style="list-style-type: none"> • Target 1.4: to ensure equal access to economic resources, primary services, natural resources, new technologies and financial services, including microfinance (additional details on pages 70-74).
 <p>4 ISTRUZIONE DI QUALITÀ</p>	<p>Goal 4: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all”.</p> <ul style="list-style-type: none"> • Target 4.4: to substantially increase the number of youth and adults who have relevant skills for employment and entrepreneurship; • Target 4.7: to ensure that all learners acquire knowledge and skills needed to promote sustainable development, including among others through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship, and appreciation of cultural diversity and of culture’s contribution to sustainable development. <p>The Parent Company’s development of the edutainment project “GRANDE!”, dedicated to children, the collaboration with the Foundation for Financial Education and Saving - FEDUF and the commitment of all territorial banks in original financial education projects for classes of every kind and level are just some examples of the Group’s commitment in this area (additional details on page 129).</p>
 <p>5 UGUAGLIANZA DI GENERE</p>	<p>Goal 5: “Achieve gender equality and empower all women and girls”.</p> <ul style="list-style-type: none"> • Target 5.5: to ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. <p>The Equal Opportunities project, the Welfare Project and BPER Banca’s participation in “Valore D” (additional details on page 95) show how the Group has undertaken a path to achieve gender equality.</p>
 <p>7 ENERGIA PULITA E ACCESSIBILE</p>	<p>Goal 7: “Ensure access to affordable, reliable, sustainable and modern energy for all”.</p> <ul style="list-style-type: none"> • Target 7.2: to increase substantially the share of renewable energy in the global energy mix; • Target 7.3: to double the global rate of improvement in energy efficiency <p>In addition to purchasing renewable energy for 83% of the volumes acquired and independently generating clean energy through photovoltaic plants (additional details on page 116), the BPER Group has committed to developing financing services for renewable energy projects (biogas, hydroelectric, solar and wind), which contribute to the success of the business and, at the same time, the wellbeing of the planet and its people (additional details on pages 72-76).</p>



Goal 8: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.

- Target 8.1: to sustain per capita economic growth;
 - Target 8.2: to achieve higher levels of economic productivity through diversification, technological upgrading and innovation;
 - Target 8.3: to promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalisation and growth of micro-, small- and medium-sized enterprises including through access to financial services;
 - Target 8.4: to gradually separate economic growth from the use of resources;
 - Target 8.5: to continue to ensure full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value;
 - Target 8.10: to encourage the use of banking services by all.
- (additional details on pages 70-76, 82 and 111).



Goal 9: “Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation”.

- Target 9.4: to upgrade infrastructure and modernise industry to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities;
- Target 9.5: to enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.

The BPER Group pursues this objective through the creation and marketing of products such as Innovfin (details on page 72) and loans aimed at encouraging energy efficiency (details on page 75).



Goal 11: “Make cities and human settlements inclusive, safe, resilient and sustainable”.

- Target 11.4: to strengthen efforts to protect and safeguard the world’s cultural and natural heritage;
 - Target 11.6: to reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
- The BPER Group pursues this objective through activities supporting culture and internal mobility management activities, in support of the sustainable mobility of the Group’s employees (details on pages 117, 127).



Goal 13: “Take urgent action to combat climate change and its impacts”.

- Target 13.2: to integrate climate change measures into national policies, strategies and planning.
- The BPER Group pursues this objective through reduction of the direct environmental impacts deriving from Group transactions (see pages 111-123) and loans dedicated to the Green Economy (see page 75).



Goal 16: “Promote an inclusive and sustainable society through the prevention of episodes of corruption and transparent reporting”.

- Target 16.5: to substantially reduce corruption and bribery in all their forms;
 - Target 16.6: to develop effective, accountable and transparent institutions at all levels.
- Even at the Governance level, the BPER Group is active against corruption and strives for increasingly greater transparency and responsibility (see page 36).

1.4 Mission and values

“

Not all banks are the same and the BPER Group strives to demonstrate this everyday.

”

Reliability, transparency and professionalism are the basic values that inspire the BPER Group’s “way of doing business”, aiming to encourage the minimal savings of households and the resources of companies in every context, viewing the granting of credit as a tool for the development and promotion of the territory.

Mission

Working alongside individuals, companies and communities. Helping them to make the right decisions, describing the relative risks and opportunities. This aspiration has guided us right from the first day and it is the same aspiration with which we look towards the future.

Values



ACCOUNTABILITY



LOYALTY



INTEGRITY

Global Compact: the 10 principles of the United Nations

In 2017, BPER Banca joined the UN Global Compact and reports, within this Sustainability Report, on the activities carried out to promote the 10 Principles (Communication on Progress), in accordance with the commitments undertaken. The United Nations Global Compact is the largest strategic corporate citizenship initiative in the world.

It was founded in 2000 by Kofi Annan, former Secretary of the United Nations, with the aim of promoting a sustainable global economy: respectful of human and labour rights, environmental protection and the fight against corruption. Today, over 18,000 companies from 157 countries around the world participate in Global Compact.

<https://www.unglobalcompact.org/what-is-gc/participants/113751-BPER-Banca>

The 10 principles	Performance indicators	
Human Rights	Principle 1 - Companies are required to promote and respect universally recognised human rights within their respective spheres of influence	G4-SO2 (Local communities)
	Principle 2 - Companies are required to ensure that they are not accomplices in the abuse of human right, even indirectly	Human Rights: G4-HR5 (Child labour) Human Rights: G4-HR6 (Forced or compulsory labour)
Protection of labour	Principle 3 - Companies are required to support freedom of association by employees and recognise the right to collective bargaining	Organisational profile: G4-11 (Employees covered by collective bargaining agreements) Human Rights: G4-HR4 (Freedom of association and collective bargaining) Labour: G4-LA4 (Labour/management relations)
	Principle 4 - Companies are required to eliminate all forms of forced and compulsory labour	Human Rights: G4-HR6 (Forced or compulsory labour)
	Principle 5 - Companies are required to effectively eliminate child labour	Human Rights: G4-HR5 (Child labour)
	Principle 6 - Companies are required to eliminate all forms of discrimination with regard to employment and occupation	Organisational profile: G4-10 (Employees by type) Economic: G4-EC5 Labour practices and decent work: G4-LA1, G4-LA3 (Employment); G4-LA9, G4-LA11 (Training and Education); G4-LA12 (Diversity and equal opportunity); G4-LA13 (Equal remuneration for women and men)
Environment	Principle 7 - Companies are required to take a precautionary approach with respect to environmental challenges	Economic: G4-EC2 (Economic performance) Environment: G4-EN1 (Materials); G4-EN3 (Energy) G4-EN8 (Water); G4-EN15, EN16
	Principle 8 - Companies are required to undertake initiatives that promote greater environmental responsibility	Environment: G4-EN1, EN2 (Materials); G4-EN3, G4-EN5, G4-EN6 (Energy); G4-EN8 (Water); G4-EN15, G4-EN16, G4-EN18, G4-EN19 (Emissions); G4-EN29 (Environmental compliance); G4-EN34 (Mechanisms to manage environmental grievances)
	Principle 9 - Companies are required to encourage the development and diffusion of environmentally friendly technologies	Environment: G4-EN6 (Energy), G4-EN19 (Emissions)
Anti-corruption policies	Principle 10 - Companies are committed to fighting all forms of corruption, including extortion and bribery	Ethics and Integrity: G4-56, G4-57, G4-58 Society: G4-SO3, G4-SO5 (Anti-corruption); G4-SO6 (Public policies)

1.5 Governance

BPER Banca S.p.A. is a listed, joint-stock company and Parent Company of the banking group of the same name which - pursuant to the provisions of Art. 61 of Italian Legislative Decree 385 of 1 September 1993 - issues, in the exercising of its management and coordination functions, provisions to the members of the Group for execution of the guidelines set forth by the Bank of Italy and by other Supervisory Authorities in the interest of the Group's stability. In its role as Parent Company, BPER Banca requires that all companies of the Group refrain from carrying out behaviours or making decisions that are prejudicial to the integrity and reputation of the Group or its components. All Group companies⁵ include within their Code of Ethics the same values expressed by the Parent Company, adapting their behaviours to it, in accordance with the current laws and with any regulations in force. Consequently, all organisations of the Group interact with their territories, with the objective of creating social value even beyond the purely business-related activities.

BPER Banca has a traditional governance model that entails the presence of a Board of Directors, invested with all powers of ordinary and extraordinary administration of the Company (except for those reserved for the Shareholders' Meeting by Law or by the Articles of Association) and a Board of Statutory Auditors that oversees compliance with the legislative, regulatory and statutory rules, respect of the principles of proper administration, adequacy of the organisational and accounting structures, and functioning of the internal control system.

For further information on the structure and functioning of the corporate bodies, on the governance practices applied and on the activities of the internal committees, see the "Report on corporate governance and ownership structures". The aforementioned Report is published jointly with the Financial Statements and the consolidated Sustainability Report, at the same time, at www.bper.it - Area Istituzionale > Governance > Documenti.

Chief Executive Officer and General Manager

The Board of Directors appoints from among its members a Chief Executive Officer, who oversees company management, in accordance with the overall planning and strategic guidelines outlined by said Board.

The CEO's responsibilities include:

- execution of the resolutions of the Board of Directors and of the Executive Committee;
- ensuring that the organisational, administrative and accounting structure and the internal control system are adequate for the nature and size of the company and can accurately represent performance;
- formulation of proposals to the Board of Directors and to the Executive Committee to adopt the relative resolutions within their scope of responsibility (without prejudice to right of each Director to make proposals);
- exercising of additional powers assigned by the Board of Directors. The General Manager, on the other hand, with the collaboration and assistance of the Deputy General Managers, helps the CEO to implement the resolutions of the Board of Directors and Executive Committee, and implements the instructions issued by the CEO in exercising the relative powers assigned to him.


Diversity within the corporate bodies

Law no. 120/2011 (so-called Golfo-Mosca) amended Article 147-ter of the Consolidated Finance Act, envisaging the obligation for listed companies that at least one-third of the members of the Administration and Control Bodies belong to the less represented gender.

⁵ Excluding companies without an Organisation and Management Model pursuant to Italian Legislative Decree 231/2001.

In accordance with said provisions, BPER Banca has introduced into the mechanism for election of the Board of Directors - governed by the Articles of Association - the obligation for shareholders to submit lists that contain a number of candidates belonging to the less represented gender that ensures, within the same list, respect of the balance between genders, at least to the minimum extent required by law. This principle is also applicable to the appointment of the members of the Board of Statutory Auditors.

Board of Directors

 WOMEN
33%

 MEN
67%

Composition of the Board of Directors

	31/12/2016		31/12/2017	
	no.	%	no.	%
High school diploma	2	12%	2	13%
University degree	15	88%	13	87%
Other	0	0%	0	0%
< 30	0	0%	0	0%
30-50	3	18%	2	13%
> 50	5	29%	3	20%
Over 60	9	53%	10	67%

Composition of Board Committees as at 31/12/2017

	Independent Directors	Executive Directors	Participation in Committees	Gender	Age
Luigi Odorici			Strategies	M	69
Alberto Marri		x	Strategies	M	63
Giosuè Boldrini		x	Strategies	M	73
Alessandro Vandelli		x	Strategies	M	59
Mara Bernardini	x		Appointments Remuneration (Chair)	F	60
Ettore Caselli		x	Strategies (Chair)	M	75
Pietro Cassani				M	49
Piero Ferrari		x		M	62
Alfonso Roberto Galante	x			M	50
Elisabetta Gualandri	x		Remuneration Independent Directors (Chair) Control and Risk (Chair)	F	62
Costanzo Jannotti Pecci			Remuneration	M	65
Roberto Marotta	x		Appointments Independent Directors	M	70
Roberta Marracino	x		Control and Risk	F	50
Valeriana Maria Masperi	x		Appointments (Chair) Control and Risk	F	67
Valeria Venturelli	x		Independent Directors Control and Risk	F	48

Composition of Executive Committee

	31/12/2016		31/12/2017	
	no.	%	no.	%
Males*	4	100%	5	100%
Females	0	0%	0	0%
High school diploma	2	50%	2	40%
University degree	2	50%	3	60%
Other	0	0%	0	0%
< 30	0	0%	0	0%
30-50	0	0%	0	0%
> 50	1	25%	1	20%
Over 60	3	75%	4	80%

*Note that the Executive Committee is a body formed within the Board of Directors. As at the end of the 2016 financial year, the Committee consisted of 4 Directors, following the appointment by the Board of Directors of one of its members as Chairman, on 20 December 2016, consequently removing said member from the committee, pursuant to Art. 29 paragraph 2 of the Articles of Association. Prior to said date, the Committee consisted of 5 Directors (all male, of which 4 with university degrees and all over 60 years of age).

The self-assessment process

The Board of Directors plays a primary role as the body responsible for resolving the strategic direction of the banks, defining the risk management and control policies and monitoring their proper functioning, in order to ensure effective, unified and consistent governance of risks.

The overall responsibilities assigned to the Board of Directors require its composition to be adequate from the qualitative and quantitative standpoint, also in relation to the operating and size characteristics of the Bank, and that its functioning be suitable to ensure sound and prudent management.

In this respect, the corporate bodies of the Banks of the Group submit, in accordance with the legislative and regulatory provisions in effect, to periodic processes of self-assessment, with the objective of:

- ensuring verification of proper and effective functioning of the body and of its adequate composition;
- guaranteeing essential respect of the regulatory provisions on “Corporate Governance” and the objectives they intend to achieve;
- encouraging updates of the internal regulations governing the body’s functioning, in order to ensure their suitability, also in light of changes due to the evolution of activities and of the operating context;
- identifying the main points of weakness, promoting discussion within the body and defining the corrective measures to be adopted;
- strengthening the relationships of collaboration and trust among the individual components and between the strategic supervision and management function;
- encouraging active participation by the individual members, ensuring full awareness of the specific role covered by each of them and the related responsibilities.

A similar process is carried out with respect to the adequate composition of the Bank’s Executive Committee and Board of Statutory Auditors.

The Control and Risk Committee has been charged with supervision of the issues of sustainability, as suggested by the Governance Code of Borsa Italiana.

The attention paid to the environment and to social issues is confirmed by the appointment of an Energy Manager, under its Property Management Function, the appointment of a Mobility Manager under the Trade Union and Welfare Relations Office

and by the establishment of an office for External Relations and CSR (Corporate Social Responsibility) activities.

The External Relations and CSR Office reports directly to the Chief Executive Officer. In addition to drawing up this consolidated Sustainability Report, the CSR function carries out the following activities:

- training and consulting for Group companies on the issues of sustainability and the relative reporting;
- monitoring of the Microcredit activities;
- management of CSR projects and events;
- management of financial education activities;
- participation (representing the BPER Group) in Working Groups promoted by ABI (Sustainability and Climate Change), Foundation for Financial Education and Saving, Forum for Sustainable Finance, Association of Modena-based Companies for CSR, Impronta Etica, Service Centre for Volunteers in Modena, etc. on the topics of Sustainability, Sustainable Finance, Welfare, financial inclusion and non-financial reporting;
- assessment of operations in the branches, in close collaboration with them, in order to monitor full compliance with the “Linee Guida di Gruppo per la regolamentazione dei rapporti con gli operatori della difesa e le imprese produttrici di armamenti” (Group Guidelines for regulation of the relationships with defence operators and weapons manufacturers), along with drawing up of the “Arms Report”;
- management of the “Ethics in BPER” training course, within the Bank as well as externally;
- collaboration for the implementation of activities to stimulate awareness by employees with regard to environmental and social issues;
- management of initiatives to combat Compulsive Gambling;
- monitoring of Lawfulness Rating activities.

1.5.1 Risk management and internal control system

To ensure achievement of the strategic and operational objectives, the BPER Group has defined and updated its Internal Control System, which is a fundamental component of the overall governance system.

This system is set up to improve profitability, protect financial solidity and ensure compliance with internal and external regulations and with the codes of conduct.

This encourages transparency towards the market via governance of the risks adopted by the Group and, more generally, ensures that company activities are in line with the strategies and with the risk propensity statement of the Group.

The internal control system is pervasive throughout the Bank’s organisational structure and involves the Corporate Bodies, the company control functions and the staff departments.

To achieve this, the BPER Group uses the Risk Appetite Framework (RAF) as the Group’s risk governance tool in the implementation of its company strategies. Through a coordinated and representative series of metrics, the RAF outlines the risk objectives, any tolerance thresholds and the operating limits under normal operating and stress conditions which the Group intends to respect in the pursuit of its strategic guidelines, defining the levels of consistency with the maximum risk that can be adopted. The RAF is therefore considered to be a management tool that, in addition to allowing concrete application of the regulatory provisions, permits implementation of governance of the planning, control and risk management activities.

For a more detailed analysis of risk management and Business Continuity, see the section of the financial statements entitled “Main risks and uncertainties”, available at www.bper.it, in the “Investor Relations” section.

Identification of risks

The BPER Group pays particular attention to identifying significant business risks, both current and future, as per the prudential supervisory regulations issued by Bank of Italy Circular 285 of 2013.

The risk identification process involves periodic updating of the “Group Risk Map” that defines the scope of significant current and future risks.

In accordance with the RAF defined by the Parent Company, for each individual risk identified as significant, the Board of Directors of BPER defines, through a specific “governance policy”, the risk objectives, the relative exposure and operating limits and the “process for adoption and management of risk”.

With regard to the activities of Corporate Social Responsibility, particular attention is paid to aspects regarding operational risk, reputational risk and risk of non-compliance with regard to the following issues:

- human resources management;
- health and safety;
- customer relations (product responsibility, transparency, privacy);
- anti-corruption and anti-money laundering;
- environmental impacts;
- social impacts.

Operational risk

Operational risk is the risk of losses arising from the inadequacy or dysfunction of processes, human resources and internal systems, or from external events, including legal risk; with regard to operational risks, the BPER Group envisages the following sub-categories of risk:

- operational risk: the risk of losses arising from the inadequacy or dysfunction of processes, human resources and internal systems, or from external events (including climatic/catastrophic events);
- legal risk other than compliance risk: the risk of losses arising from violation of the law or regulations, contractual or non-contractual liability or other disputes; these also include, for example, risks connected to the regulations on environmental impacts, on sustainability reporting and on occupational health and safety;
- ICT risk: the risk of economic losses or losses in terms of reputation or market share in relation to the use of Information and Communication Technology.

The BPER Group has therefore defined and updated specific management frameworks for said risks, consistent with the regulations and reference best practices, for governance and continuous monitoring able to highlight any anomalies. The principles, objectives, methods and responsibility for governance of operational risk have been described in a specific policy, while the operational areas have been defined in a lower-level regulation.

Compliance risk

The risk of incurring judicial or administrative sanctions, significant financial losses or damage to reputation as a result of violations of mandatory rules (of law or regulations) or governance (e.g. articles of association, codes of conduct, governance codes). This category includes risk assets and conflicts of interest with related parties, as required by law (in addition, in the process of determining the overall internal capital, any exceeding of the established prudential limits is taken into account).

Reputational risk

Reputational risk, on the other hand, is defined as the risk, current or future, of a decline in profits or capital arising from a negative perception of the bank's image by customers, counterparties, shareholders, investors or the supervisory authorities. In particular, this risk has the following characteristics:

- risk connected to other specific risks of the banking activity (mainly operational risk and compliance risk) but separate from the other cases of risk;
- risk that is not fully controllable, as it also depends on factors outside of the Group's operations, for which constant monitoring is necessary in order to effectively and promptly intervene;

- risk that can be prevented and mitigated through careful monitoring of the characteristics of the individual triggering events, as the reputational crisis occurs only in the event of specific conditions (visibility, resonance, etc.);
- risk of difficult measurement, in that its damaging effects, whilst they could also generate directly identifiable accounting losses, more frequently and indirectly impact different areas of the company's performance.

During 2017, the BPER Group continued to implement the provisions of the reputational risk management framework defined in 2016, carrying out both the activity of collecting events with reputational impact, as well as the risk assessment activity, which was progressively extended to include subsidiaries based on relevance.

The main elements that make up the reputational risk management Framework are described and formalised in a specific governance policy, which envisages centralised governance of said risk within the Parent Company, with a decentralised assumption of risk across the individual Legal Entities, detailing the responsibilities of the Business Units of the Parent Company and of the Group Companies involved, under normal operating conditions as well as in the presence of so-called "critical reputational events". The reputational risk management system adopted by the BPER Banca Group is implemented through the following components:

- Identification and assessment of risk based on Reputational Data Collection and Reputational Self Assessment;
- Monitoring of the Group's exposure to reputational risk, through monitoring of a series of reputational Key Risk Indicators;
- Management of critical reputational events (escalations) through activation of the functional escalation process and definition of the response and mitigation activities over the short and long term;
- Reporting: preparation of adequate reports, with regard to the various processes/ subprocesses that constitute the Framework, in order to provide a summary of the results of the risk management activities to all of the interested bodies and departments.

1.6 Autonomy and integrity in corporate conduct

The BPER Group and its stakeholders consider integrity in corporate conduct to be a fundamental value on which they must base all of the transactions and decisions of their companies. This issue was deemed as the most important one for both the Group as well as for stakeholders, according to the 2017 materiality analysis (See Chapter 3 - 2017 Materiality analysis).

1.6.1 Fight against corruption

The BPER Group is active in fighting the following types of corruption:

- active (offer);
- passive (acceptance);
- corruption involving a public entity (“public corruption”) or perpetrated in dealings between private parties (“private corruption”);
- bribery aimed at the performance of an act contrary to one’s official duties (“direct bribery”);
- bribery aimed at the performance of an act included in one’s official duties (“indirect bribery”);
- bribery “before” or “after” the performance of official duties.

Corruption is defined as the offer or acceptance, directly or indirectly, of money or other benefits which may influence the recipient, in order to induce or reward the performance of a function/activity or the omission thereof.

This issue is covered by extensive internal regulations that refer to the following documents, described below:

- Code of Ethics of the BPER Group;
- Internal Governance Code of the BPER Group;
- Organisation, Management and Control Model adopted by each Company of the Group pursuant to Italian Legislative Decree 231/2001⁶;
- “Governo di Gruppo” (Group Governance) Guidelines;
- “Sistema dei controlli interni” (Internal control system) Group Guidelines;
- Policy di Gruppo per il Governo del rischio di non conformità (Group Policy for the Governance of compliance risk);
- Whistleblowing - BPER Group Internal System for Reporting on violations of banking and financial regulations and on fraud;
- Linee Guida per la gestione delle Risorse Umane (Guidelines for the management of Human Resources).

During the period considered by these Financial Statements, all transactions have been monitored with regard to the risk of corruption. For more consistent management of this issue in 2018, approval of the Group Policy for mitigation of corruption risk is envisaged.

Moreover, a serious and effective fight against corruption requires, first and foremost, awareness and the adoption of a position by those operating within the Group. All companies with an Organisation and Management Model adopt the relative obligation to disclose the anti-corruption policies and procedures to their personnel. Careful training on this issue is fundamental in order to satisfy the expectations of stakeholders in this area: For example, BPER Banca prepares an annual plan that identifies the number of training hours on the subject which must be provided to employees, through the various methods of traditional lessons, online training and internal training groups. The traditional lessons are provided directly by resources of the Group’s Anti-Money Laundering Function.

⁶The following companies have a 231/01 Organisation Model: BPER Banca, Banco di Sardegna, Banca di Sassari, Cassa di Risparmio di Bra, Cassa di Risparmio di Saluzzo, BPER Services, Sardaleasing, Emilia Romagna Factor, BPER Credit Management and Carife SEI.

With regard to Banco di Sardegna, on 28 November 2017, corruption between private parties was the subject of a training course held by the Deputy Public Prosecutor of the Court of Cagliari, aimed at the General Manager and Deputy General Manager, Executives, Heads of Functions/Central Offices and Heads of the larger branches. In 2017, the Group held 23 training courses on corruption for 2,629 users, for a total of 142,693 hours of training. In 2016, a total of 30 courses were held, with 1,859 users, for a total of 173,941 hours of training.

As per the prior year, there were no reports of corruption, unfair competition, monopolistic practices or involvement by antitrust.

1.6.2 Collaboration with the institutions

The BPER Group identifies and regulates the channels of communication with Public Administration at all levels: local, national and international.

The relevant authorised company functions have been identified, which may solely take on commitments with regard to Public Administration, performing their duties with integrity, independence and fairness. In order not to hinder their institutional activities, relations between BPER Banca and Public Administration are based on the utmost collaboration, so as to preserve the proper scopes of mutual independence, avoiding any action or attitude that might be interpreted as an attempt to improperly influence decisions.

Particular attention is paid to the collaboration with the Legal Authorities and the relative authorised bodies, in the event of inquiries against the Bank or its clientele.

Specifically, the following are prohibited:

- exercising pressure of any kind on the person called upon to make statements before the legal authorities, in order to convince said person not to make statements or to make false statements;
- helping those who have committed a criminal offence to evade inquiries by the authorities or to evade investigations.

The recipients of the Code of Ethics are prohibited from promising or offering payments, gifts or other benefits to Public Officials, Public Service Employees and in general to all employees of Public Administration in order to promote or favour the interests of Group Companies when undertaking commitments and/or managing any type of relationship with Public Administration (for example, in the stipulation and disbursement of contracts, awarding and management of authorisations, inspection and control activities or in the context of legal proceedings).

Specifically, the following are prohibited:

- offering these individuals gifts that are not merely gifts of symbolic value falling under normal courtesy practice, also on occasion of holidays. In any case, the gifts in question must not possess characteristics that could give third parties the impression that they are aimed at obtaining undue, illegal or immoral advantages;
- examining or instrumentally proposing employment opportunities for employees of Public Administration (or relatives or equivalent) and/or business opportunities of any other kind that could unduly benefit them, beyond the normal treatment reserved for customers;
- incurring unjustified entertainment expenses not envisaged in the contract and for purchases other than promotion of the company's image;
- providing or promising to provide, solicit or obtain information and/or documents that are confidential or that may jeopardise the integrity or reputation of one or both parties;
- favouring, in the purchasing processes, suppliers and sub-suppliers only because indicated by employees of Public Administration as a condition for the subsequent performance of the activities;
- intentionally producing false documents or documents containing false or altered data, stealing or omitting documents, and/or omitting required information, in order to unduly guide the decisions of Public Administration in favour of the Bank or its customers;
- behaving in a deceitful manner that could mislead Public Administration in the

technical-economic evaluation of the products and services offered/supplied, or unduly influencing the decision of the Public Administration.

The relevant corporate functions are required to verify that the disbursements, contributions or subsidised loans in favour of the Bank are used to carry out the activities for which they were granted.



1.6.3 Code of Ethics

Through the Code of Ethics, the Banks and Companies of the BPER Group aim to:

- communicate the Company's rights, duties and responsibilities to all parties with whom it forges relations (customers, employees and/or external staff, shareholders, suppliers, public authorities, supervisory bodies and institutions);
- indicate the ethical standards and the rules of conducts on which all its decisions are based;
- request that management and employees adopt conduct that is consistent with the company's ethical principles;
- contribute to implementing the Social Responsibility policy of the BPER Group, minimising the risk of external rules being infringed and reputational issues.

The Code of Ethics of each Bank and Company complies with the principles indicated in the "Guidelines of the Italian Banking Association (ABI) for the adoption of Organisational Models for the administrative responsibility of banks" – adopted in February 2004 – and subsequent updates.

The Code of Ethics is accompanied by the "Internal Governance Code" of employees of the BPER Group.

The Code of Ethics is binding for shareholders, the members of Corporate Bodies, Top Management, employees, including executives, as well as all of those who, even if not part of the Company, operate directly or indirectly on the company's behalf (e.g. financial advisors, external workers under any title, consultants, suppliers).

All parties (internal and external) are made aware of the Code of Ethics and its updates by means of appropriate communication and circulation of the same, so that its values and principles are known and applied, thus avoiding that an individual acting alone may lead to conduct that is inconsistent with the reputation that the company is seeking to pursue.

The Code of Ethics is generally published on the Company's website. The Code may also be downloaded from each company intranet. The objective is to make the Code accessible to all.

A copy of the Code in electronic format (delivered on specific support), together with the address of the page on which the document may be viewed on the company intranet, is given to each board director, employee or external staff member at the time of their respective appointment, hiring or entering into a business relationship.

To encourage its full application, the Code of Ethics is the subject of specific awareness campaigns for customers and other stakeholders, also sent by post, electronic email and other methods considered most appropriate at the time. The annual training plan also contains initiatives that seek to promote the awareness of the values and the rules of conduct set out in the Code of Ethics.

1.6.4 Organisation and Management Model

Italian Legislative Decree no. 231 of 8 June 2001 sought to bring Italian legislation on the administrative liability of legal entities in line with international conventions.

This Decree introduced a system of administrative liability - on par with criminal liability - for legal entities into our legislative framework.

The banking and financial companies of the BPER Group have their own Organisation and Management Model pursuant to Italian Legislative Decree 231/01: BPER Banca, Banco di Sardegna, Banca di Sassari, Cassa di Risparmio di Bra, Cassa di Risparmio di Saluzzo, BPER Services, Sardaleasing and Emilia Romagna Factor. As well as, although not as significant in terms of size and operating complexity: BPER Credit Management and Carife SEI. For other companies, the Group evaluates the adoption of an analogous Model based on the business conducted and on the type of clientele served.

Implementing an OMM is not a legal requirement. The Companies of the BPER Group, guided by the Parent Company, demonstrate a sensitivity to the need to ensure that corporate and business affairs are run correctly and transparently, to safeguard their reputation, as well as that of their shareholders, deciding that implementing the model was in line with company policies.

Adoption of the model pursues the following fundamental objectives:

- to inform the addressees of the model and to make the same aware of the correct conduct required and the need to comply with internal and external regulations;
- to effectively prevent the offences envisaged by the Decree from being committed;
- to fully implement the values stated in the respective Code of Ethics.

Consequently, from an organisational perspective, said Companies believe that adopting the model can also contribute to achieving the following:

- increasing the effectiveness and the efficiency of business operations to achieve the company's strategies;
- improving competitiveness in the domestic and international market;
- improving the internal work environment.

The following parties must comply with the model and the provisions contained in or referred to by the same, limited to their specific scope and the relations entertained with the companies:

- members of the Board of Directors;
- members of the Board of Statutory Auditors;
- members of the Supervisory Board;
- employees (personnel belonging to the first, second and third professional categories, managers, executives);
- shareholders;

- independent auditors;
- those who, although not employees, work for the company and are under its control and supervision (e.g. financial advisors, placement students, workers on a temporary contract or project, temporary workers).

It is also important to draw attention to the fact that the rules of conduct contained in the model are integrated with those of the respective Code of Ethics illustrated previously, allowing for their concrete application at the organisational and management level.

To constantly supervise the appropriateness and effectiveness of the Model and its compliance, as well as propose its amendment and update, in the Companies that have adopted it, a Supervisory Board has been set up (Articles 6 and 7 of Italian Legislative Decree no. 231/01), a body of the Bank which is able to perform its duties in an autonomous and independent manner, as well as with the appropriate professionalism. The Supervisory Board (S.B.) has its own regulations (“S.B. Regulations”) which are an integral part of the OMM.

The Supervisory Board of each Company is composed of three members, except that of Carife Servizi Evolutivi Integrati, which has only one member.

To involve employees in the constant updating of the Organisation Model and collect any proposals for changes and implementation of said model, BPER Banca, Banco di Sardegna, Banca di Sassari and BPER Services have developed an internal IT procedure through which the Business Units are called upon to collaborate in a proactive manner and report any organisational changes involving them, as well as any new areas impacted by the regulations and amendments (integrations/additions) to the existing prevention protocols. This interrelation achieves results considered to be highly satisfactory by the Supervisory Board, as it features the active involvement of over 80% of the Organisational Units in total.

Reporting to the Supervisory Board and Whistleblowing procedure

Compliance with the Code of Ethics and with the Model as well as the effective performance of the Supervisory Board’s duties is facilitated by a complex flow of information to the Supervisory Board.

There is frequent contact among the Group’s independent Supervisory Boards, with common training activities and the appropriate information flows.

This includes an important obligation for all addressees of the Model and of the Code of Ethics to report any conduct that infringes the provisions indicated.

Anyone may report infringements of the Code of Ethics to the Supervisory Board (S.B.), by sending an email to the dedicated email address.

Anonymous reports may also be made by regular mail.

To facilitate reporting, BPER Banca, Banco di Sardegna, Banca di Sassari, Cassa di Risparmio di Bra, Cassa di Risparmio di Saluzzo, BPER Services and BPER Credit Management have prepared a sample form for reporting to the Supervisory Board, which can be downloaded from the Company’s internet site, where present, or from the company intranet.

The Supervisory Board receives reports with respect to which, over the last year, no one indicated any serious violations of the Organisation and Management Model.

A further reporting channel that is fully in line with the requirements of the recent regulatory amendments on whistleblowing is in the preparation phase.

Whistleblowing Procedure

The Parent Company has promptly adopted a Whistleblowing system which, on its own initiative, it extended to all of the Group’s banking and financial companies, even beyond the implementation of legal obligations.

The Whistleblowing System is structured in such a way as to manage potential conflicts of interest between “reporting” and “reported” party and was implemented by centralising any reports and their investigation in the structures identified by the Board of Directors for all Group companies. Every decision at the end of the preliminary

investigation is then the responsibility of the Management or Strategic Supervision Bodies of the individual recipient companies of the report.

Activities are underway to implement the latest regulatory changes on the subject, in order to seek a synergistic collaboration with similar reporting mechanisms envisaged by Italian Legislative Decree 231/01, by the anti-money laundering regulations and by the regulations on Market Abuse, as well as on the Financial Reporting Manager.

1.6.5 Anti-money laundering

To date, in addition to the Parent Company, the three territorial banks, Banca di Sassari and four Italian non-banking companies (BPER Trust Company, Emilia Romagna Factor, Optima SIM and Sardaleasing), are included within the scope of the Anti-Money Laundering Function. The “Anti-Money Laundering Function” of the Banks and non-banking companies is exercised centrally by the Anti-Money Laundering Function, which, between 2011 and 2014, was assigned the various activities of control, monitoring and assessment of compliance envisaged by the reference regulations.

The Function carries out specialised control for the Parent Company, the Banks and Companies of the Group, and reports directly to the Parent Company’s Chief Executive Officer. The Internal Audit Function, assigned to the “Internal Audit” Business Unit, is based in the Parent Company for all Banks and Companies of the Group.

Governance of the anti-money laundering and anti-terrorism areas is based on:

- constant updating of the internal regulatory framework;
- appropriate IT procedures to manage the risk profile of customers, record transactions and save data;
- identification of potentially suspicious transactions, monitoring of transactions from/to risk countries;
- availability of training courses on anti-money laundering and anti-terrorism for all employees.

As required by the regulations in effect, the Institute draws up an annual plan of activities that describes the measures undertaken, those planned based on the dysfunctions identified and the relative corrective measures to be taken. This document illustrates the training objectives of the Group, defined by the Anti-Money Laundering Function in collaboration with the Human Resources Recruitment, Selection and Training Department of the Parent Company. The aforementioned report is prepared by the same Function and submitted for examination by the Board of Directors, which views it and approves its contents.

As part of the corporate management process, and in accordance with the provisions of the regulations in effect, BPER Banca prevents and combats, on an ongoing basis, money laundering and terrorism financing transactions, and governs compliance risks with respect to the regulations - both external as well as internal - against money laundering and terrorism financing.

To ensure the efficacy of the anti-money laundering measures, the Bank has developed a number of appropriate IT procedures, such as: the “Gianos” application for customer profiling and risk management, with identification/reporting of potentially suspicious transactions; an electronic questionnaire for compliance with the customer assessment and monitoring measures; tools for recording and storage of information and applications aimed at remote controls of cash flows. The control procedures allow, among other things, verification of the names, in order to exclude inclusion in the so-called black lists and to identify the political exposure of customers, if any.

Lastly, with regard to the disciplinary proceedings that became final during the year, there is only one event attributable to BPER Banca, in its capacity as principal and

⁷ The significant fines regarding 2017, namely for over Euro 100,000, are indicated.

jointly and severally liable with the accused, for a total amount of Euro 344,660.00⁷. The relative sanction refers to events that occurred in the period 17/12/2004-03/03/2006 and which had been imposed by the Ministry of Economy and Finance for failure to report suspicious transactions pursuant to Italian Legislative Decree 197/91 and subsequent amendments and additions.

1.6.6 Relations with suppliers

The Procurement Function of the Bank governs the purchases cycle for Group Companies, in accordance with the Group Regulations for the purchasing process and payables cycle, regulating the roles and responsibilities of the various functions involved. The Regulations also detail the principles underlying the purchasing process, defining the behaviours to be respected with regard to conflict of interest, confidentiality, fair competition, transparency and gifts and invitations. The mission of the Procurement Function is to ensure that internal customers benefit from the availability of products and services that best satisfy their requirements, selecting suppliers that guarantee the best balance between price and quality of service, as well as those able to satisfy the Bank's expectations in regard to social and environmental responsibility.

The risks relative to the supply chain are carefully governed through preliminary analysis and document requests that enable each supplier to be assessed as extensively as possible. The reputational risks in this area are mapped together with the designated office and monitored periodically. In any case, the overall level of expected risk has been classified as per below.

The selection of suppliers is based on an in-depth and detailed analysis of the possible counterparties, which includes an evaluation of the requirements of professional, economic and technical suitability deemed necessary for each specific supply. Several estimates must generally be obtained from different suppliers in order to ensure efficiency and cost-effectiveness. The supplier selection methods, generally structured, may differ based on the type of purchase and product (tender, comparison of offers, direct negotiation, framework agreements). Once the supply is completed, its outcome and respect of the criteria defined during the tender phase by the supplier are assessed, together with the internal customer.

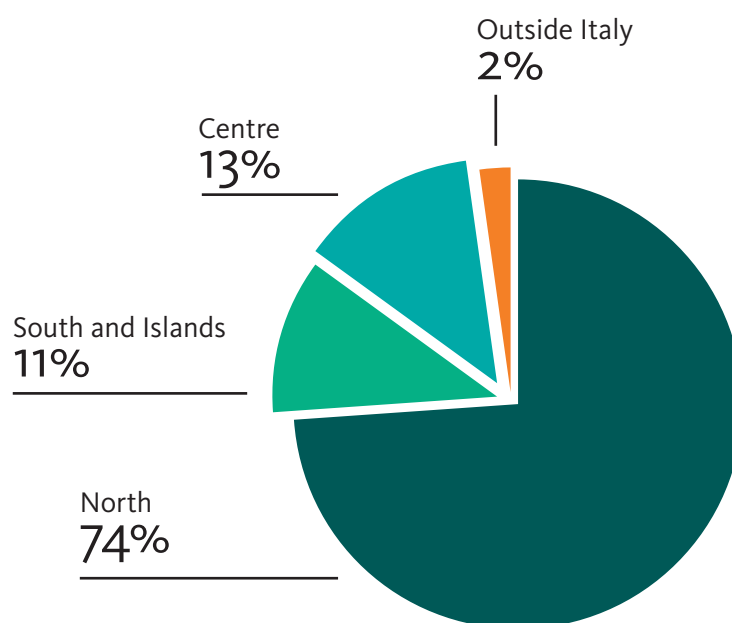
The selection of suppliers, as envisaged by the Group Regulations on the purchasing process and payables cycle, is carried out by the Procurement Function based on an in-depth and detailed analysis of the possible counterparties, which includes an evaluation of the requirements of professional, economic and technical suitability deemed necessary for each specific supply.

Specifically:

- the main suppliers by turnover, strategic nature or complexity of the supply are required to register in a specific document repository;
- in particular cases, specific certifications, including social or environmental, may be required;
- a rating is associated to the main suppliers, highlighting the key economic and financial indicators;
- a qualitative assessment of the supply is carried out on a continuous basis.

Distribution of suppliers by region

	2017			
	no.	Expenditure in €	no. %	€ %
North	4,785	368,315,704	47%	74%
Centre	1,090	54,307,022	11%	11%
South and Islands	4,145	64,946,099	41%	13%
Outside Italy	142	12,501,442	1%	2%
TOTAL	10,162	500,070,267	100%	100%



The acquisition of Nuova CARIFE expanded the supply perimeter and involved extensive analysis, alignment and extension of the contracts in place and of the suppliers used. With regard to assessment of the social and environmental assessment of the supply chain, a survey of the Group's top 30 suppliers was conducted in order to determine their compliance with the social and environmental requirements. In addition, work is underway in collaboration with the ABC Consortium (an insurance and banking consortium to which BPER Banca belongs and which supports the procurement function in the various areas of activity) to examine the possibility of implementing a sustainability rating on suppliers.

As it has Italian suppliers that are largely well-known, the Group⁸ believes there are no problems with regard to the violation of human rights. In any case, suppliers are required to fully respect the regulations on the protection of workers and, in particular, the national collective bargaining agreements for the category in question, the provisions on social security, accident prevention and insurance, as well as the specific regulations on health and safety in the workplace. Upon assignment of an order and/or stipulation of a contract, acceptance of and commitment to respect the principles outlined in the Code of Ethics is required.

⁸ With regard to the scope of application of SAP: BPER, BSS, BDS, BRA and NADIA, BPERservices.



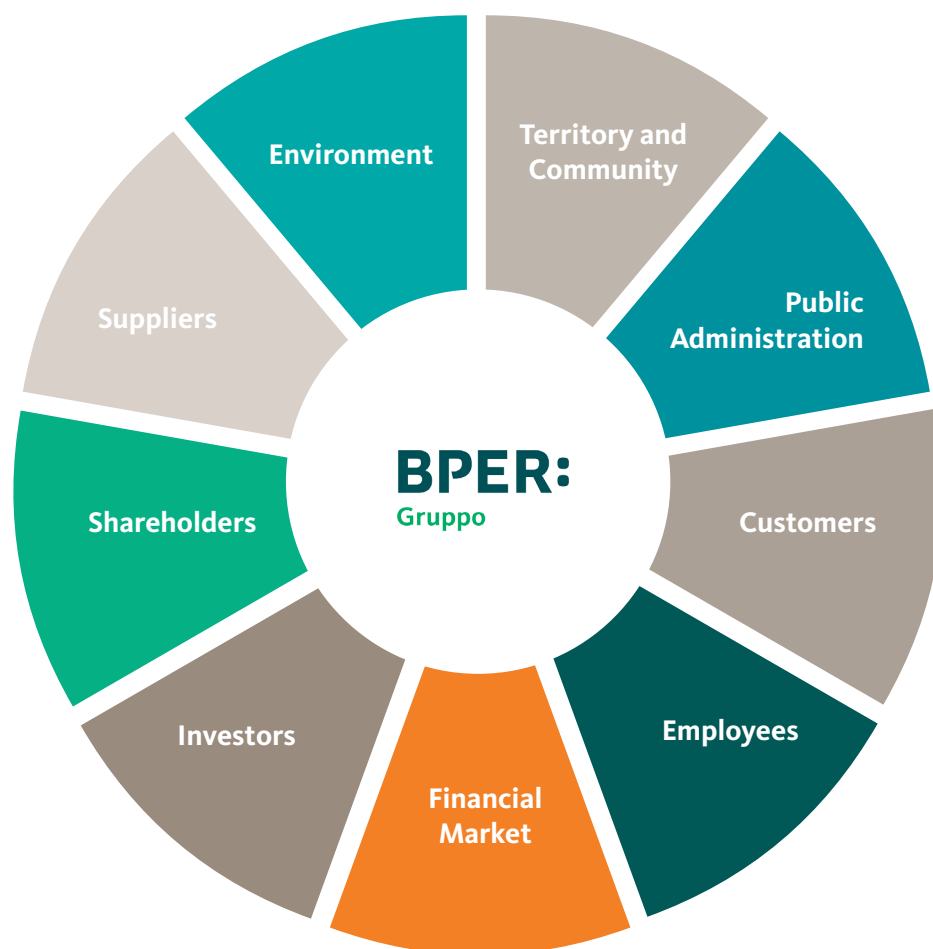
2. Stakeholders

2.

Every active organisation at the economic level may be positively or negatively influenced by its stakeholders, namely by those who have an interest in the organisation itself. The various stakeholders include those without which a company cannot survive, such as customers and employees, along with others who, although important, have minimal influence levels.

On one hand, the Group actually plays an active role in the lives and decisions of its stakeholders and, on the other hand, it is in turn influenced by them. This concept is easy to understand if you apply it to customers, shareholders or employees, also it is just as true but less immediate if its attention is shifted towards suppliers and relative companies. Therefore, it is necessary to map out all of the parties that influence or are influenced by the BPER Group and which it must take into consideration, also in the absence of direct power over processes and profits, as there may be indirect methods of interaction able to generate negative impacts.

The figure below summarises our stakeholders.



To structure its strategies based on the requirements of the various stakeholders, the BPER Group analyses and categorises them through a structured process, involving the various company functions: this is necessary because sometimes they have many different interests (economic, social, environmental), while other times, one stakeholder may belong to more than one category simultaneously (for example, an employee who is also a customer and shareholder of one of the Group's banks).

Over the years, therefore, channels for listening to the above have been set in place, able to manage dialogue with different parties, but all directed towards the good of the Group (see page 48).



The BPER Group adopts a number of tools and channels to establish a two-way dialogue with its various stakeholders, to listen to their needs and understand their expectations with respect to the company's operations. In particular, in 2016 and 2017, a structured engagement process was launched, with the aim of gradually involving all of BPER Banca's stakeholders. Based on this example, various activities have been carried out with regard to listening to the stakeholders of the entire Group, regarding the following during the period under review:

- **CUSTOMERS:** as part of the annual customer satisfaction survey, which in 2017 involved customers of BPER Banca and Banco di Sardegna, a number of questions were asked regarding economic, environmental and social sustainability, and in 2016 Focus groups were organised with customers of the third sector, in order to initiate a listening process aimed at optimising dedicated products and services and initiating shared paths;
- **TERRITORY/COMMUNITY:** an analysis of all of the articles of the daily press release generated by the External Relations and CSR Office was conducted, identifying the issues that were of greatest interest during 2016 and 2017;
- **INVESTORS:** the Investor Relations (IR) Office is the function that acts as a "reference point" for stakeholders outside of the Group, facilitating access to the company functions and providing the significant information on corporate life. In fact, the IR Office manages relations with the financial community, ratings agencies, investors, intermediaries and other stakeholders, disclosing the Group's decisions and strategies in order to promote its values and increase confidence by the market and by investors. In 2016 and 2017, therefore, the IR Office prepared the press releases and market presentations on the financial results and Business Plan of the Parent Company and Group, handled the periodic reporting with regard to identification of shareholders and organised corporate events with analysts and investors (presentations, road shows, etc.);
- **EMPLOYEES:** in 2017, a corporate climate survey was conducted at Group level; the questionnaire contained a number of questions on the Social Responsibility activities implemented. Furthermore, questions on the Business Plan currently in the definition phase (2018-2020) were added;
- **OTHER STAKEHOLDERS:** an online questionnaire was administered to customers, public entities, trade associations, environmental and social associations, suppliers, investors and university students. The questionnaire presented ten topics regarding sustainability and asked the interviewee to select the three considered most important. Consequently, for each of the three topics, interviewees were asked to rank in order of importance 5 objectives that the Group could pursue in its efforts towards sustainability.



3. Materiality analysis 2017

3.

As required by Italian Legislative Decree 254/16, the BPER Group has defined, through internal research and various activities of listening to stakeholders, the truly relevant aspects to be reported (Material Aspects) in this Report. A topic is defined as “material” if it is able to influence the decisions, actions and performance of an organisation and of its stakeholders. This analysis was conducted by following the methods indicated by the international guidelines used to draw up this report (GRI G4).

By means of a materiality assessment, the alignment between the strategic positioning of the company and the expectations of its reference context was evaluated, to prevent risks and to grasp opportunities relating to Sustainability.

To determine the relevance of topics for the Group, interviews were conducted with 22 Top Management representatives (8 representatives of BPER Banca and 14 representatives of the various Group Companies), who were asked to classify the 10 most important topics (from among those identified by a benchmark study of the leading companies in the sector), based on the importance they are assigned within the BPER Group. Added to the topics identified as significant by Top Management were the topics indicated in Italian Legislative Decree 254/16.

Conversely, in order to assess the importance of topics for stakeholders, the BPER Group implemented direct or indirect listening initiatives aimed at periodically identifying the issues of greatest interest for internal and external stakeholders (see the chapter “Stakeholders”), the results of which are further integrated through discussions with the management structures responsible for relations with each category of stakeholder.

These activities include:

- A questionnaire administered to university students, public entities, trade associations, group suppliers and environmental and social associations;
- Administration of the same questionnaire to 430 customers, who were able to provide their assessment within the platform used by the Strategic Marketing Department;
- Assessment of the importance of the topics identified as significant by 826 customers of Banco di Sardegna and another 808 of BPER Banca;
- Analysis of the survey on the corporate climate;
- Analysis of documents and Guidelines on sustainability reporting in the financial sector (Sustainability Topics for Sectors: What do stakeholders want to know? - Banks, Diverse Financials and Insurance; ABI Guidelines on application of the Global Reporting Initiative (GRI) Indicators in banks; Environmental performance analysis: Guidelines on the application of GRI-G4 Environmental Indicators in banks; GRI-G4 Financial Services Sector Disclosures;
- Media Analysis of all of the articles of the daily press release generated by the External Relations and CSR Office.

The topics deemed to be significant for the BPER Group and its stakeholders, and on which the 2017 materiality analysis focused, are listed below. A number of material topics, as illustrated below, consist of several sub-topics:

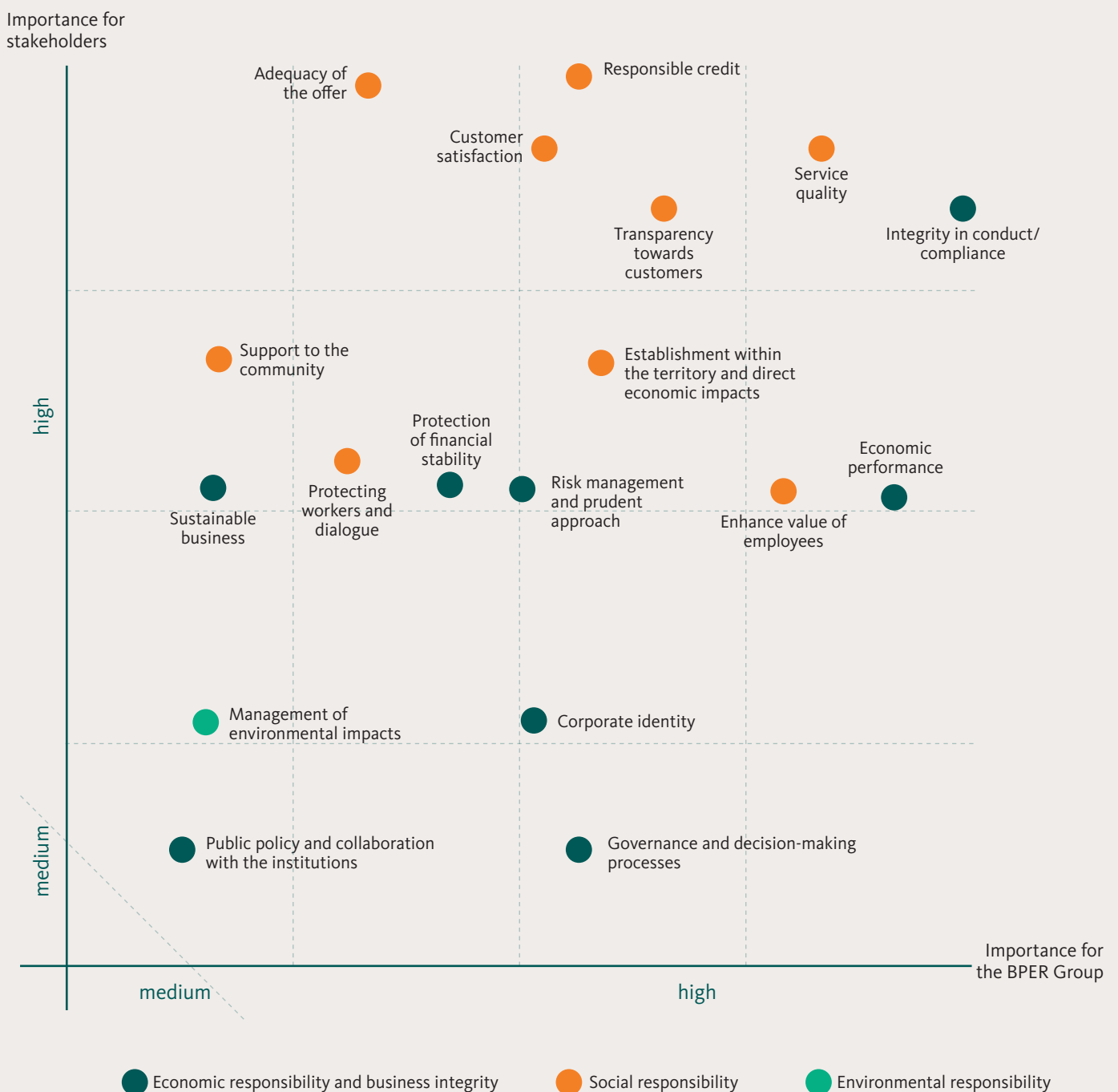
Material topic	GRI aspect	Scope of impacts	
		Internal	External
Economic performance	Economic performance	Group	
Protection of financial stability	N.A.	Group	
Risk management and prudent approach	Environmental compliance Social compliance Compliance with regard to products and services Management of complaints on environmental issues Labour/management relations	Group	
Management of environmental impacts	Materials Energy Emissions Compliance Management of complaints on environmental issues Products portfolio	Group	Suppliers of electricity
Customer satisfaction	N.A.	Group	
Service quality	Product and service labelling Customer privacy Compliance with regard to products and services	Group	Customers
Transparency towards customers	Product and service labelling Customer privacy Marketing communication Environmental grievance mechanisms	Group	
Integrity in conduct/compliance	Anti-corruption Public policies Anti-competitive behaviour Marketing communication Social compliance Compliance with regard to products and services Environmental compliance	Group	Suppliers
Adequacy of the offer	Products portfolio	Group Banks	
Responsible credit	Products portfolio	Group Banks	
Sustainable business	Products portfolio	Group	
Support to the community	Local communities Environmental grievance mechanisms	Group	
Establishment within the territory and direct economic impacts	Market presence Procurement practices	Group	
Governance and decision-making processes	N.A.	Parent Company	
Public policy and collaboration with the institutions	N.A.	Group	
Corporate identity	N.A.	Group	
Protecting workers and dialogue	Employment Diversity and equal opportunity Labour/management relations Equal remuneration for women and men Occupational health and safety ⁹ Labor practices grievance mechanisms	Group	

⁹ Given the business sector, the health and safety topic, under “protecting workers and social dialogue”, was considered relevant only in regard to employees of the Group and not to other residual categories of employees at the organisation’s premises.

Material topic	GRI aspect	Scope of impacts	
		Internal	External
Enhance value of employees	Employment Training and education	Group	

The outcome of the internal and external surveys conducted resulted in drawing up of the 2017 Materiality Matrix, validated by Top Management. This document focuses on the issues identified as “material”, highlighting the critical aspects and expectations that emerged during the course of the engagement initiatives.

Materiality matrix





4. Protection of financial stability

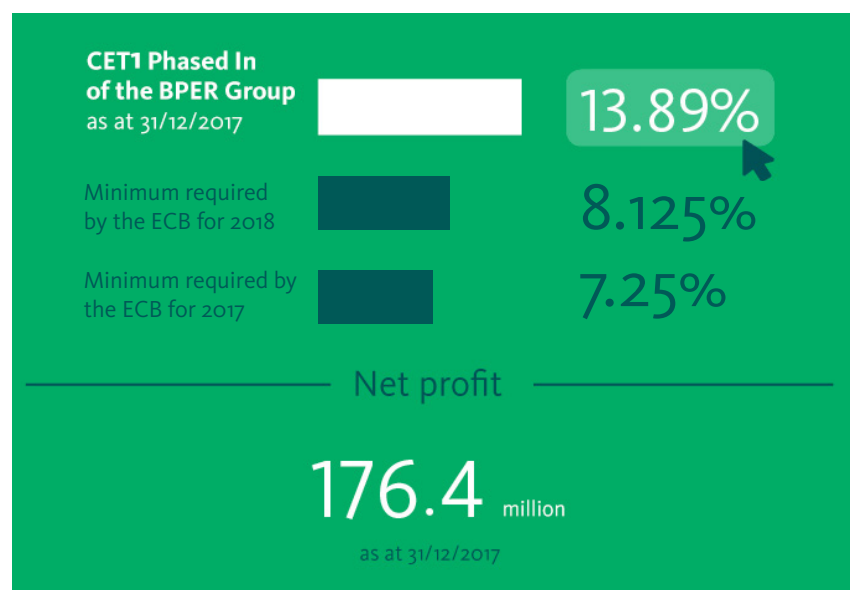
A description of certain characteristics of the BPER Group useful in assessing its reliability is provided below.

High capital strength



CET1 (Common Equity Tier 1)

the index that measures banking solidity. The higher this value is compared to the one assigned by the ECB, the more solid the bank is. Ours is significantly higher than the minimum required for 2017.



High liquidity



- Liquidity ratios envisaged by regulations significantly higher than the minimum required;
- Ample refinancing capacity with the ECB.

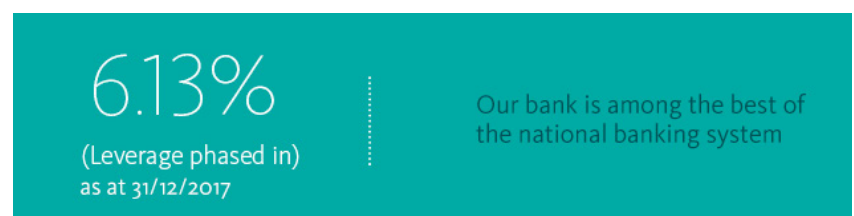
Low risk



Our risk profile is among the lowest of the national system.

Financial leverage

Indicator used to evaluate the risk profile of a bank.



4.1 Economic value generated and distributed

The BPER Group operates on the market to create sustainable wealth over the long term for its stakeholders and for the entire territory.

The objective of this chapter is to describe how the economic value generated by the Group, which in 2017 amounted to Euro 1,508,856,000, was largely redistributed to stakeholders.

Thousands of Euro	2016	%	2017	%
Total economic value generated directly	1,528,596	100	1,508,856	100
Economic value distributed to suppliers	(476,877)	31.20	(445,739)	29.54
Economic value distributed to employees and external staff	(769,149)	50.32	(783,478)	51.92
Economic value distributed to shareholders	(15,814)	1.03	(53,338) ¹⁰	3.53
Economic value distributed to central and local public administration	(134,973)	8.83	(9,907)	0.66
Economic value distributed to the community	(1,197) ¹¹	0.08	(1,013) ¹¹	0.07
Total economic value distributed	(1,398,010)	91.46	(1,293,525)	85.73
Total economic value retained	130,586	8.54	215,331	14.27

The value generated in 2017 is less than the 2016 figure mainly as a result of the reduction in the interest margin and the lower contribution of results from finance. Moreover, compared to the prior year, the scope of consolidation changed with the introduction of Nuova Carife from 30 June 2017, subsequently merged into BPER Banca S.p.A. with accounting and tax effect from 1 July 2017; in 2016, Cassa di Risparmio di Saluzzo contributed to the economic result only in the last quarter.

The figure on the economic value distributed to suppliers in 2017 is lower than that of the prior year, mainly due to the extraordinary contribution to the termination fund unpaid in 2017 (40 million in 2016), while personnel expenses increased during the current year due to the introduction of Nuova Carife into the Group.

The economic value distributed to shareholders was resolved by the Board of Directors on 8 February 2018, for an amount of 11 cents per share, compared to 6 cents distributed in 2017.

¹⁰ The portion attributed to shareholders corresponds to the designated use of net profit for the year for dividends, which the Board of Directors of the Parent Company will propose to the Shareholders' Meeting.

¹¹ This figure only includes charitable donations and excludes all sponsorships; see chapter 9 "Relations with the community".



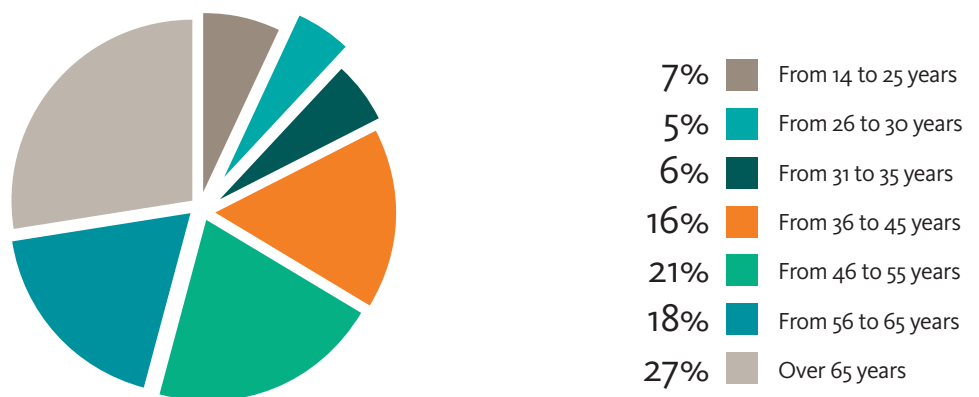
5. Our customers

The BPER Group bases its success on the relationship of trust established with its clientele, characterised by fairness and transparency. In the company's philosophy, the customer is first and foremost a person with their own dreams and plans, but also one with problems and difficult situations. Our mission is to help customers achieve fulfil their projects and overcome their difficulties.

Customers of the BPER Group know that they can count on professionalism and expertise which, over the course of the years, have become our distinctive trait: over 62% of customers have maintained a relationship with the Group for over 10 years¹².

Distribution of customers by age

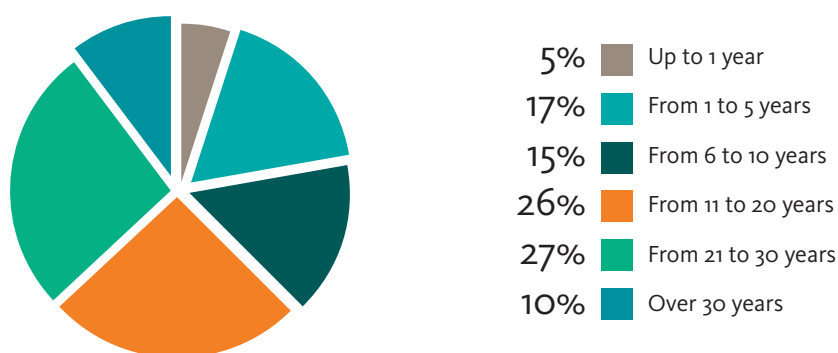
No.	31/12/2017
From 14 to 25 years	135,369
From 26 to 30 years	95,418
From 31 to 35 years	108,556
From 36 to 45 years	308,752
From 46 to 55 years	398,695
From 56 to 65 years	347,638
Over 65 years	527,641



¹² The scope of the data reported in this chapter regards BPER Banca, Banco di Sardegna and CRBra.

Distribution of customers by seniority

No.	31/12/2017
Up to 1 year	116,397
From 1 to 5 years	381,746
From 6 to 10 years	341,595
From 11 to 20 years	577,805
From 21 to 30 years	606,637
Over 30 years	227,315



The process is based on a relationship of trust that goes beyond the mere regulations governing the relationship between bank and customer.

The “Internal Governance Code of the BPER Group” defines the behavioural regulations for employees, external staff and financial advisors, but it mainly outlines the guidelines in relationships with customers and investors.

The provisions contained in the Code of Ethics are considered a reference for defining proper operating conduct in providing investment services, also in the absence of detailed internal guidelines, manuals and/or circulars.

The Code establishes that in the performance of services and investment activities and, in general, during their work activities, all Relevant Parties must behave in a diligent, correct and transparent manner in order to best serve the interests of customers and the integrity of markets.

The BPER Group has resources and procedures, including internal control, suitable to ensure the efficient performance of services and activities. For example, establishment of the Whistleblowing System allows staff, among other things, to make a report if they become aware (or have reasonable grounds for suspecting) that unlawful conduct has taken place in violation of money laundering and terrorist financing provisions, or that such conduct is likely to take place in the future.

To prevent the risks of money laundering and terrorist financing associated with customers, BPER Banca has increased the requests for information for the assessment questionnaire.

Two sections were introduced into the questionnaire for the “enhanced” assessment process: a section to collect the customers’ statements and another reserved for the operator’s assessments, used by the operator whenever a higher risk is identified, even if involving customers for whom the regulations do not require the questionnaire.

Fairness and transparency with respect to customers also depend on clear, accurate and easily understandable information.

BPER Banca draws up the documents, following the main guidelines provided by the regulations, with attention to the criteria on layout, structure of the documents, syntactic simplicity and lexical clarity, adjusted to the level of financial expertise of the target customers, and use of the most appropriate communication channel, in order to provide the customer with an understanding of the characteristics and costs of the service, to easily compare products and adopt well-thought out and informed decisions. The information provided is not based on the mere promotion of products and services, but focuses on the provision of clear information of significant use for customers. In this respect, even Branch personnel carry out an important role. In fact, they must:

- have in-depth knowledge of the characteristics and particular features of the products offered;
- examine and comprehend the true financial requirements of customers, in order to direct them to the appropriate products and services suitable to satisfy their needs;
- use the transparency documentation envisaged for the various types of transactions and services offered, in order to enable the customer to understand the characteristics, costs and risks of the products offered;
- ascertain that the customer, prior to signing the contract, has had the opportunity to evaluate the documentation provided and is in a condition to make an informed decision consistent with their requirements.

By focusing on both people as well as companies, the BPER Group constantly strives towards expanding the offer of products, in order to satisfy the multiple requirements of the market. Two examples of this type of support are the Global Advisory and Strategic Cube services.

Global Advisory

The advanced advisory services reserved for Private customers which, based on an integrated vision, is able to define the best strategies to plan the future of customers and their families.

Global Advisory uses a specifically created IT platform to offer specialised consulting on financial, real estate, inheritance, protection and pension issues.

Strategic Cube

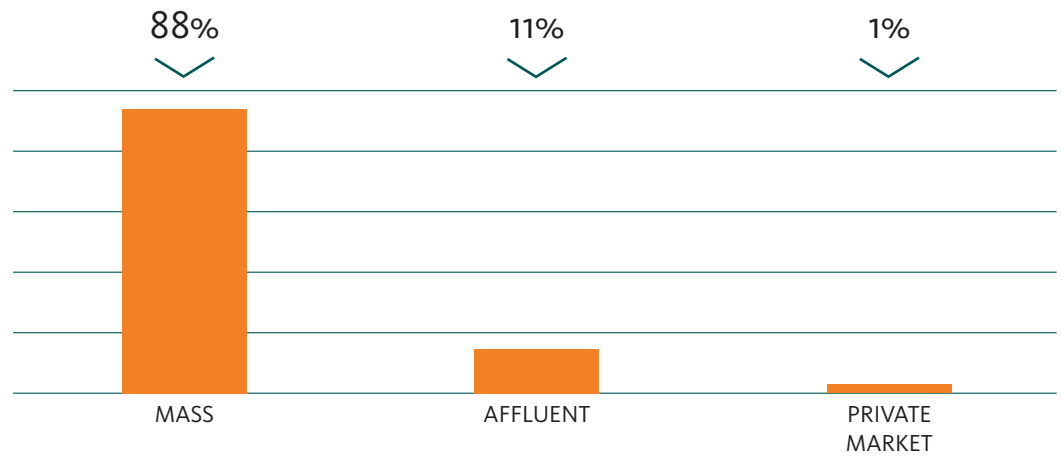
The initiative that BPER Banca reserves for a group of companies selected based on equity-financial parameters.

The offer envisages global consulting to support growth of companies, through the proposal of a range of products and value added services in the areas of Internationalisation, Wealth Advisory, Corporate Finance and Investment Banking.

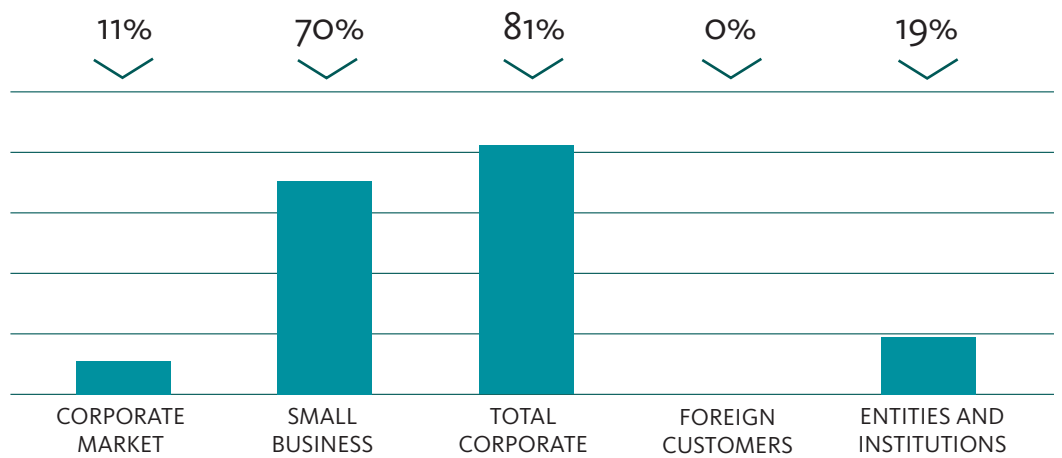
Customers by sector type by business line

No.	31/12/2017			
	Retail Banking	%	Commercial and corporate banking area	%
Mass	1,689,553	88%	0	0%
Affluent	213,801	11%	0	0%
Private market	18,715	1%	0	0%
Total private customers	1,922,069	100%	0	0%
Corporate market	0	0%	35,096	11%
Small business	0	0%	230,262	70%
Total corporate	0	0%	265,358	81%
Foreign customers	0	0%	307	0%
Entities and institutions	0	0%	63,761	19%

Customers by sector type (Retail banking)



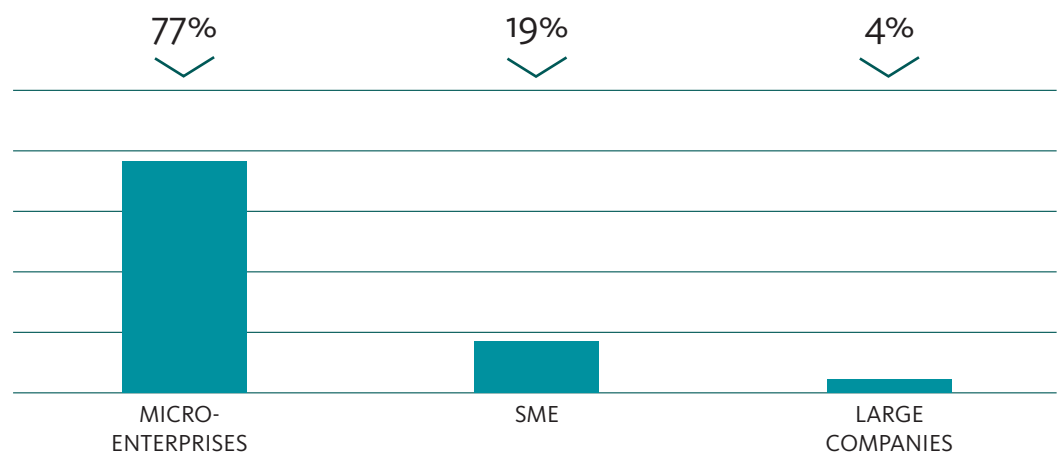
Customers by sector type (Commercial and corporate banking area)



Number of customers by size by business line

No.		31/12/2017	
		Commercial and corporate banking area	%
BPER Group	Micro-enterprises	205,006	77%
	SME	49,706	19%
	Large companies	10,646	4%
	Total	265,358	-

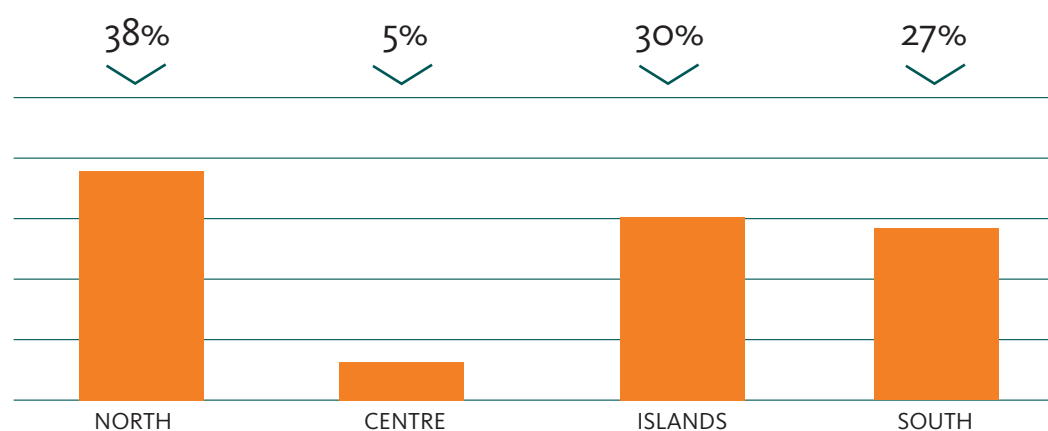
Number of customers by size (Commercial and corporate banking area)



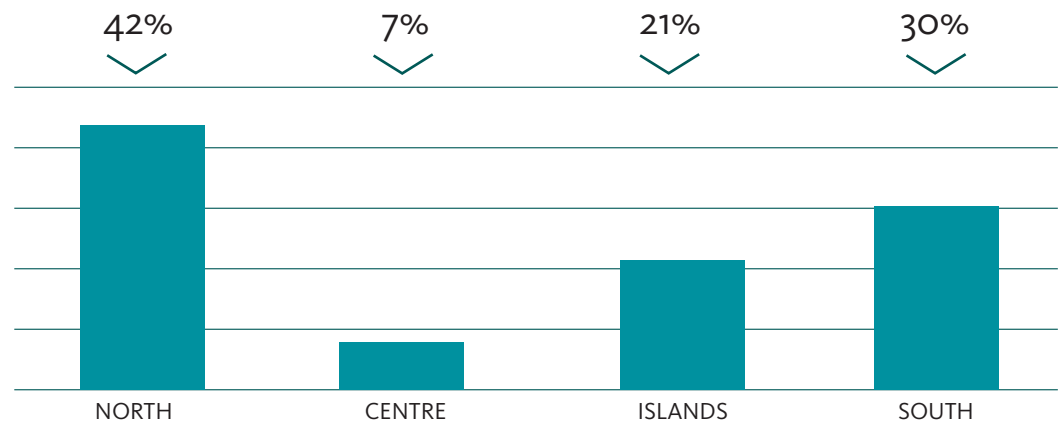
Number of customers by territorial distribution by business line

No.		31/12/2017			
		Retail Banking	%	Commercial and corporate banking area	%
BPER Group	North	733,417	38%	137,304	42%
	Centre	98,568	5%	22,354	7%
	Islands	571,063	30%	69,170	21%
	South	519,021	27%	100,598	30%
	Outside Italy	0	0%	0	0%
TOTAL		1,922,069	-	329,426	-

Number of customers by territorial distribution (Retail banking)



Number of customers by territorial distribution (Commercial and corporate banking area)



5.1 Listening to customers

The BPER Group considers the quality of the relationship with customers and their satisfaction to be key sustainability factors for the future. This principle gives rise to the need to build a system to monitor the quality perceived by customers, covering all customer segments and all of the various phases of the bank-customer relationship. BPER Banca's listening activities include both quantitative and qualitative methods. Quantitative surveys of customer satisfaction for the various channels and segments are conducted on a continuous basis over the years, while qualitative research (through focus groups, semiotics, in-depth interviews, etc.) is mainly linked to development projects for new products and services.

In 2017, BPER Banca acquired a new instrument, a panel community known as "La Piazza - Le tue idee, la tua banca". It is a space populated on a continuous basis by a maximum sample of 5,000 customers from 18 to 70 years of age. Through this digital platform, listening and collaboration activities are carried out, such as communication tests, tests before or after the launch of new products/services, study of buying and consumption behaviour and shared forums/blogs in which to exchange opinions, experiences and dialogue with other participants and with the moderators. This provides us with the most precious point of view, that of the customer, who is motivated to participate thanks to a system of awards and incentives.

In line with prior years, the periodic survey on customer satisfaction of BPER Banca customers was conducted, using the Private customers and Small Economic Operators service models defined in June-July 2017. Telephone interviews of 5,000 customers were carried out.

Bank	31/12/2017		
	Segment	Summary index of CS ¹³	NPS ¹⁴
BPER Banca	Private customers	76.6	+19.9%
	Small Economic Operators	72.4	+4.9%

¹³ Summary index of Customer satisfaction: expresses the customer's degree of satisfaction on a scale of 0 to 100.

¹⁴ The Net Promoter Score is an indicator that measures the willingness of customers to recommend a product, brand or service, and is equal to the proportion of "promoters" net of "detractors". Promoters are customers that would certainly recommend the product/service to their friends and colleagues (score of 9 and 10 on a scale of 0-10), while detractors are those who would not (scores of 0-6). Scores of 7 and 8 are considered neutral and are not counted.

With regard to the “Private customers” target, the overall level of satisfaction is positive, although it shows a decline compared to the prior survey. The satisfaction assessments are in any case higher than those recorded for customers of our competitors in Italy. The perception of BPER Banca as a professional and reliable bank, consistent in its conduct over time and which provides support and is close to its customers, is confirmed. The satisfaction level of customers under the Small Economic Operators category, which have more complex expectations, is essentially unchanged compared to 2016, and assigns to BPER Banca the values of fairness and transparency, along with the capacity to maintain the customer relationship active.

BPER BANCA CUSTOMER SATISFACTION



- PRIVATE CUSTOMERS: perceive BPER Banca as a professional and reliable bank, consistent in its conduct over time, providing support and close to its customers
- SMALL ECONOMIC OPERATORS: assign to BPER Banca the values of fairness and transparency, along with the capacity to maintain the customer relationship active

With regard to the service aspects, both of the targets, personnel and the branch contact obtain excellent scores, significantly higher than the Benchmark; the Internet Banking channel is also highly appreciated, despite a slight decrease in the average rating on the “Private customers” side. Satisfaction with regard to the Current Account, on the other hand, is down for all service models, due to a greater necessity by customers to have a very clear understanding of the costs applied and to be able to customise the services and conditions.

The Customer Satisfaction survey for Private customers and Small Economic Operators of Banco di Sardegna was conducted in April-May 2017. The total number of telephone interviews of customers amounted to 3,740.

Bank	31/12/2017		
	Segment	Summary index of CS	NPS
Banco di Sardegna	Private customers	76.1	+15.3%
	Small Economic Operators	67.8	-13.4%

CUSTOMER SATISFACTION Banco di Sardegna

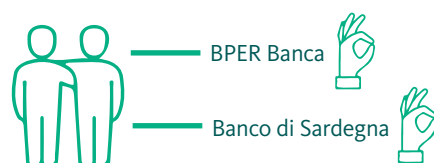


- PRIVATE CUSTOMERS: see Banco di Sardegna as solid, fair and consistent over time
- SMALL ECONOMIC OPERATORS: require greater personalisation based on requirements

The level of satisfaction of the Private customers of Banco di Sardegna is good, although it is down compared to 2014. The satisfaction of Small Economic Operators is essentially stable but in the attention level in absolute terms. With regard to image, Banco di Sardegna confirms a solid institutional image, particularly with regard to the factors of fairness and consistency over time. The service image is more problematic with regard to Small Economic Operators, particularly for factors such as the possibility for customisation based on requirements, the capacity to support the

corporate strategy and the offer of products at advantageous conditions. With regard to the various service elements, the factors most appreciated are again Personnel and Branch contact, along with the Internet Banking service, for both Private customers as well as Small Economic Operators, while the assessments of Environment and Branch Processes are down slightly, although still fully satisfactory.

ASSESSMENT OF PERSONNEL AND BRANCH CONTACTS



Listening to Private customers at the Group level was completed during 2017 as well. Overall satisfaction was up compared to the prior year, particularly for customers of Banco di Sardegna. The Manager is the key element of the relationship, due to their professionalism and for the attention paid to customers. These elements achieve a very high level of satisfaction and are up.

Bank	31/12/2017		
	Segment	Summary index of CS	NPS
BPER Banca	Private banking	77.7	+13.9%

Another important activity is the system for monitoring of the service quality at the branch level, known as IESS (Index of service experience and satisfaction), which explores all aspects of the experience within the branch. Its main objective is to provide branch personnel with a tool to identify any critical aspects on a timely basis and take action. It is therefore an ongoing listening activity that envisages 52,000 telephone interviews per year dedicated to Private customers and Small Economic Operators of BPER Banca, across all branches. The results are presented in a dedicated portal updated weekly. The main indicators are reported below.

Bank	31/12/2017		
	Segment	Summary index of CS	NPS
BPER Banca	Private customers and Small Economic Operators visiting the branch	85	+47%

Contact Centre

In March 2017, BPER Banca's Contact Centre obtained two important quality certifications: UNI EN ISO 9001:2015 and UNI EN ISO 15838:2010.

UNI EN ISO 9001:2015 guarantees the efficiency and effectiveness of the processes used at the Contact Centre and the consequent satisfaction of external and internal customers, requiring the continuous monitoring of all factors that could divert the service from the defined objectives and the implementation of preventive controls to minimise the negative effects and maximise any opportunities for each activity.

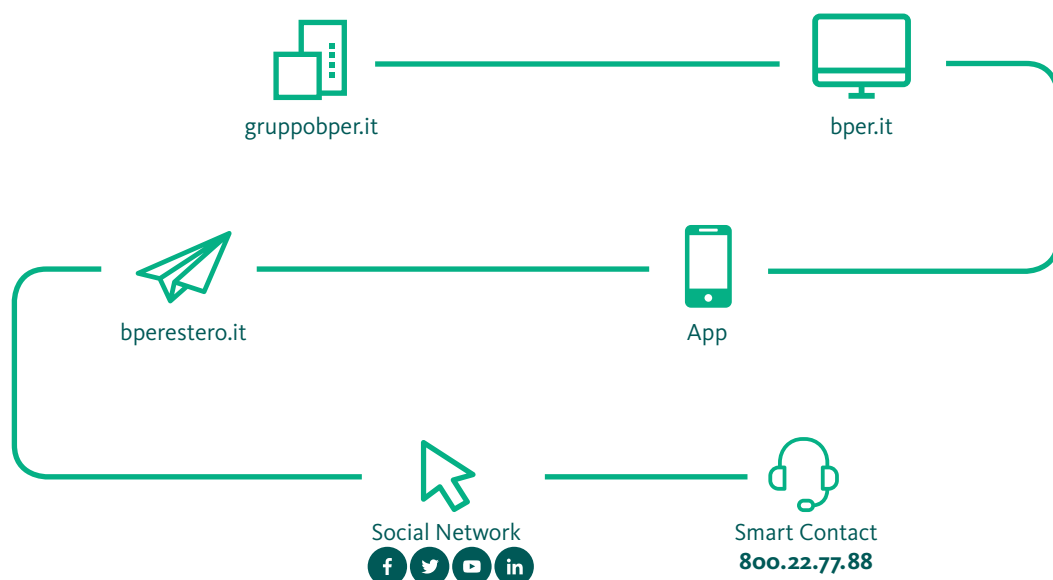
UNI EN ISO 15838:2010 is a product standard that defines the monitoring of specific performance indicators for the Contact Centre and imposes the achievement of minimum expected objectives for each channel and service. The Contact Centre of BPER Banca answers only from Italy, with a view to promoting national employment and providing better customer service. However, in addition to Italian, customer support is available in 6 languages:

- English;
- French;
- Spanish;
- Romanian;
- Portuguese;
- Arabic.

In 2017, the contact service was expanded through Live Chat and WhatsApp in order to enable an increasing number of customers to contact the Bank, also through their phones. In February 2017, the Contact Centre in-sourced the assistance service for customers with credit cards and prepaid cards, previously outsourced. In March 2017, the telephone securities trading service was activated, allowing customers with Trading On Line accounts to carry out transactions in securities also through their telephones, while in June, the Remote Mutual Funds Offering was activated, allowing customers to make investments in funds also through the specialised advice of a dedicated team of colleagues from the Contact Centre and subscription via Smartweb.

OUR CONTACT POINTS

All of the information on products, services and initiatives is also available on our online channels.



Management of complaints

The timely and proper handling of claims and complaints¹⁵ is a tool of fundamental importance for the proper management of customer relations.

Indeed, the careful analysis of complaints can highlight potential areas for improvement in services and provide opportunities for recouping dissatisfied customers and regaining their loyalty.

In 2017, the BPER Group received 6,580 complaints, 98% of which regarded banking services and the remaining 2% financial services.

¹⁵ The Bank has adopted Regulations for the complaints management process ("Regolamento del processo gestione reclami").

Number of complaints

	31/12/2016	31/12/2017
Relative to banking services	6,056	6,426
Relative to financial services	148	151
Complaints for loss of data	0	0
Complaints for violation of customer privacy	7	0
Of which from outside parties	3,227	0
Of which from regulatory bodies	0	0

5.2 Innovation of service

Today more than ever, changes are the order of the day, and the requirements of customers are no exception. To continue to offer its services with the same level of reliability and quality that have characterised it, the BPER Group is constantly committed to analysing the needs of customers in order to propose innovative solutions able to satisfy them. The key initiatives in the area of service innovation are listed below.

New methods to stipulate personal loans

Remote offer through Contact Centre: the Family customer may stipulate a personal loan via proposal by an operator of the Contact Centre (following dedicated campaigns or directly upon customer request) and complete the loan procedure by signing the proposal via Smart Web and the Digital Signature process.

Self: the customer may stipulate a personal loan independently, conducting a loan simulation via Smart Web (choosing the most suitable type and signing the contract directly on Smart Web via Digital Signature).

New methods to subscribe Funds

Remote offer through Contact Centre: the Family customer may subscribe to Funds and SICAVs (Arca Sgr, BPER Sicav, Etica Sgr) via remote consulting on investments from operators of the Contact Centre. The service permits investments to be made remotely and independently. The commercial initiatives undertaken by staff of the Contact Centre are aimed at target customers, both outbound (upon initiative by the Contact Centre) and inbound (upon Customer initiative). Subscription of the proposed funds takes place with the insertion of an OTP (one-time password) on the dedicated Smart Web page, where the customer receives consulting proposals and completed orders.

Digital Signature

Digital Signature is the new service that allows customers to purchase available products and services through Smart Web and Contact Centre, remotely and directly online. In fact, it also enables the signing of contracts and product sales remotely. The documents are signed digitally, ensuring authenticity of the subscription by the customer and non-modification of the document. Enables the sending of remote notifications during the subscription process, ensures high levels of security for both the Bank and Customer and permits the paperless management of documents (printing is no longer necessary).

Amazon Locker

Thanks to the partnership with Amazon.it, the programme for the installation of Amazon Lockers in some of our offices and branches has begun. The self-service points to pick up packages delivered by Amazon.it are situated in areas accessible to everyone. Installation of the lockers on our premises is an innovative way to build customer loyalty, advertise our brand and attract new customers to the Group.

Wizard Carife

A totally online process has been conceived and realised for Nuova Carife customers in order to best handle migration of the Nuova Carife multi-channel users to the Group's Smart Web Internet Banking. In just a few steps, the former Carife customer may identify themselves by uploading their ID, sign the multi-channel contract through Digital Signature and access their Smart Web account (where they can see the contracts signed under the "Documents" section).

ATM, cards and POS

The installation of numerous advanced ATMs in the self areas has been completed; these machines permit the withdrawal and deposit of cheques and cash at any time of the day or night, even when the branch is closed. A pilot "drive-through" ATM was also installed, allowing transactions to be carried out without leaving one's vehicle. Mention also goes to the imminent universal extension of the CBILL function, the service for payment of bills managed by Consorzio CBI, which allows you to pay bills via ATM as well. Lastly, a loyalty system has been introduced in the POS channel, allowing individual merchants to implement and oversee campaigns aimed at their own customers (unique case in Italy). With regard to credit cards, activities focused predominantly on studying a Card Control service that allows cardholders to feel safer and protected from fraudulent activity thanks to the possibility to set blocks and/or notifications on their card through mobile app.

5.3 Privacy and data protection

During 2017, BPER Banca maintained its constant commitment to protecting privacy and confidentiality with regard to the personal data of its customers and employees, ensuring a high level of protection from data theft and loss. Starting from early 2017, the Bank activated a procedure to adjust its company processes and IT systems to ensure compliance with European Regulation 2016/679 - GDPR - which will be applicable from 25 May 2018 and recognise new rights for the interested parties. The project involves all Group companies and is implementing measures to update the organisational model for data governance, appointment of a new Data Protection Officer, assessment of the risks of protecting data and the fundamental freedoms of interested parties, implementation of a register of processing activities, strengthening of security measures and management of requests to exercise individual rights, including rights of access, portability, cancellation, limitation and opposition to processing.

No losses of data or customer information due to material errors or theft were recorded in 2017, confirming the Bank's high level of attention to protecting privacy.

5.4 Transparency in customer relations

The BPER Group has always been attentive to respecting the rules and principles of transparency and fairness in its customer relations. The relationship of trust established with customers constitutes the basis for the Bank's success. Each phase of the relationship between intermediary and customer is defined by specific rules on transparency of the contractual conditions and fairness of relations with customers.

The processes and regulations define and govern the customer relations methods throughout all phases of the relationship. The legislator and the Supervisory Authority - which constitute the sources and regulatory references - govern banking transparency. Specifically, the Bank of Italy is the guarantor for preparation and advertising of the information and marketing material, and it has issued specific provisions with regard to drawing up IT documents. The rules are incorporated into the contractual documentation and concretely expressed in the relationship and in the messages sent to customers and prospective customers.

These rules are applied by the BPER Group with the understanding that complete, clear and exhaustive information on banking and financial products and services and on investment services first of all ensures customer satisfaction and, at the same time, prevents risks of disputes with customers, as well as the risk of assessments and sanctions by the relevant Supervisory Authorities. No product or service offered by the Group is prohibited or subject to dispute.

During the course of the year, the Parent Company adopted new IT tools and applications that permitted it to draw up the documents envisaged by the regulations, according to criteria that ensure completeness, comprehensibility and accuracy of the information, in order to allow customers to understand the characteristics and all costs of the services and make sound and informed decisions.

The bank draws up the documents in accordance with the regulatory guidelines, with attention to the criteria on layout, structure of the documents and syntactic and lexical clarity. The information must be adjusted to the level of financial expertise of the target customers and using the most appropriate communication channel.

A concrete example of the above is the new bper.it site, which was designed and implemented to guide the user in the selection and identification of the most appropriate products and service. Moreover, in order to always ensure availability, clarity and transparency, specific tools were added to the site, through which the user may contact the bank at any moment, such as chats and requests for appointments at the branch.

The advertising rules faithfully followed by BPER Banca have, therefore, a value that goes beyond formal: they are a clear and perceptible symbol of the correctness of the relationship between the bank and its customers. 100% of the banking and financial products are subject to stringent disclosure rules defined by the various supervisory authorities and faithfully respected by the banks of the BPER Group.

The primary objective is to fully inform customers on all of the rights and obligations arising from the purchase and distribution of financial and insurance products and from the relationship with the intermediary.

Consequently, the disclosure obligations do not have merely a formal value, but they increasingly express the essential fairness of dealings between intermediaries and customers. As a result of these commitments, no sanctions for non-compliance with laws or regulations with regard to the use of products or services were imposed this year or the previous one, nor were any cases of non-compliance regarding the labelling of products and services or the commercial communications of the BPER Group reported.

BPER:
Banca

Privati Imprese e Professionisti Private Banking Perché BPER **Area Istituzionale**

Cerca Parla con noi Filiali

Accesso Clienti

Prestiti BPER Banca.
Realizza i tuoi desideri.

Un aiuto concreto, rapido e flessibile.

Scopri di più

Ciao sono Dotti, assistente virtuale! Troviamo insieme il prodotto per:

- Cominciare
Conti e Carte
- Realizzare
Prestiti e Mutui
- Accrescere
Risparmio e Investimenti
- Proteggere
Assicurazioni e Previdenza

Rules of conduct for commercial communications

The Parent Company employs high transparency standards in all of its commercial communication tools, such email marketing (DEM or DM), websites, events, catalogues and brochures.

The objective is to help people make informed choices and comprehend the role of the bank in the wider financial system. The advertising contents are developed to provide useful tools and information to enable customers to orient themselves in the overall banking world. Based on this logic, since 2017, the Bank has adopted a Group Organisational Procedure on Advertisements that governs the scope and extent of responsibility of the offices involved in the processes and defines the requirements to set up product communication. The procedure is governed by the Parent Company, which has an oversight role over the activities of all companies and banks of the group; moreover, the same Parent Company fully respects and governs the rules set out in the procedure. It also governs the rules of conduct that are forwarded to the colleagues of the branch, which are:

- diligence in pursuing sales objectives, respecting the requirements of consumer protection rights;
- knowledge of products;
- attention to the customer.

The products and services offered by the bank may be promoted through national or territorial communication campaigns managed by the Strategic Marketing Department of General Management.

The Territorial Divisions may recommend ad hoc sales campaigns to be developed on their territories, although the strategy, coordination and governance of local activities are handled by the Communications Area of General Management. Governance and respect of the regulations in effect and of the Group Organisational Procedure on Advertisements are protected, although within the scope of territorial independence.

Again with respect to the principles of transparency, the Bank has defined a specific process through which sales staff may contact and promote products and services.



6. Development of an ethical and green portfolio

6.



6.1 Responsible credit and adequacy of the offer

Ethics and sustainability for BPER Banca are not simply limits to be followed to operate legally and reduce reputational risks, but they are real drivers capable of bringing tangible benefits to the business in the short, medium and long term period. To develop the portfolio of ethical products, with social impacts or to reduce environmental impact, BPER Banca uses the same procedures defined for the realisation of traditional products. An important role in the definition and approval of an ethical product is played by “Product Approval” through which emerging risks and related control procedures can be identified, consistency with customer requirements can be assessed and transparency and fairness in product marketing can be ensured.

The definition and subsequent marketing of each type of product must take into account the guidelines of the Code of Ethics.

BPER Group’s offering of products and services is regulated by a Group Regulation (“Regolamento di Gruppo del processo di sviluppo e approvazione dell’offerta commerciale”) which refers to external and internal regulatory sources.

The objectives of the process for the development and approval of the commercial offer are as follows:

- ensure the improvement and timely development of the commercial offer in compliance with customer needs, consistent with the company’s strategy and objectives;
- ensure the correct mapping, assessment and management of risks arising from new operations, consistent with the risk appetite of BPER Banca;
- define the customer segments to which the new products and services are to be distributed, in relation to their complexity and any existing regulatory restrictions;
- assess the products structure, with regard to how customers understand their characteristics and risks involved, especially for complex forms of remuneration and reimbursement;
- ensure transparency and correctness in the marketing phase;
- ensure full compliance of the development process and the approval of the commercial offer, through compliance with the various steps envisaged and the involvement of the various company functions.

The process described above is activated in cases of product introduction/modification, entry into new markets or business sectors, as well as in the case of agreements, agreement models, commercial partnerships or participation in self-regulation initiatives concerning the offering of products, services or other initiatives to develop or improve the commercial offer to customers. The activation of the process always requires the analysis of customer needs as a systematic activity or in response to customer requests received through the branches.

In line with current regulations and guidelines of the Supervisory Authority, BPER Group’s governance system for its product and service offering is founded on the need to establish and maintain effective monitoring facilities, in order to:

Ensure consistency between the interests, objectives and characteristics of customers

Direct the offer towards the customer target for which it was built and adjusted in terms of peculiarities, costs, risks and financial capacity

Address the commercial offer to the appropriate distribution channels

Monitor and maintain consistency over time between the commercial offer and the customer target

The quality of the commercial offer is also monitored in the after-sales service, including by being open to customers' opinions and analysing complaints and service disruptions, in order to verify:

- consistency between customer target identified during the design of the product and the target actually achieved;
- customer satisfaction or presence of any defects.

Lawfulness rating

Lawfulness is the starting point for any strategy of Social Responsibility.

The Group's banks have reached compliance with Italian Ministerial Decree 57/2014, which indicates the obligations that banks must meet, and the special conditions to be applied to companies with a Lawfulness Rating. Thanks to this regulatory provision, the law recognises and rewards responsible enterprises, which, by operating lawfully, demonstrate their long-term intention to operate in the market, rather than basing their operations on short-term speculation.

In 2017, BPER Banca recorded 206 financing applications by counterparties with lawfulness ratings. The lawfulness rating did not provide benefits in one case only, where the creditworthiness assessment of the counterparty judged as inadequate prevailed. All of the applications that were approved benefited from better economic conditions and, in 137 cases, a reduction in the resolution times.

6.1.1 Ethical products and services

The Group's attention is aimed at the development of products that, in addition to allowing true accessibility with a view to financial inclusion, also have a strongly innovative nature.

There are a number of BPER Group's products with significant social impacts.

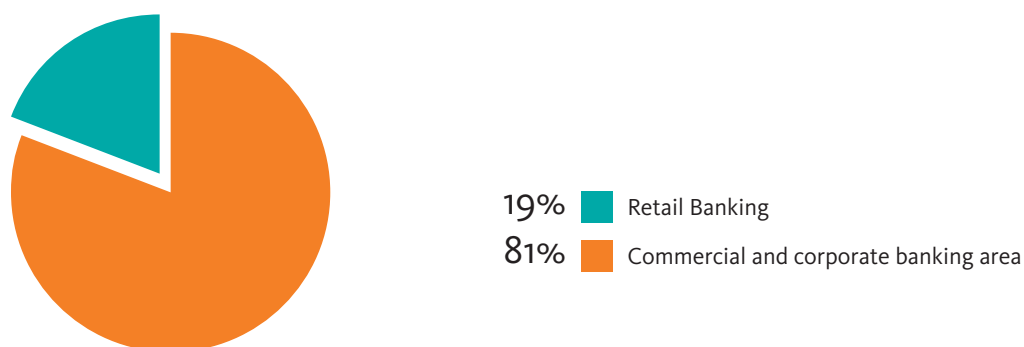
For the economically disadvantaged segments, the Parent Company has participated in the initiatives arising from the collaboration of the Ministry of Economy and Finance, Bank of Italy, Poste Italiane and Associations of Payment Service Suppliers, in order to offer low-cost current accounts.

Added to these products are initiatives to facilitate access to credit, particularly to purchase properties belonging to non-luxury categories, through fixed-rate mortgages and home leasing.

To support individuals with special needs, BPER Banca has also set up the "Prestito senza barriere" (Loan without barriers) to finance the spending and consumption requirements of those who need particular care or equipment. Moreover, thanks to the multi-channel orientation, as early as 2015, the Bank offers to visually impaired and blind customers specific tools for carrying out online financial transactions, bank transfers, telephone top-ups, etc. Within the MSITE of internet banking (the application for access via mobile devices), specific software (screen readers) can "read" the information that appears on the monitor or display, and can describe it using voice synthesis. To allow

these customers to be as independent as possible, there is now also an option to see the webpages in a larger format, and new functions linked to password management have also been implemented.

Products and services with social purposes by business line



Products and services with social purposes

	Unit of measure	31/12/2016	31/12/2017
Retail Banking	no.	33	32
	Disbursed value (€)		84,152,709
Commercial and corporate banking area	no.	6	35
	Disbursed value (€)	124,500,408	369,851,910

Microcredit

Microcredit is the financial instrument that meets the needs of financial inclusion of those who have difficulty accessing traditional credit.

With a view to financial inclusion, the Parent Company has stipulated an important agreement with Ente Nazionale per il Microcredito to provide customers who request the Microcredit (guaranteed by the Central Guarantee Fund for SMEs) with the auxiliary services required by law. In this type of financing, credit institutions disbursing the Microcredit are required by the current legislation to provide, when analysing the application and during the repayment period, at least two auxiliary assistance and monitoring services to the borrowers, which must be compulsorily selected by the applicant from a list established by law.

The agreement entered into with the National Agency for Microcredit (ENM) guarantees the management and correct delivery of the following auxiliary services:

- support in defining the development strategy of the financed project and in analysing solutions to improve the performance of the activity;
- training in business administration techniques, in terms of accounting, financial and personnel management;
- training on the use of the most advanced technologies to increase the business productivity;
- support in defining price and sales strategies, through market studies;
- support for the solution of legal, fiscal and administrative issues, and providing information on the relevant services available on the market;
- support for the identification and diagnosis of any critical aspects of the implementation of the financed project.

The BPER Group has provided a **ceiling of Euro 75,000,000** to promote the activity.

The activity with ENM is currently being defined and launched, the prototyping phase having been completed.

Microcredito Imprese loans disbursed by BPER Banca and Banco di Sardegna - ENM

	No. Loans Disbursed 2017	Amounts disbursed 2017
Banco di Sardegna	17	€164,000
BPER Banca	70	€1,078,830
Grand total	87	€1,242,830

A “Referral and collaboration agreement” was also signed with PerMicro Spa, the only professional operator in Italy dedicated to Microcredit: if a customer of the BPER Group requests access to the Microcredit, the Branch puts it in contact with the nearest PerMicro office that will assess the applicant’s creditworthiness.

There are several initiatives to support Microcredit activated in collaboration with associations and religious bodies. Special mention deserves the project in collaboration with the Modena Dioceses called “La Fabbrica dei Talenti” (Factory of Talent) which, alongside Microcredit activities aimed at paying the past due household utilities for needy individuals, intends to make the beneficiaries of the aid aware of their responsibilities by involving them in work and/or social utility programmes to promote generative welfare.

“BeAtlas” Project

BeAtlas is an experimental social innovation project of BPER Banca dedicated to the community of foreigners in Italy.

Loans to companies

To establish a local operational foothold the bank also cooperates with local, national and EU institutions and bodies, including trade associations and their credit guarantee consortia (Confidi), the Guarantee Fund for SMEs, the European Central Bank for Investments. Through these partnerships the Group’s banks offer companies specific solutions to facilitate their development with specific focus on projects that have environmental goals. Some examples are provided below:

- Fin PMI, guaranteed by the Guarantee Fund for small and medium-sized enterprises, is a loan that meets various business needs, such as the purchase of land and buildings and liquidity needs, but also and above all the purchase of licences and patents to facilitate the firm’s development;
- Innovfin is a loan 50% guaranteed by the European Investment Fund and it is addressed to small and medium enterprises, characterised by a high level of innovation or significant investment in research and development; the loan covers 100% of the project cost;
- The loan with EIB funds is a medium and long-term loan in support of investment programs of small and medium-sized enterprises and Midcaps engaged in industrial and service sectors and in agro-industry. The loan can cover 100% of the project cost;
- Fin Sabatini, defined by the agreement between ABI-Ministry of Economic Development and Cassa Depositi e Prestiti Spa for the implementation of the “Beni Strumentali Decree” (Decree Law 69.2013), is a loan for small and medium-sized enterprises to support the purchase of new machinery, plants and equipment, hardware, software and digital technologies;
- Finprogex is a loan issued with the SACE guarantee, dedicated to the internationalisation and foreign investments of companies. It is intended as a stimulus for company growth in foreign markets;
- Fin Short Term, a short-term unsecured loan with the SACE guarantee, dedicated to companies that are seeking to internationalise and enter into new markets.

Welfare solution

It is the BPER Banca project dedicated to small and medium-sized enterprises. The payoff of BPER Banca “Vicina. Oltre le attese” (Nearby. Beyond expectations.) combines with the idea of presenting the Bank not just as an entity that provides financing or financial services, but also increasingly as a partner that provides solutions and skills to stimulate needs and support households and businesses in the design and implementation of growth and improvement projects.

Against this backdrop, BPER Banca intends to support companies in all aspects that are sensitive with respect to research and the development of better working conditions. Recent innovations in the tax legislation are an important step forward in promoting the construction of a set of welfare services that are more efficient, of high quality and with sustainable costs that can facilitate work-life balance and contribute to a system that increasingly responds to citizens’ needs. This is one of the first agreements signed in Italy by a credit institution, together with companies specialising in welfare and health services. The agreement signed between BPER Banca, Willis Towers Watson and SiSalute provides a platform of advanced welfare services for employees of small and medium-sized enterprises.

The platform, customisable, easy to use and available from PCs, tablets and smartphones, offers employees a tool to independently convert company bonuses. A team of BPER Banca professionals, specialised in commercial and tax issues, supported by the experts of Willis Towers Watson and SiSalute for their respective competences, ensures comprehensive and valuable consultancy for companies interested in the platform. The range of goods and services can be customised based on the preferences of the company and its employees.

The combination of the Bank’s professionalism and the experience and technical skills of the two partners ensure companies receive high quality and innovative welfare services; the project contributes to the growth of the social and economic fabric of the region, leading to innovation, increased business productivity and a real financial advantage for its employees. The portal, operational since August 2017, has been proposed in the test phase to some client companies through BPER Banca branches located in Lombardy, Veneto and Emilia Romagna and, starting from 2018, the service will be extended throughout Italy. To enable the project to be implemented over the entire commercial network of BPER Banca, training courses were organised for the concerned companies and the personnel involved in the initiative, in order to ensure comprehensive training.

Civic crowdfunding

In 2017 the Civic Crowdfunding platform was implemented, dedicated to the online fundraising by Public Bodies, Associations, NGOs and Universities wishing to finance civic projects for the local community. The Civic Crowdfunding platform of BPER Banca won the MF Award for innovation in the Financial Digital Services / Crowdfunding category.

Current accounts

To encourage access to financial services by the economically disadvantaged segments, the Group banks participated in the initiatives arising from the collaboration of the Ministry of Economy and Finance, Bank of Italy, Poste Italiane and Associations of Payment Service Suppliers, in order to offer low-cost current accounts such as the Ordinary Basic Account, ISEE Basic Account and Seniors’ Basic Account.

In addition, the Terzo Settore Account (Third Sector Account) is the current account dedicated to associations, institutions, social enterprises and organisations engaged in the Third Sector. This account can be requested and used by both non-profit and for-profit organisations.

Dedicated accounts have also been set up for the various youth age groups, from 13 to 28 years. Specific loans are also reserved for the younger segment, for educational or other needs, such as “Prestito PC Zero”, “Prestito Libri Zero”, “Prestito Grande” (dedicated to minors) and “Prestito Giovani”.

Senza Barriere Loan

The “Prestito Senza Barriere” (Loan without barriers) is a loan dedicated to people with disabilities to finance the spending requirements of those who need particular care or equipment.

For example, the Senza Barriere loan finances expenses for crutches, lifts or stabilisers, specific equipment for hobbies or sports, educational software, voice recognition, sensors or automatic sliding doors.

It complements the support provided by the National Health Service or recognised by Regional Laws.

Libri Zero Loan

It is a personal loan dedicated to primary, secondary and university students for the purchase of textbooks, dictionaries, e-books, electronic encyclopaedias and publishing products. In case of minors, the loan is disbursed to the parents.

Prepaid “ethical” cards

The BPER Group has implemented several “ethical” prepaid card projects; the cards were created to support nationally renowned associations engaged in fundraising in various sectors and dedicated to customers who are sensitive to the theme of solidarity: a portion of purchasing and transaction commissions is donated to the partner associations.

These projects involved:

- Amnesty International
- Emergency
- Telefono azzurro
- Emporio solidale “Il Mantello” in Ferrara

In addition, there are other solidarity partnership projects that are more local in scope, such as:

- Mission card (Missions of the Capuchin Friars of Emilia Romagna)
- We Love Sport Project (linked to the world of sports associations)
- Reggio Emilia Refugee Project

Assofin Memorandum of Understanding

The Group’s banks have subscribed to the Memorandum of Understanding signed between Assofin and Consumer Associations, aimed at promoting good practice in granting salary-backed loans/ assignment of pension.

The Memorandum was defined to encourage greater transparency in customer relations, increase consumer protection and prevent over-indebtedness, by guaranteeing the disbursement of loans only if the customer’s financial sustainability conditions are met.

To ensure that customers fully understand the terms of the loan, the Memorandum provides for setting out separately in the price the following 3 items at most:

- costs for analysis of the credit application, including tax charges for the costs actually incurred during the application phase;
- brokerage fees paid to the network, charged to the customer;
- nominal annual rate.

Loans for calamitous events

BPER Banca has activated a special ceiling for loans to support client companies that have suffered damage due to calamitous events occurred in the Bank’s operating areas. These are loans designed to partially support financial needs pending completion of any structured medium and long-term transactions, as well as public grants, for repairs, restoration and repurchase of assets damaged by the calamitous event.

6.1.2 Products and services for environmental purposes

As part of their efforts towards the reduction of the environmental footprint, the Group banks offer a series of specific financing products for investments by households and companies in the use of renewable energy and energy savings.

For example, for Private customers, the “Prestito Valore Casa” was activated to support works involving:

- refurbishment and energy redevelopment;
- installation of photovoltaic systems for electricity designated for self-consumption or sale;
- design, purchase and operation of plants for the production of energy from alternative sources and/or for energy savings;
- anti-seismic adaptation and safety measures on buildings situated in high-risk areas.

Products and services for environmental purposes

BPER Group	2016	2017
Value disbursed in €	4,594,000	7,507,076
Residual debt in €	43,198,617	42,584,907

Flagship project: Private Finance For Energy Efficiency (PF4EE)

On 22 December 2016 BPER Banca was selected as pilot bank for a Project Finance instrument - Private Finance For Energy Efficiency (PF4EE), supported by the European Union as part of the LIFE Programme - defined as part of a common agreement between the European Investment Bank and the European Commission and which BPER may use for the next 24 months on an exclusive basis. The agreement was signed at the end of a long Due Diligence with BPER Banca, Banco di Sardegna and Cassa di Risparmio di Bra, and envisages the establishment of a portfolio of loans up to Euro 50 million, dedicated to small, medium and large-sized companies.

The PF4EE instrument comprises:

- a mechanism to share the risk with the EIB, characterised by hedging of the initial losses of the portfolio;
- a long-term loan at competitive conditions;
- technical support by a specialised company, selected directly by the EIB in order to inform and direct companies on said investment opportunity, from the selection of projects to promotion for local entities, training of personnel, development of ad hoc products, etc.

Through the PF4EE instrument, the European Commission intends to provide incentives for investment in energy efficiency projects, facilitating access to sources of dedicated financing, thanks to information initiatives aimed at European financial institutions and to the increase in resources at the disposal of the system, in order to encourage investment.

Within said project, BPER Banca envisages, for the companies involved, the disbursement of specialised consulting services on the main public facilities available within the region and support in conducting energy diagnoses and in the identification of possible solutions, thanks to the involvement of selected partners.

There are several areas eligible for funding:

- works on buildings (insulation, windows, heating/cooling, lighting, etc.);
- initiatives related to production facilities;
- district heating/cooling systems;
- public lighting infrastructure;
- high efficiency heat and electricity cogeneration plants.

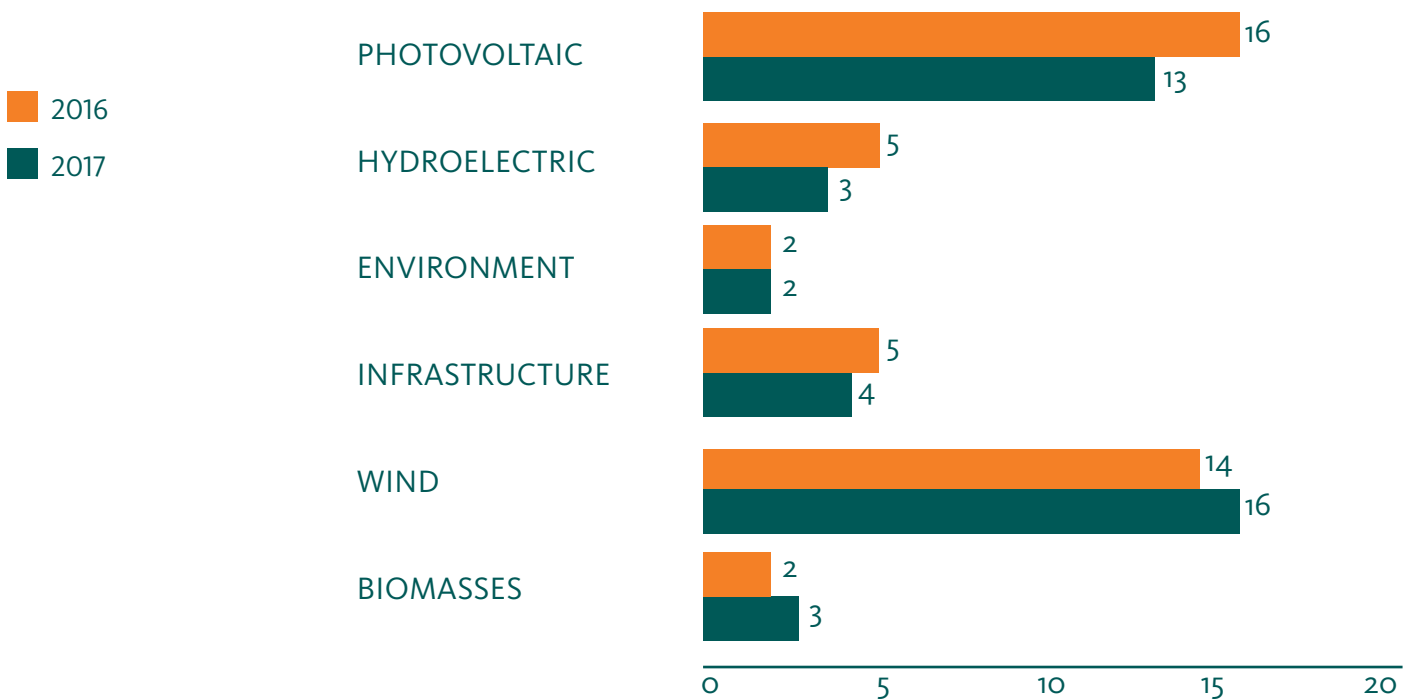
For commercial purposes the project has been renamed BPER LIFE4ENERGY.

Project Financing

Project financing is a financing method applicable to projects that have autonomous revenue generation capacity; the method ensures coverage of lenders' receivables through the cash flows expected from the project (i.e. incentives on the production of electricity from renewable sources in addition to the sale of energy). As regards BPER Banca, they refer to the financing of projects aimed at the realisation of systems for the production of energy from renewable sources (wind, photovoltaic, hydroelectric, biomass and biogas) or for infrastructural initiatives under concession (ports, hospitals, parking lots, various infrastructures, gas distribution systems, etc.) or to "renovation" of existing plants in order to obtain the feed-in tariff.

As at 31/12/2017, the BPER Group had a Project Finance portfolio with a disbursed amount of approximately Euro 593 million, including 41 transactions in the renewable energy sectors as well as in the infrastructure and networks sector.

Number of existing Project Financing contracts



Sardaleasing

In the last 10 years (from 2007 to 2017) Sardaleasing has financed renewable energy production plants (photovoltaic, wind, hydroelectric, biogas, etc.) for an amount of Euro 229,602,305.

For 2016, the amount was Euro 10,994,212.6, for an installed capacity of 3950.32 kWp
For 2017, the amount was Euro 1,252,840, for an installed capacity of 687.91 kWp

Fin Helios Corporate banking

It is a type of financing for companies that plan to invest in the installation of photovoltaic systems for the production of electricity for self-consumption or sale; Solar photovoltaic energy has the advantage of being a pure and inexhaustible energy, produced at the point of consumption and easy to integrate in urban environments. Funding may be requested by companies of any legal form and operating in any economic sector.

The amount that can be financed varies from Euro 5,000 to Euro 4 million.

6.2. Banca Etica and Etica Sgr

Banca Etica and BPER Banca

BPER Banca is a member and partner of Banca Popolare Etica and Etica Sgr. This is a consolidated relationship with a special focus on the issues of Sustainability and Social Responsibility.

Etica Sgr was founded in 2000 driven by the belief that investing in issuers that can be considered “virtuous” from an environmental, social and governance (ESG) standpoint offers value added in terms of returns.

Consistency between mission and operations is fundamental for the company: the funds’ assets are invested exclusively in securities of states and companies that respect the environment and human rights. Through engagement and active share ownership, Etica Sgr actively exercises the voting rights connected with possession of the securities in which the funds invest, with the objective of spurring companies and supporting them towards responsible conduct.

The use of ESG criteria, codified in a transparent methodology and certified according to the UNI EN ISO 9001:2015 standard, enable more effective risk management while seizing interesting investment opportunities.

Etica Sgr also offers advice to institutions wishing to plan their investments in compliance with social, environmental and governance criteria.

BPER Banca offers ethical products, thanks to its agreement with Etica SGR. In pursuing its corporate purpose and in managing relations with stakeholders, Etica SGR aims to be financially effective and efficient, but also responsible and attentive to governance, social and environmental issues.

States under dictatorship and where the death penalty is still in force, as well as companies that produce arms, nuclear energy, tobacco or are involved in practices detrimental to the dignity of man or animals are excluded from investment.

Investors in Etica funds pay 1 euro each thousand to a fund that:

- guarantees microcredit projects in Italy to grant small loans to:
 - people who are under serious social and economic hardship;
 - people who want to start entrepreneurial activities;
 - social cooperatives that require recapitalisation;
- through crowdfunding, it finances initiatives with high social and environmental impact promoted by the Banca Etica network.

Banca Etica

The Banca Etica group is today the only Italian group entirely dedicated to ethical finance. It currently manages over Euro 4 billion of Italian customer savings (of which Euro 3 billion are attributable to Etica Sgr), putting it at the service of high-value social and environmental impact initiatives, both through credit instruments and through ethical selection in mutual funds.

The implementation of ethical finance principles has required, over time, the establishment of a dialogue with the banking world on the aspects of social and environmental sustainability.

BPER Banca's shared approach to these themes led it to become the first shareholder of Banca Etica and subsequently of Etica Sgr, thus engaging in the placement of their funds among its customers.

The Bank is active all over Italy through 17 branches and a network of about 30 "travelling bankers" (financial advisors). Besides this operating network, the bank has a network of about 70 local groups of volunteer members who promote the values of ethical finance in the various regions.

Since 2014 a branch of Banca Etica has been operating in the city of Bilbao, in Spain, thus giving substance to the work of raising awareness on the responsible use of money carried out by people and organisations of the Spanish civil society.

Banca Etica originates from the third sector, its founding members being 20 non-profit organisations; over time Banca Etica has extended credit to those economic and social initiatives that generate "common good", intended as tangible contribution to improving the communities in which they carry out their activities. This new approach, which has been named "new economy laboratory", has enabled the bank to explore other experiences in the economic field, in an effort to support businesses, both for profit and non-for-profit, that demonstrate the ability to achieve integrated economic, social and environmental value for the benefit of individuals and communities.

As regards the contribution of private entities to welfare and the common good, Third Sector entities continue to play a prominent role, especially in the aftermath of their reform, which Banca Etica has attentively monitored, including through the consolidation of important partnerships with IRIS Network, Osservatorio ISNET sull'Impresa Sociale and EURICSE.

Aware of the role that for-profit enterprises must play in furtherance of a more equitable and inclusive society, Banca Etica has increasingly focused on the experiences of responsible profit, from the Benefit and B-CORP companies to the new innovative social and technological start-ups.

Both in the profit and in the non-profit world, new projects are emerging, that are shared in multi-stakeholder collaborative situations that need be supported, especially in the start-up phase, through differentiated solutions, including in terms of access to financial resources. For this reason, again in 2017, Banca Etica developed its own crowdfunding initiative, through calls for proposals designed to select innovative social and environmental projects, which can raise funds through the dedicated page on the "Produzioni dal Basso" reward portal, and benefit from the contribution of Etica SGR microfinance Fund.

The new challenges of alternative financial instruments see Banca Etica also engaged on the equity crowdfunding front, through the partnership signed with the "Stars-Up" portal.

However, the wellbeing of the communities remains strongly dependent on safeguarding jobs. Based on this awareness, Banca Etica continued to support workers' buy-out projects in 2017, supporting more than 30 companies taken over by their employees, for a total of over 14 million euros of loans granted to protect over 800 jobs.

Banca Etica's contribution to the resilience and quality of life of the communities was also recognised at institutional level: following the introduction (in 2016) of a specific legislative definition of "ethical and sustainable finance banking operators" (Article 111-bis of the Consolidated Banking Law), the 2018 Stability Law amended the Consolidated Law with respect to companies with public shareholders, granting the public administrations the right to acquire or retain holdings, in any case not exceeding 1% of the share capital, in ethical and sustainable finance banking companies. This is an orientation and project-planning capability that is inherent in all those entities that see cooperation not just as a type of organisation but as the very essence of their mission.

This commitment, that is firstly civil rather than economic, often means that Banca Etica and BPER have found themselves working on common areas such as the promotion of legality, the fight against gambling, the financial inclusion of the weakest segments of the population, greater responsibility of banks with regard to the consequences of arms production and marketing.

Ethics to reduce CO₂ emissions

Since 2009, Etica Sgr has participated in the Principles for Responsible Investment (PRI) of the United Nations and in 2015 it was the first Italian asset management company to adhere to the Montréal Carbon Pledge, the PRI initiative that envisages a concrete commitment on climatic change, through measurement and reporting of the carbon footprint of its equity investments. With the collaboration of the CDP (previously Carbon Disclosure Project), scientific partner of the analysis, which provided the data on the emissions of companies in the portfolio, in terms of CO₂e¹⁶, for the third year Etica Sgr calculated the carbon footprint of its Etica Azionario fund at the end of 2016.

The analysis shows that Euro 100 invested in Etica Azionario generate on average 27 kg¹⁷ of CO₂e in one year, compared to 501 kg of CO₂e generated by the same investment in the reference market (global equity market)¹⁸. To clarify the comparison, just think that the production of 1 kg of bread requires 1 kg of CO₂e. Or we may consider the carbon footprint required for the production of some commonly used objects¹⁹: a smartphone is worth 57 kg of CO₂e, a notebook 250 kg of CO₂e and a washing machine 315 kg of CO₂e.

Another interesting fact that emerged from the analysis is that 81% of the companies in the Etica Azionario fund portfolio have undertaken initiatives linked to the reduction of polluting emissions; this generated savings of 3,355 tonnes of CO₂e. This reduction can be equated with the amount of CO₂²⁰ absorbed in one year²¹ by a forest of 11.66 square kilometres.

In 2017, Etica Sgr also published the first edition of the Impact Report, which describes the social, environmental and governance impacts of Etica Azionario fund investments, through the analysis of specific indicators consistent with the Sustainable Development Goals (SDG) of the United Nations, compared with the reference market²².

The results are significant. Compared to the market, the companies in the Etica Azionario fund that have set emission reduction targets are 51% more, an average of 75% more jobs have been generated and companies with at least 20% of women in their BoD are 30% more²³. These are just some of the numerous results of the Impact Report that bear witness to Etica SGR's tangible commitment in taking part in a global change.

In general terms, the analysis showed that the companies in which Etica Azionario invests have a higher positive impact, compared to the reference market, of 43% in the environmental area, of 28% in the social area and of 21% in the governance area.

¹⁶ CO₂e is the standard unit to measure the carbon footprint that represents the impact of each greenhouse gas (including ozone, methane and nitric oxides) in terms of quantities of CO₂ necessary to create the same climate-altering effects.

¹⁷ CDP data: www.cdp.net, processed by Etica Sgr.

¹⁸ The market index used for comparison is the ETF iShares MSCI ACWI (ACWI US). Data as at 31/12/2015.

¹⁹ Source of data: EPA (US Environmental Protection Agency); BCFN Foundation; www.lastoriadellecose.com.

²⁰ Carbon-avoided data by issuer supplied by CDP and processed by Etica Sgr.

²¹ Source: EPA (US Environmental Protection Agency). Ref: <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

²² ETF iShares MSCI ACWI1, fund that replicates a global equity index.

²³ Data as at 30/12/2016.

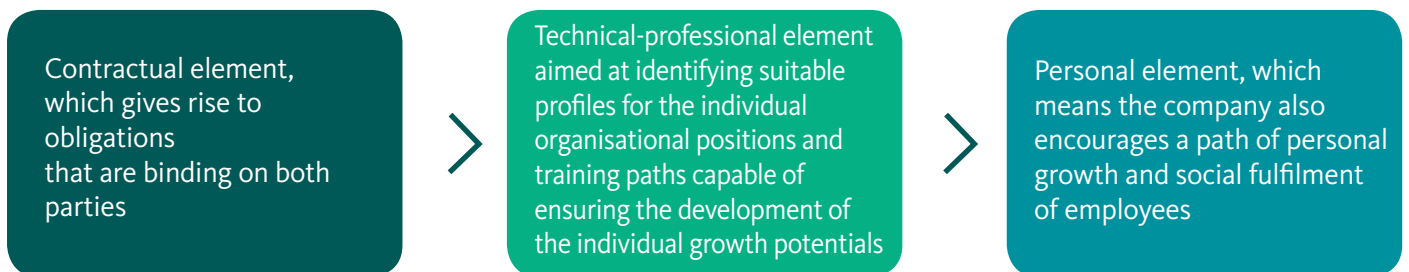


7. Our employees



The successes achieved by the BPER Group reflect a harmonious combination of its resources: valuable resources, linked by a shared objective of excellence and customer satisfaction. People are surely the most precious of these resources. The development of professional paths aimed at enhancing and increasing professional and personal skills has been a cornerstone of human resources management, which has guided the Group's efforts through the changes of recent years.

The relationship between the company and its employees²⁴ is characterised by three basic elements that have always inspired the Group's management policies:



Satisfaction of the technical-productive and organisational requirements is also linked to an assessment of the employee's personal and family requirements, as well as of the opportunities that fuel the professional development path, in terms of technical aspect as well as the behavioural one. The Group promotes a constant search for the best trade-off among all of these assessments. The policies and practices supporting workers in order to preserve their dignity and their psychological and physical safety are inherent in the company's management style. Respect of individuals, even before respect of an operational rule or regulation, is a priority for the company.

Especially in cases of significant management events, human resources management is based on the guidelines and indications provided by the corporate governance bodies. The top management is always involved, based on relevance, in the definition of individual management events, which are resolved with the imposition of expulsion measures. During the year several meetings are held between the top management and the management, between the General Management and the Territorial Divisions in which all branch managers take part, and annual meetings of individual Central Departments.

Every aspect of the employment relationship is managed to ensure respect of the principles of non-discrimination and equal opportunities, based on the provisions of the Code of Ethics of BPER Banca.

The company's approach is aimed at full respect for human rights. Attention to dignity and equal opportunity is observed in all career phases, from recruitment to the end of employment. Equality is guaranteed by the company's values, as well as by the growing level of attention that the regulations in effect and the trade unions dedicate to diversity management. Any type of diversity (gender, age, ethnicity, etc.) is considered to be a source of wealth by the company.

²⁴ Employee data for FY 2016, where reported in the following document, do not include personnel on leave of absence.

The set of values corresponds with the “operational rule”. The dialogue between company and employee allows the latter to report to the relevant management structures on the existence of conditions of difficulty or unease and, if they occur, abuse or harassment. The Human Resources Departments, while respecting the confidentiality of the information acquired, intervene with the most appropriate methods to protect employees. Just as significant are the projects regarding unease in the workplace and work-related stress, sharply focused on the conditions in which work is conducted and the reflection on the state of psychophysical health of employees. The Group’s climate survey conducted in 2017 was especially significant: comprising 16 items, it provided indications that, having been analysed in depth, are inspiring concrete actions and measures, some of which it is reasonable to foresee will become projects included in the new 2018/2020 business plan.

Particular attention is paid to management of the disciplinary proceedings in accordance with the regulations in effect and, specifically, the Statuto dei Lavoratori (Workers’ Statute of Rights) (Law 300/70).

In 2017 the BPER Group employed almost 12,000 people, 44% women and 56% men, substantially in line with last year’s data. 97% of the workforce is employed under permanent contracts, 9% under part-time contracts.

With a view to ensure equal treatment of the Group’s resources, the benefits envisaged for full-time employees are the same as those given to part-time employees, for workers at head offices as well as in external business units.

Employees by contract type

	31/12/2016		31/12/2017	
	M	F	M	F
On temporary contract	7	8	8	9
On permanent contract	6,666	4,897	6,552	5,070
Apprenticeship	21	36	19	28
TOTAL INTERNAL EMPLOYEES BY GENDER	6,694	4,941	6,579	5,107
Part-time employees	1%	17%	1%	19%
TOTAL INTERNAL EMPLOYEES	11,635		11,686	
Temporary workers	108	150	97	156
Self-employed workers	0	0	0	0
TOTAL WORK FORCE BY GENDER	6,802	5,091	6,676	5,263
TOTAL WORKFORCE	11,923		11,939	
Employees seconded to other companies	868	552	885	578
Employees of other companies seconded to this company	860	551	881	577

Total part-time employees



9%

Total workforce

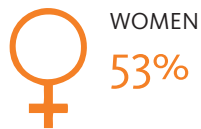


Consistent with the forecasts of the Group's three-year business plan, in 2017 the recruitment of external resources was strongly focused on the need for specialised skills, while staff substitutions were limited.

According to the nature of the position to be covered and the related type of hiring, the following contractual options offered by the current legislation have been used:

- Permanent contracts for the recruitment of candidates with specialist skills;
- Professional apprenticeship contracts for junior type requirements;
- In the remaining cases of temporary substitutions, temporary contracts were used, mainly leased staff and, marginally, fixed-term contracts.

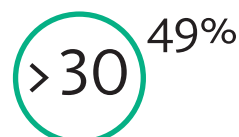
New hires by gender



	31/12/2016		31/12/2017	
	M	F	M	F
New hires by age				
< 30	31	47	43	49
30-50	46	36	39	44
> 50	3	0	3	1
Terminations by age				
< 30	3	2	6	6
30-50	29	26	38	18
> 50	64	39	421	180

In 2017, 179 new employees joined the BPER Group (in addition to 512 from Carife), an increase of 9.8% compared to the previous year. The rate of new hires is therefore around 1.53%, and is distributed equally between men and women, with a slight female prevalence. About 51% of newly hired staff are in the younger age groups (<30 years). The turnover rate, on the other hand, was 5.72% in 2017, a considerable increase compared to the previous year.

New hires by age



7.1 Mobility and change management

The medium to long-term objectives between the BPER Group and its employees, in a virtuous relationship, coincide: both want to grow. In fact, growth in company results must necessarily be achieved through growth of those generating it.

Growth and operational evolution of the Group translate into an opportunity for people to “move” within the organisation and acquire knowledge and skills. Transfers, changes of role and moves across the territory are often an opportunity for employees to continue on their path of growth and career development, in addition to being functional for the governance of organisational positions that enable the Group to operate. Company practices, internal regulations and external ones provide the rules of behaviours with which the Group, through its human resource managers, operates during these times of change, combining company values with the search for increasing doses of efficiency and efficacy.

Any “management event” that characterises the professional life of an employee (a transfer, a bonus, a disciplinary provision, a management interview, an appointment to a position of responsibility) is tracked in a timely manner and subject to control.

For activities regulated by internal and external regulations, the rigour and control are stringent. Audit activities may be conducted by the relevant internal functions or by external auditors. In application of Legislative Decree 231/01, assessments are carried out to identify sensitive activities with regard to said risks, in order to draw up specific protocols to prevent their appearance or to mitigate their effects. The Group’s negotiations with trade unions are inspired by the objective of maintaining strong industrial relations based on respect and loyalty.

With regard to activities without specific regulations, the operational control normally carried out by the department manager is applied.

Since 2012, to facilitate employee mobility and to enhance skills and professional aspirations, BPER Banca has set up an ad hoc “Mobility Centre”, giving greater structure to efforts already underway in this direction.

The notice period for organisational changes is 50 days for group reorganisations and 45 days for company reorganisations, pursuant to Articles 21 and 17 of the National Collective Labour Agreement of 31/3/2015.

7.1.1 2015-2017 Business Plan

The human resources projects envisaged in the 2015-2017 Business Plan have been completed. Specifically:

- in 2017 new control and guidance instruments were introduced for more effective management of the Fonti Impieghi (reuse of available staff in positions with a shortage of staff) and correct orientation of HR planning at Group level;
- as part of the Human Resources (HR) project, the initiative dedicated to actions relating to the workforce produced results consistent with the objectives. To manage issues arising from the natural space/time mismatch between “released staff” and their use on new work positions, the Workforce Unit was set up alongside the management units, as office dedicated to increase resource efficiency, fully operational since a few months;
- management units continued to be involved in the developments of the organisational structure (Delaying project, early 2017) and the distribution structure (Footprint project, 2016) to complete the necessary adjustments aimed at ensuring a balance between maintaining operations, safeguarding the usual quality standards and offering dynamic professional paths;
- the redundancy measure (pre-retirement) reached the peak of exits at the end of 2016; 2017 confirmed the good quality of the choices made to replace colleagues who had subscribed to the measure, in some cases involving the appointment of other employees for important positions;

- the activity concerning the analysis and development of employee skills and potential, which for years has been managed by operators certified in the use of the necessary tools, has been expanded to become the “managerial development” path dedicated to all Group executives, with the objective of building succession plans for the development of skills useful for the Group’s prosperity; in 2017 the related design and modelling activity was completed and assessments were carried out on the entire managerial population. In 2018 the project will continue with greater focus on development initiatives. Managers dedicated to this important segment of “internal customers” have for some months been appropriately established in their dedicated position;
- the Carife transaction involved several concurrent management challenges: in addition to the merger, the bank had to deal with a reduction in the workforce, in the number of branches, with the change in the distribution and organisational structure of branches, as well as with the need to synchronise all these aspects. Once the merger step was completed at the end of November 2017, the change is now working its way through: the management of the workforce is essential to continue guiding the conduct of all employees (not just those of the former Carife).

In 2017, the Group was involved in managing the replacements following the high number of employees who left at the end of 2016. Coverage of the new assigned roles are consolidating alongside the replacement of employees leaving during the year, which as known, is partly offset by new hires.



7.2 Enhancing the value of employees

7.2.1 Training and growth of employees

The BPER Group continues to pay great attention to training and continuing professional development. The training provided in 2017, designed in accordance with the strategic guidelines of the 2015-17 Business Plan, was intended to update the technical knowledge and develop the managerial skills of company employees involved in various professional roles, as well as to support change projects within the Group.

In the performance of management activities, constant attention is paid to the development of employee skills. Proper and balanced assignment of roles gives people the opportunity to make the most of their background and to strengthen their professional potential. Experience is often combined with training (technical, regulatory and behavioural) along with diagnostic tools that measure the level of skills (actual) and potential (to be developed). Diagnosis is followed by an interview to discuss the results achieved and draw up a self-development plan whereby the employee embarks on a shared path of growth with their manager.

Although physiologically more intensive for the younger and more promising segments of the company, this attention is not interrupted upon achievement of specific goals in terms of age or seniority. Initiatives aimed at those over 55 are also frequent, as this segment's contribution to the bank is considered fundamental in terms of experience and role coverage.

The over 100 training proposals available to each employee, integrated and consistent with the other human capital development tools, are periodically reviewed in accordance with developments in people's jobs and roles, as well as with changes in the external scenario. The provision of the many training initiatives planned annually is guaranteed by qualified external trainers and by more than two hundred internal teachers; these are experienced employees in specific areas who have been trained on classroom management techniques and who dedicate part of their time to teaching activities. In addition, for a number of years the Group has been using an e-Learning platform accessible to all employees, mainly to deliver specialised training content.

Staff training also plays a decisive role also in terms of prevention and adequate monitoring of non-compliance risks, of dissemination of a corporate culture based on the principles of honesty, fairness and respect for the spirit and content of national and Community legislation. For these reasons, the Group has adopted the Group Regulation on training management, which governs the roles, responsibilities, duties and coordination mechanisms of the Parent Company and Group Companies in the training area.

Total hours of training provided

	2016			2017		
	M	F	Total	M	F	Total
Executives	7,317	619	7,936	7,909	940	8,849
Managers	107,621	40,322	147,943	134,212	61,189	195,401
Professional staff	154,467	141,519	295,986	174,849	181,068	355,917
TOTAL	269,405	182,459	451,864	316,971	243,197	560,168

In 2017, over 560,000 hours of staff training were provided, an increase of 24% compared to 2016. The number of average hours per employee is 48.



TOTAL TRAINING HOURS

560,168

AVERAGE TRAINING HOURS PER EMPLOYEE

48

Average training hours provided

	2016	2017
Executives	33	39
Managers	41	53
Professional staff	38	46
TOTAL	39	48

Average training hours provided by gender and category



MEN



WOMEN

EXECUTIVES	38	47
MANAGERS	53	52
PROFESSIONAL STAFF	45	47

The main training initiatives developed in 2017 include:

Executive program in corporate finance and credit analysis

The master programme, designed together with SDA Bocconi, involved all employees from Non-Performing Loans, Ordinary Loans and a number of key figures from the corporate segment, for a total of 240 participants. The topics discussed range from the analysis of creditworthiness to evaluation of the recovery plans, with information on the regulations applicable to the management of corporate crises. SDA Bocconi issued a certification of skills only to those who have passed 75% of the evaluation tests given at the end of each module.

Initiatives for the distribution network

Continuous training initiatives have been developed for the distribution network designed to strengthen the skills necessary to adequately cover its role. The management, on the other hand (Hub Manager, Branch Manager and Area Manager) participates in a managerial path, "Sapere Performare", designed to increase the efficiency of the existing management team and to offer guidance to them following the transformations and reorganisation introduced by the Footprint project.

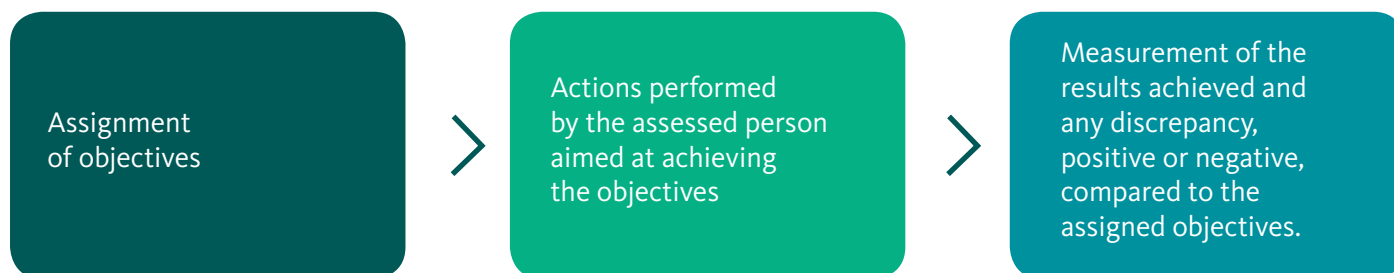
Training initiatives focused on regulatory standards

Courses provided on legislative and regulatory issues such as anti-money laundering, the MiFID regulations, transparency, updating of the OMM pursuant to Italian Legislative Decree no. 231/01 and the State-Regions Agreement regarding Law no. 81/06.

To carry out the numerous training projects developed during the year and shared with the trade unions, the various Group companies, supported by the investee company CONFORM Consulenza Formazione e Management s.c.a.r.l., requested and obtained the loans provided by the sectoral interprofessional funds, Fondo Banche e Assicurazioni and FONDIR.

7.2.2. Assessment and development of skills

The performance management process takes place annually and consists of various phases:



The process always involves an evaluator (generally the head of the department), an evaluated party (employee working in that department) and a supervisor (normally hierarchically superior to the evaluator). A number of meetings between the evaluator and the evaluated party are scheduled during the year: an initial one, to assign the objectives, an interim one, to verify performance, and a final one to measure the results. The meeting at the beginning of the year often coincides with the year-end interview.

Evaluation is a right recognised by contract to the worker: the pay in addition to the “contractual minimum” associated with the simple evaluation practice enables the Group to turn the “evaluation moment” into a “valuation process”.

Performance management is accompanied by the evaluation of potential aimed at:

- coping with sudden vacant positions or organisational changes;
- managing and retaining talent;
- developing managerial effectiveness today;
- developing the managerial skills that will be needed tomorrow;
- planning career paths.

The BPER Group therefore deems it of primary importance that career assessment and development processes be developed in such a manner as to be applicable to all employees. In 2017 over 96% of the company population received assessments of their performance broken down as follows for the various professional categories: 99% of executives, 99% of managers and 95% of professional staff. The figure is also balanced by looking at the breakdown by gender: 95% of women receive performance evaluations compared to 97% of men.

Percentage of employees receiving regular performance and career development reviews²⁵

	2016		2017	
	M	F	M	F
Executives	100%	90%	99%	95%
Managers	90%	97%	99%	99%
Professional staff	97%	94%	96%	93%
TOTAL	98%	95%	97%	95%

²⁵The percentage of employees who receive an evaluation is calculated based on the total no. of employees present at the time the performance evaluation process is closed; the closing period varies according to companies.

On the other hand, with reference to career advancements in 2017, a total of 683 promotions were recorded, down compared to the previous year. Most career advancements took place between various levels within the professional staff and managerial categories, 59% and 21% respectively.

Promotions

	2016		2017	
	M	F	M	F
From managers to executives	11	3	10	2
From professional staff to managers	40	34	80	38
Within professional staff	309	234	242	158
Among managers	111	52	97	45
Among executives	15	1	10	1

In 2017, the Group was engaged in the development of an important managerial development project. This project requires all Group Executives to undergo capacity and potential diagnosis through assessment sessions, in the “executive” form for executives who hold positions of high responsibility and complexity. For each employee there is a feedback interview in which feedback is given and awareness is raised, which is a condition that will facilitate the successful completion of the development activity that will be subsequently provided.

7.2.3. Remuneration policies

The BPER Group has put in place a solid governance process to regulate the definition, implementation and management of remuneration policies. This process envisages the involvement, at different levels and depending on own areas of expertise, of multiple control bodies (Shareholders’ Meeting, Board of Directors, Remuneration Committee, Control and Risk Committee) and corporate functions (Human Resources Department, Planning and Control, Risk Management, Investor Relations, Compliance, Internal Audit).

The remuneration policies adopted by the Group are defined to support business strategies by ensuring that, with regard to incentive schemes, staff interests and the creation of value for shareholders are consistently and effectively aligned. To guarantee the competitiveness of its remuneration policies, which is fundamental to attract, motivate and retain the best staff, the Group constantly monitors general market trends and practices; accordingly, it defines fair and competitive remuneration levels while paying close attention to the impact on business costs.

To this end, the Group periodically makes use of remuneration benchmarks conducted on panels of companies engaged in its same industry and by adopting analytical criteria that enable it to make comparisons with similar roles and positions, detecting their relative salary position in terms of fixed, variable and overall remuneration. Furthermore, the standard remuneration for new employees is consistent with the national collective labour agreement and is the same regardless of gender. The Group’s remuneration policy defines, according to each category of personnel, differentiated and competitive remuneration packages, in terms of fixed and variable components, and benefits.

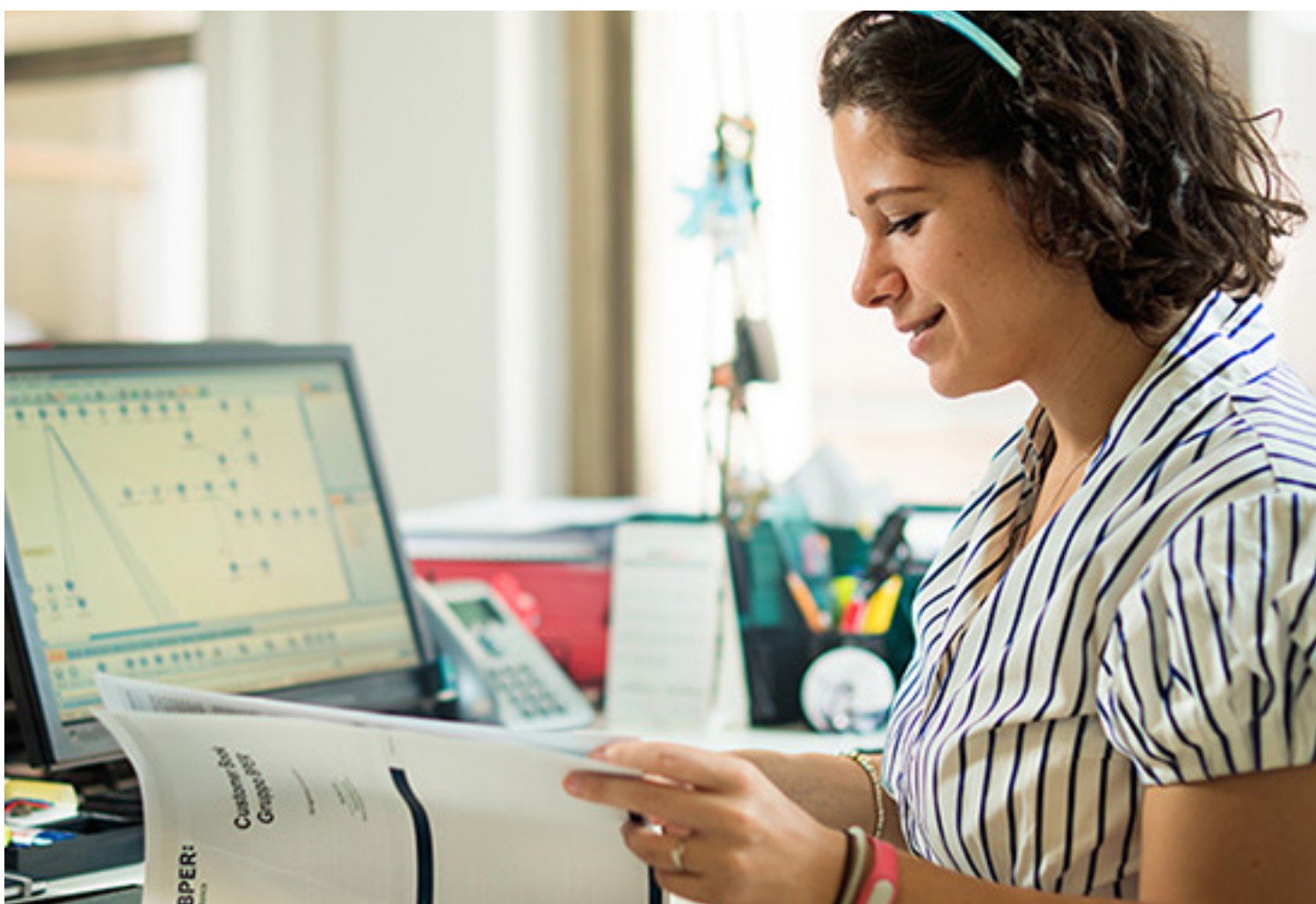
Consistent with its powers of strategic supervision, the Board of Directors is responsible for the preparation of the Group’s remuneration policies²⁶, with the

support of the Remuneration Committee and the relevant corporate functions. In the performance of its remuneration activities, the Board of Directors is responsible for:

- determining, after hearing the opinion of the Board of Statutory Auditors, the remuneration of Directors that hold special offices;
- approving the process for identification of key personnel, verifying their full compliance with the relevant regulatory provisions, and the list of roles included in this category as a result of the process, with the support of the Board of Statutory Auditors;
- approving the Group's remuneration policies, with specific reference to key personnel, to be submitted to the Shareholders' Meeting for subsequent final approval;
- approving the incentive plans based on financial instruments, to be submitted to the Shareholders' Meeting for subsequent final approval;
- verifying the correct implementation of the Group remuneration policies.

The Remuneration Committee, in keeping with Supervisory Provisions, exercises advisory and inspection functions as well as the function to make proposals in support of the Board of Directors and, within its own remit, of the Executive Committee, without prejudice to the decision-making autonomy and responsibility of these bodies in adopting the resolutions within their respective scope of action.

Specifically, the Remuneration Committee plays a supporting role in relation to remuneration and incentive policies, with specific regard to determining the criteria for establishing the Group's key personnel remuneration; it also expresses its opinion on the achievement of performance targets linked to incentive plans and on the assessment of the other conditions required for payment of the remuneration. It also verifies consistency of the decisions taken and the correct application of remuneration



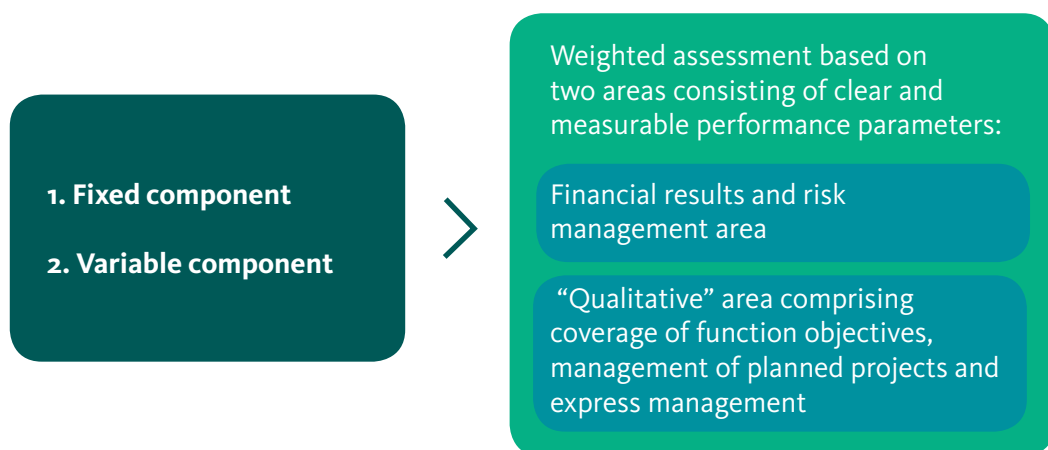
²⁶ For more information, see the Remuneration Report; www.gruppobper.it.

Insights: for more information on the remuneration process, see the Remuneration Report on the BPER Group corporate website.

and incentive policies with respect to the resolutions approved by the Shareholders' Meeting.

The Remuneration Committee also plays a supporting role in the proposals for determining the remuneration of corporate officers in Group companies, and provides advice in determining the remuneration criteria for the Group's other key personnel. In the performance of its functions, the Control and Risk Committee verifies, without prejudice to the responsibilities of the Remuneration Committee, that the incentives underlying the remuneration and incentive system of the Bank and the Group are consistent with the Risk Appetite Framework (RAF); specifically, it examines whether the incentives provided by the remuneration system take into account risks, capital and liquidity.

The emolument paid to the CEO is defined by the Board of Directors in compliance with the total remuneration approved by the Shareholders' Meeting for the Board of Directors. As a director holding special offices, the CEO receives a fixed emolument for the specific office and is also a beneficiary of the incentive schemes. The remuneration of the CEO of BPER Banca consists of a fixed component and a variable component, which are defined in accordance with the limit to the ratio between variable and fixed remuneration approved by the Shareholders' Meeting as 1:1.



The adoption of qualitative performance parameters ensures the alignment of the remuneration system with the Group's mission and values, while supporting its orientation to the construction of value over the long term. The incentive system is based on a bonus pool which represents the maximum amount of payable bonuses and which is defined at Group level for the Chief Executive Officer. To discourage the assumption of excessive risks that could undermine the Group's "health" conditions and also in compliance with the provisions of Bank of Italy regulations, the payment of the bonus pool, regardless of its amount, is subject to compliance with certain "entry gate" indicators, linked to indicators of sound capital position, liquidity and risk-adjusted profitability. Against the achievement of all the aforementioned gate indicators, the plan provides for an assessment of company results according to which the bonus pool is modified through a multiplier/demultiplier mechanism. Following verification that the entry gates have been exceeded and once the target bonus (and the bonus pool) has been determined, the actual allocation of the bonus and the amount, within the maximum limits, of the variable remuneration are defined through an individual performance evaluation process that envisages the analysis of a plurality of quantitative and qualitative indicators. The qualitative assessment for the Chief Executive Officer is approved by the Board of Directors on the proposal of the Remuneration Committee.

Once the individual results have been measured, the system provides for the evaluation of risk adjustment parameters that are obtained from those contained within the RAF. These parameters adjust the incentive accrued based on the achievement of the objectives set in the CEO individual objective card. In line with the foregoing, the payment of the CEO's bonus is structured as follows:

- the deferral of 60% of the bonus in equal annual instalments, in 3, 4 or 5 years based on the amount of the bonus, subject to malus conditions envisaged for the remaining key personnel;
- the payment of 50% of the bonus with allocation of phantom stock of the Parent Company, with a vesting period of 2 years for the immediate portion and 1 year for the deferred portions.

The variable components are subject to ex-post adjustment mechanisms (malus and claw-back) that reflect performance adjusted for the risks actually assumed or incurred, and capital levels, taking into account individual behaviour. The deferred instalments are subject to malus rules that may bring the instalment down to zero if the entry gates set for the year prior to the year of disbursement of each deferred instalment are not met. The aforementioned "malus" mechanism and the consequent impediment to pay the deferred instalments of the "bonus", also comes into play upon occurrence of any of the cases envisaged for activation of claw-back clauses. For the CEO, no Change of Control clauses are currently in place.

Compared to previous years, the remuneration policy for 2017 has introduced an important innovation in the BPER Group with regard to both the network staff and the Private Bankers: these categories of staff have been included within the scope of the Group MBO system's beneficiaries; as a result, this system now covers over 60% of the Group's population. To ensure greater consistency with the role held, an additional performance indicator was defined for these categories of personnel only, linked to their organisational structure's ability to generate revenues, in addition to the current entry gates of the MBO system.

Once the entry gate indicators have been exceeded and therefore the MBO system gates are open, the amount of the target bonuses and of the bonus pool is linked to an income indicator measured with respect to budget targets. The system quantifies the target bonus according to the results of this indicator. After this measurement, the individual bonus is linked to the degree of achievement of the individual objectives. Each objective card consists of both quantitative and qualitative KPIs, with a relative weight of 80% and 20% respectively, with an adjustment factor subsequently applied which is linked to compliance parameters. Inclusion within the scope of the MBO system recipients has also been extended to a significant pool of employees who deal with non-performing loans.

The Code of Ethics provides for an express prohibition for employees to use personal protection strategies or insurance on the remuneration or other aspects of it that may alter or invalidate the risk alignment effects inherent in the remuneration mechanisms. In defining its remuneration strategy the Group aims to promote its values with a view to:

- directing behaviour towards the Group’s and company’s priorities;
- attracting and retaining highly qualified personnel;
- supporting people’s motivation, recognising merit and enhancing professional development;
- developing and improve the quality of services for customers;
- supporting a healthy and prudent risk management;
- safeguarding internal and external pay fairness, confirming the careful monitoring of personnel costs;
- supporting behaviours consistent with the code of ethics and with the regulations and provisions in force.

The variable components are subject to ex-post adjustment mechanisms (malus and claw-back) that reflect performance adjusted for the risks actually assumed or incurred, and capital levels, taking into account individual behaviour.

7.3. Corporate identity and internal communication

The internal communications and employee engagement activities continue to play a key role in promoting the corporate values and culture and in disseminating the objectives and policies of the Group.

2017 was marked by the celebration of the 150th anniversary of BPER Banca: an opportunity to strengthen the new positioning and identity of the Parent Company including towards the employees. In support of the program, in addition to a specific editorial plan that internally supported the planned celebrations, “La Capsula del Tempo – La storia nelle nostre mani” (The Capsule of Time - History in our Hands) was created. This was a participatory storytelling project, in which many colleagues were given the opportunity to leave an indelible mark in the company’s history by writing and telling their point of view and their memories, professional and otherwise, helping to support the spread of a shared corporate culture and values.

The first opinion survey at Group level also played a crucial role. The survey, which involved over 11,000 colleagues, focused on measuring the engagement rate, i.e. people’s motivation to contribute to the company’s success through their behaviour, as well as a series of other specific issues of working together. Through this survey, many indications were gathered on which to focus our actions for improving and meeting the needs of the people working in the BPER Group.

The following are the steps taken to enhance the climate survey, disseminate information and define action plans:



Among the results found one is of great relevance for this document: 87% of respondents reported being spurred by their organisation to operate ethically with customers which is proof that sustainability and fairness are values deeply rooted in every aspect of the Group.

7.4. Diversity and enhancement of female talent

The BPER Group strongly believes in the values of inclusion and non-discrimination. For the Group, the enhancement of women’s resources and gender equality are fundamental moral principles, as well as important instruments of competitiveness and business success; for this reason, the Group is committed to promoting equal opportunities on a daily basis, through policies and dedicated projects. A series of management and organisational projects are also being pursued to enhance merit and facilitate work-life balance.

The company population is balanced in terms of male and female presence, with 56% of men and 44% of women, and in line with this composition, the Group is committed and active on gender management issues.

Ratio of basic salary and remuneration of women to men by employee category

	2016	2017
EXECUTIVES		
Base salary ²⁷	67%	66%
Total remuneration	66%	68%
MANAGERS		
Base salary	93%	93%
Total remuneration	92%	90%
PROFESSIONAL STAFF		
Base salary	99%	99%
Total remuneration	97%	95%

Within the BPER Group there is a substantial gender parity in the ratio between the average salary value of female and male employees.

The ratio between the total remuneration received on average by female workers and the remuneration of men fluctuates in a range from 93% to 99% for the managerial and professional staff categories.

The main objective of the “Equal opportunities” project, established in 2012, is to launch and develop a process of recognition and appreciation of women in BPER Group in order to create the right conditions for efficient talent management. The cyclical training courses on leadership addressed to company management have been reviewed with the introduction of gender issues to raise management’s awareness of fairer assessment and allocation of talent. Starting from 2016, management policies have been implemented with the introduction of specific objectives on gender issues

²⁷ The base salary corresponds to the Gross Annual Salary and remuneration to the taxable income.

assigned to the individual managers. A new phase of the “Equal Opportunities” project is currently being designed, which will come to life in the three year period 2018-2020.

In synergy with the “Welfare” project, a portal has been created for the services made available by the company and dedicated to work-life balance, along with an exclusive area for maternity. Thanks to this service, the employees absent on maternity leave can be updated on the latest company news and read the Group’s daily press review by connecting to a protected and dedicated website. The site also contains all of the information needed to best prepare them for their return to work, such as joining the team coaching path which has been tailored for new mothers. The Group also offers the opportunity to work part time: 19% of women employees have part-time contracts that further facilitate the balance between work and private life.

Lastly, since 2014, BPER Banca has been an ordinary member of “Valore D”, the first Association of large corporations in Italy created to support the idea of female leadership in business.

And it is with Valore D that in 2018 BPER Banca started a project aimed at defining a business strategy that is more focused on enhancing and supporting women in their professional path and career growth.

With the aim of defining a useful and tangible activity plan to act on this issue, a process was launched focused on listening and on in-depth analysis with the involvement of BPER Banca’s people; the project envisages:

- a phase dedicated to understanding the “as is” by analysing demographic data and the replies of the 2017 survey of opinion by gender. There will also be a direct exchange with colleagues through four focus groups with mixed composition in terms of gender and age;
- a phase dedicated to generating tangible proposals, with the involvement of over 30 colleagues in an emersive workshop.

7.5. Company Welfare

The Group strongly believes in the well-being of its own resources and tangibly implements this belief through a series of welfare initiatives that are made available to the Group’s people.

In 2017, multiple tools were adopted to meet the needs of Group employees. All employees, with full-time or part-time contracts, can access the company Welfare Portal to obtain information on all the benefits the company offers to its employees:

- **HEALTH / DENTAL POLICY**
- **LONG-TERM CARE FOR THOSE WHO ARE NO LONGER SELF-SUFFICIENT**
- **CHECK-UP**
- **ARRANGEMENTS FOR DEATH OR PERMANENT INVALIDITY WHILE WORKING FOR THE COMPANY**
- **LUNCHEON VOUCHERS AND GIFT VOUCHERS ON A NATIONAL AND LOCAL BASIS**
- **SUPPLEMENTARY PENSION FUND**
- **SUBSIDISED CONDITIONS FOR THE MAIN BANKING SERVICES**
- **CONCESSIONS AND LOANS FOR STUDENT AND HANDICAPPED WORKERS**
- **SCHOLARSHIPS FOR EMPLOYEES’ CHILDREN**
- **COMPANY CANTEEN**
- **CORPORATE CHILDCARE CENTRE (KINDERGARTEN AND NURSERY SCHOOL) IN MODENA**
- **LIBRARY SERVICE**
- **COMPANY CRAL**

In 2017, 250 employees benefited from mandatory parental leave, of which 100% were women. All employees who requested the parental leave have returned during the year or are still on leave. The retention rate was 100% in 2017.

The company is also evaluating the possibility of establishing additional services to encourage an adequate work-life balance for its employees.

In 2017, the Welfare Plan offered to employees, in which approximately 37% of personnel participate, was expanded in order to provide products and services that take into account the individual family requirements. The Welfare Plan covers the area of supplementary healthcare coverage, assistance to family members, supplementary pension, training and education and, lastly, services related to free time, culture and recreational activities.

To facilitate use and increase knowledge of the company's Welfare Plan services, the internal communication plan implemented in 2017 will be further improved and expanded.

Expansion of the Welfare Portal is planned for 2018, with the completion of two new sections:

- "Work-Life Balance", which will provide information and procedures with regard to part-time, flexible hours, leave under Law 104, work-life balance services and smart working.
- "Mobility", which will cover issues such as discounts and concessions for public transport passes (train, bus, underground) and possible concessions for large car parks.

In terms of social initiatives during the year, BPER Banca took part in the following:

- "Bimbi in ufficio con mamma e papà" (Kids at the office with mom and dad), a twenty-year long initiative promoted by "la Stampa" and "Corriere della Sera", which this year is proposed in the five Modena centres and which gives approximately 150 employee children, under 10 years of age, the opportunity to see where their parents work, alongside recreational and entertainment activities. Expansion of the initiative at Group level is envisaged for the future;
- "Tutti al lavoro in bicicletta – Bike to Work", national initiative promoted by Federazione Italiana Amici della Bicicletta – FIAB Onlus and Rete Città Sane OMS to promote sustainable mobility and a healthy lifestyle. Many employees participated in the initiative by going to work on their bicycles.



THE STORK LANDS AT WORK

A site dedicated to new mothers of BPER Banca who are on maternity leave



Work-life
balance



Team
coaching



Maternity
area

Group press
release



7.6. Health and Safety

Health and safety in the workplace are two fundamental rights to which every human is entitled.

The Group's health and safety policy adopted to ensure that each of its employees can benefit from these rights has been defined taking into account the following principles:

- pursuing the protection of health and psychophysical integrity of workers by adopting the definition of health provided by the World Health Organisation, which integrates this concept with the concept of well-being of the employee, through high-quality workspaces, equipment and processes;
- pursuing, based on the provisions of Art. 28 of Italian Legislative Decree 106/09, the evaluation of "risk factors" as well as "risk conditions";
- pursuing a "precaution principle" based on the provisions of Art. 15 of Italian Legislative Decree 81/08, and Art. 2087 of the Italian Civil Code, aiming at the definition of company measures to improve the well-being of employees beyond the regulatory provisions.

All company departments of the various Companies, thanks to communication and training by the Group, are aware that the policy on health and safety constitutes a common guideline, with the sole decision-making power ensured by the employer, responsible for defining and controlling the management system for prevention.

The Group companies annually update the risk assessment in relation to Occupational Health and Safety, which is then formalised in the Risk Assessment Document.

For each identified risk (for example the risk of robbery or the risk associated with work stress), a description is provided of the prevention and protection measures adopted and of the measures to maintain the level of risk and those for improving it (Cf. Chapter C2 of BPER Banca Risk Assessment Document [DVR]).

Specifically, in 2017 specific safety and security risk assessment inspections were initiated in the branch network, and a specific activity was started to map site vulnerabilities in relation to external risks (earthquake, flood, landslide etc.)

The System for the management of health and safety issues, described in the DVR (Risk Assessment Document), provides for the definition of a policy and the implementation of a process based on the definition of risk assessment criteria and the consequent implementation of prevention and protection measures. The action plan on health and safety in the workplace consists of the objectives envisaged by the aforementioned principles, particularly:

Developing qualified risk analysis and assessment methods that enable identification of the appropriate prevention measures;

Identifying all risks in the work environment, with particular regard to the possible impacts on the categories of most vulnerable employees;

Participating in the creation of organisational procedures for the systematic planning of all measures aimed at ensuring improvement in the safety levels and in the codes of conduct over time;

Building synergies with the personnel department, essential for successfully disseminating the health and safety policy;

Improving the efficacy of intervention plans by identifying organisational procedures and responsibilities and assigning specific tasks to each department and employee, in the overall risk prevention organisation plan.

According to said indications, the Prevention and Protection Service of BPER Banca has implemented a Health and Safety Management System within the company. The Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01 refers to all of the company regulations on health and safety, and personnel are requested to scrupulously comply with all of the provisions listed. To ensure the utmost respect of the principles and rules of behaviour by employees as prescribed in the “Model”, in the company regulations and in the Code of Ethics, the company evaluates transgressions under the disciplinary realm and adopts the sanctions envisaged in the Model, if necessary.

The Head of the Prevention and Protection Service (RSPP) plays a crucial role in health and safety management; he/she annually verifies the achievement of expected results, as formalised in the DVR, by preparing specific reports and defining periodic work plans. On the basis of the results arising from specific assessments (for example inspections at the branches, environmental monitoring, assessment of robbery risk), the Group updates the plan of activities to be carried out.

In addition powers and responsibilities are delegated to involve and ensure the accountability of management bodies based on the effectiveness principle: each delegated person is responsible for the adoption of preventive measures and specific improvements in the areas for which they are responsible. The mentioned delegated persons are the Heads of: Group Human Resources Department, Real Estate Department, Group Organisation Department, Group Procurement Function and Chief Information Officer (regarding the security field).

The Group also calculates and assesses the frequency and severity indices relating to accidents suffered by personnel, in accordance with the principles established by law. In 2017 there were 30 accidents at work and 90 accidents on the way to or from work. The total accident rate was therefore 1.42, in line with the previous year while the severity index was equal to 32.6, a decrease of 19% compared to the previous year.

During the year, the Group also undertook a series of health and safety initiatives:

- development of the “Sportello di Ascolto” (counselling service) to help deal with malaise at work, managed by specialists outside the Group, as part of the prevention measures related to the risk of stress at work;
- personnel training and information activities continued on the topics of Health and Safety (Course for H&S supervisors, Course for Workers, Firefighters Training Course and First Aid Course);
- with the aim of meeting the most specific needs of each employee, the Group adopted a procedure for handling emergency situations concerning personnel exposed to the risk of working alone; workers exposed to this risk have been equipped with a special “anti-illness” system capable of automatically reporting any emergency situations occurring to the employee to the operations centre.

“Sportello di ascolto”

The service that provides listening and psychological support is designed to offer BPER Banca employees:

- an opportunity for being listened: the worker is not left alone in search for solutions;
- acquisition of awareness of one’s sources of stress;
- tools to increase one’s ability to face and overcome a difficult situation.

Employee injuries and absenteeism by gender

	2016		2017	
	M	F	M	F
Injuries in the workplace				
Injuries in the workplace	17	24	14	16
Injury rate ²⁸	0.33	0.69	0.28	0.46
Complaints for occupational diseases	0	0	0	0
Occupational disease rate	0	0	0	0
Work days lost	456	700.09	417	409
Severity index ²⁹	8.77	20.14	8.42	11.75
Deaths ³⁰	0	0	0	0
Commuting injuries				
Commuting injuries	38	46	50	40
Injury rate	0.73	1.32	1.01	1.15
Complaints for occupational diseases	0	0	0	0
Occupational disease rate	0	0	0	0
Work days lost	1,030.97	1,287.67	1,129	799
Severity index	19.83	37.04	22.77	22.95
Deaths	0	0	0	0
Total injuries				
Total injuries	55	70	64	56
Total occupational diseases	0	0	0	0
Total days lost	1,486.97	1,987.76	1,547	1,208
Total deaths	0	0	0	0
Total injury rate	1.06	2.01	1.29	1.61
Occupational disease rate	0	0	0	0
Severity index	28.60	57.18	31.18	34.70
Absentee rate ³¹	10,538	13,907	10,875	14,858

²⁸ Injury rate = (total no. of injuries/total no. of hours worked) * 200,000.

²⁹ Severity index = (total no. of working days lost/total no. of hours worked) * 200,000.

³⁰ In the 2016 Sustainability Report of BPER Banca S.p.A., one death was reported not attributable to work causes.

³¹ Absentee rate = (Days of absence in the reference period/total days worked) * 200,000.

7.7. Human rights and protection of workers' rights

Management of every aspect of the employment relationship is structured in such a way as to ensure respect of the principles of non-discrimination and equal opportunities, based on the provisions of the Code of Ethics of BPER Group. The company's approach is aimed at full respect for human rights. Attention to dignity and equal opportunity is observed in all career phases, from recruitment to the end of employment. Equality is guaranteed by the company's values, as well as by the growing level of attention that the regulations in effect and the trade unions dedicate to diversity management. Any type of diversity (gender, age, ethnicity, etc.) is considered to be a source of wealth by the company.

The principles of transparency, independence and integrity also characterise relations between the relevant company departments and political and trade union organisations³². The Bank rigorously applies the national sector regulations on union activities. Relations with the trade unions seek to promote fair negotiations, without any discriminatory or disparate treatment, to encourage a climate of mutual trust and constructive dialogue with a view to instilling a fair system of trade union relations with as much consultation as possible. Also in this regard, to improve relations between the company and worker representatives, a trade union relations protocol for the BPER Banca Group was signed on 14/08/2015. Employees and directors are free to participate in political organisations out of working hours, and the same shall bear no relation to the position they hold in the company. The Group refrains from any direct or indirect pressure as regards political representatives and does not permit the disbursement of direct or indirect contributions, in cash or in kind, or in any other form, to political parties, movements, committees and political and trade union organisations, or to their representatives. Almost all Group employees are covered by collective bargaining agreements and over 75% of them are registered with an Italian union organisation. In 2017, 8 hours of strike were recorded; employees had over 74,000 hours of union permits.

No violations of the Code of Ethics arising from discrimination and/or gender inequality were reported in 2017.

The disputes underway at year-end with regard to employment relationships are reported below.

Disputes underway at year-end with regard to employment relationships

	31/12/2016	31/12/2017
Pension and welfare	1	0
Pay	7	2
Termination of employment relationship	17	16
Duties and qualifications	4	5
Establishment and performance of the employment relationship	18	13
Anti-union behaviour	0	0
Discrimination incidents	0	1
Other	0	5
TOTAL	47	42

³² Agreement on trade union rights of 25 November 2015.

7.8 Labour relations

During 2017 negotiations continued on trade union procedures in relation to some of the most important extraordinary transactions envisaged in the 2015-2017 Business Plan and trade union meetings were held for the introduction of the individual and team performance evaluation system (Management by Objectives or MBO).

The current economic, social and political scenario is fraught with uncertainty and instability, which are exacerbated by the difficulties experienced in the credit sector; against this background the parties were nevertheless able to negotiate in a fruitful manner which led to the signing of significant agreements.

In the complex scenario described above, the union procedure for the merger by incorporation of Nuova Carife into BPER Banca was started along with the organisational simplification project called “Delayering”; in addition, two important union agreements were signed concerning two important extraordinary transactions envisaged by the 2015/2017 Industrial Plan:

- the draft trade union agreement regarding the adoption of the Footprint distribution model which will give the Network colleagues the opportunity to develop their skills through new professional and career growth paths;
 - the draft trade union agreement regarding the management of daily commuting for employees of Group companies covered by the trade union agreement of 14 August 2015, which is intended for employees transferred on the initiative of the company.
- Among the other agreements reached with the union representatives at Group level, it is worth mentioning the agreement for the “Rationalisation of the Group branch network - Banco di Sardegna branches” by which the parties have found solutions to deal with the effects on the working conditions of employees involved in the rationalisation of 14 Banco di Sardegna’s points of sale.

Following negotiations with the trade unions in 2017, the Welfare Plan of BPER Banca and of the other Group companies could be extended and the related portal was upgraded.

Corporate training continued, mostly financed through access to FBA contributions; use of the instrument for voluntary employment reduction/suspension through access to the Solidarity Fund’s ordinary aid also continued, enabling the Group employees to benefit from additional leaves, with priority given to those with personal and health problems.



7.9 Performance indicators

Characteristics of employees

Distribution of employees by gender

	2016		2017	
	M	F	M	F
Executives	220	21	206	20
Managers	2,505	1,113	2,519	1,179
Professional staff	3,969	3,807	3,854	3,908
TOTAL	6,694	4,941	6,579	5,107

Distribution of employees by region

	2016		2017	
	M	F	M	F
North	3,184	2,330	3,262	2,595
Centre	322	273	315	268
Islands	1,403	1,443	1,277	1,355
South	1,774	888	1,714	882
Outside Italy	11	7	11	7
TOTAL	6,694	4,941	6,579	5,107

Distribution of employees by company function and gender

	2016		2017	
	M	F	M	F
Distribution ³³	3,994	3,345	3,791	3,428
Business Unit ³⁴	1,153	707	1,148	657
Staff ³⁵	527	398	531	381
Operational services ³⁶	934	464	955	477
Other	86	27	154	164
TOTAL	6,694	4,941	6,579	5,107

³³ Distribution: Branches and other distribution channels.

³⁴ Business Unit: Finance, credit, commercial and market governance.

³⁵ Staff: human resources, organisation, strategic planning, legal and general affairs, internal audit, risk management, compliance, communication, marketing.

³⁶ Operational services: administration and control, information systems, logistics.

Contract amendments

	2016		2017	
	M	F	M	F
From apprenticeship to permanent employee	27	26	7	14
From temporary contract to permanent employee	1	5	1	0
TOTAL	28	31	8	14

The data do not include New Carife for the months from July to November 2017.

Distribution of employees by age

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

	31/12/2016			31/12/2017		
	< 30	30-50	> 50	< 30	30-50	> 50
Executives	0	51	190	0	43	183
Managers	0	1426	2192	0	1,492	2,206
Professional staff	321	4,851	2,604	287	4,906	2,569
TOTAL	321	6,328	4,986	287	6,441	4,958

Diversity of the workforce

	2016	2017	2016	2017
Executives				
Non-Italian citizenship	0	0	2%	2%
Belonging to protected categories	5	4	0%	0%
Managers				
Non-Italian citizenship	5	5	0%	0%
Belonging to protected categories	176	182	5%	5%
Professional staff				
Non-Italian citizenship	23	22	0%	0%
Belonging to protected categories	652	665	8%	9%

Total number and rates of new employee hires and employee turnover by age group, gender and region

	2016		2017	
	M	F	M	F
New Hires				
North	67	72	70	70
Centre	5	2	1	3
Islands	6	5	13	19
South	0	3	0	2
Outside Italy	2	1	1	0
< 30	31	47	43	49
30-50	46	36	39	44
> 50	3	0	3	1
TOTAL	80	83	85	94
NEW HIRES RATE	1.19%	1.67%	1.29%	1.84%
TOTAL NEW HIRES RATE	1.40%		1.53%	
Terminations				
North	53	43	235	74
Centre	4	1	11	7
Islands	21	17	139	110
South	17	5	79	13
Outside Italy	1	1	1	0
< 30	3	2	6	6
30-50	29	26	38	18
> 50	64	39	421	180
TOTAL	96	67	465	204
TURNOVER RATE	1.43%	1.35%	7.07%	3.99%
TOTAL TURNOVER RATE	1.40%		5.72%	

The data do not include New Carife for the months from July to November 2017.

Number of terminations, by reason

	2016		2017	
	M	F	M	F
Reductions from business plan	30	17	379	158
of which solidarity fund	1	0	250	113
of which leaving with incentives	28	18	129	45
Voluntary resignations	37	35	50	24
End of contract	1	1	0	1
Retirement	7	9	16	12
Other	21	5	20	9
TOTAL	96	67	465	204

The data do not include New Carife for the months from July to November 2017.

Return to work and retention rates after parental leave, by gender

	2016		2017	
	M	F	M	F
Employees who received compulsory parental leave in the reference period	2	286	0	250
- still on leave as at 31/12	0	138	0	115
- in service as at 31/12	2	148	0	135
- resigned as at 31/12	0	0	0	0
Employees who received compulsory parental leave in the year prior to the reference period, who returned during the year			2	286
- still on leave as at 31/12			0	32
- in service as at 31/12			2	254
- resigned as at 31/12			0	0
Return rate	100%	100%	N.A.	100%
Retention Rate	N.A. ³⁷	N.A.	100%	100%
Employees who requested the optional parental leave	23	376	32	416

The data do not include New Carife for the months from July to November 2017.

³⁷ In 2016, the data for calculating the 2016 retention rate were not available.

Number of employees who received leaves

	2016		2017	
	M	F	M	F
Compulsory and optional parental leave (including breast-feeding) and child care	240	565	208	573
Study	26	27	23	22
Other	5,360	4,429	4,838	4,233
TOTAL	5,626	5,021	5,069	4,828

The data do not include New Carife for the months from July to November 2017.

Injuries and absenteeism of the workforce by geographical area

Injury rate and absentee rate due to injuries or occupational diseases

	2017				
	North	Centre	South	Islands	Outside Italy
Injuries in the workplace					
Injuries in the workplace	11	1	8	10	0
Injury rate	0.27	0.23	0.41	0.53	0.00
Complaints for occupational diseases	0	0	0	0	0
Occupational disease rate	0	0	0	0	0
Work days lost	106	114	308	164	135
Severity index	2.6	26.1	15.6	8.7	913
Deaths	0	0	0	0	0
Commuting injuries					
Commuting injuries	50	3	18	19	0
Injury rate	1.2	0.7	0.9	1.0	0.0
Complaints for occupational diseases	0	0	0	0	0
Occupational disease rate	0	0	0	0	0
Work days lost	946	25	538	419	0
Severity index	22.9	5.7	27.3	22.2	0.0
Deaths	0	0	0	0	0
Total injuries					
Total injuries	61	4	26	29	0
Total occupational diseases	0	0	0	0	0
Total days lost	1,051	139	847	583	135
Total deaths	0	0	0	0	0
Total injury rate	1.48	0.92	1.32	1.54	0.00
Occupational disease rate	0.00	0.00	0.00	0.00	0.00
Severity index	25.4	31.8	43.0	31.0	913
Absentee rate	9,191	11,508	13,468	19,304	7,367



8. Environmental impacts



Global warming has now been acknowledged as a scientifically proven phenomenon that has a significant impact on economies, companies, markets and financial stability. The Paris Agreement, the 2030 Agenda, the Clean Energy Package are just a few examples of how the European Union has chosen to play a leading role in the fight against climate change by identifying new paradigms on which to build the economy of the future. The Italian National Energy Strategy is part of this European framework and sets challenging objectives for increasing the country's competitiveness, including through the progressive decarbonisation of the energy system.

Banks are key players in this transition path either directly, through the implementation of greater efficiency in their real estate assets, or indirectly, through the financing of projects with positive environmental impacts.

All these are challenging objectives that could not be achieved without a global strategy at the European Union level, to be included in banks' action plans on capital markets. To identify a shared path on sustainable finance, in 2016 the European Commission established the HLEG (High Level Expert Group), a working group composed of experts working on the definition of long-term finance guidelines for the integration of economic, social and environmental issues in financial decisions.

“Over the next two decades, Europe needs about €180,000 billion in additional yearly investment, notably in clean energy, to keep the increase in global temperatures to well below 2 degrees Celsius” said Commission vice-presidents Valdis Dombrovskis and Jyrki Katainen in the introduction to the “Financing a sustainable European Economy” Report, by HLEG *“Hence the importance of a consistent and long-term European strategy that can provide accurate, practical and operational recommendations”*.

“Sustainable finance means better economic, social and environmental development, and better finance”

This is how the mission of the “High-Level Expert Group on Finance” was explained by its chairman by Christian Thimann.

The European Banking Federation is another active player on these issues; in 2017 it created an ad hoc working group: the Task Force on Green Finance.

The task force's approach is very clear: paying attention to environmental risk and climate change in the banking sector is not a compliance exercise or a reputational issue; it means considering a risk that has an impact on banks' profitability.

This is also BPER Group's point of view, together with a further consideration: today we feel the need to account for our progress in building value and in redistributing it to our community, not only through the reading of economic performance but also by presenting our environmental policies.

The “Rapporto del dialogo italiano sulla finanza sostenibile” (Report on Italian dialogue on sustainable finance), which was drawn up with the contribution of Bank of Italy, describes how climate change impacts the credit sector.

Moreover, the 2017 edition of the report by the World Economic Forum - The Global Risks Report - includes again the risk of failure of the measures aimed at mitigating and adapting problems linked to climate change as one of the most relevant risks.

Specifically, the following risks are identified:

- physical risk: destruction or deterioration of infrastructure and material assets, lower productivity of agricultural land, difficulty or impossibility in acquiring certain raw materials and consequent interruption of the supply chain, risk of water-related crises;



- technological risk: a risk linked to the speed of progress and investments in the development of technologies able to support the transition to an economy with low carbon impact (development of low-carbon technologies related to energy production, distribution and consumption);
- legal risk: changes in the national and international regulatory framework that may lead to the introduction of measures aimed at reducing the impact of human activities on climate change. More restrictive measures in terms of consumption of resources and pollution may be applied to all sectors (e.g., stranded assets³⁸);
- reputational risk: given the sharp increase in collective sensibility on these issues, it has been observed that insufficient attention towards the environment may provoke serious damage to the reputations of companies, as well as, indirectly, to those of their investors;
- social risk: risk of certain economic activities impacting employment levels, problems linked to the increase in natural disasters, worsening of phenomena such as involuntary migration and crises linked to the scarcity of water resources.

Only through more widespread information gathering and the acquisition of new analytical tools may mitigation and adaptation plans to climate change be developed that protect and involve the whole system. Variables such as natural and social capital are indeed essential parameters for a complete analysis of risks, impacts and future prospects for our business.

In 2016 the Parent Company participated in the Multistakeholder Working Group on Sustainable Finance and Climate Change, organised and coordinated by the Sustainable Finance Forum, which resulted in the drawing up of the report “Sustainable finance and climate change”. This publication analyses risks and opportunities related to climate change, thereby providing information that can help incorporate this issue into investment policies and product innovation processes.

³⁸ It has been calculated that 60-80% of the carbon, oil and gas reserves of companies listed in the stock exchange may not be burned, or the emissions limit necessary to contain the increase in temperature to below 2°C will not be respected, and this figure increases to over 90% if we consider an objective of 1.5°. Consequently, the stocks of companies operating in the fossil fuels sector may lose a large part of their value if the objective of maintaining global temperatures below 1.5°C is confirmed by concrete commitments and obligations, also at the regulatory level.

The role of the financial industry is crucial, according to two different viewpoints:
a. reduction of the direct impact of companies through energy saving measures;
b. reduction of the indirect impact of companies through different allocation of capital.

The BPER Group operates in this respect, aware that company management that is attentive and responsible towards the environment not only leads to an increase in reputation but also contributes to the creation of value for shareholders.

In 2016 and 2017 no sanctions were incurred for non-respect of the regulations and laws on environmental issues, nor did we receive any complaints.

“The BPER Banca Code of Ethics helps implement the Group’s Social Responsibility policy, being aware that the Group’s decisions and actions have direct and indirect effects on society and that paying attention to social and environmental issues helps minimise exposure to compliance and reputational risks, reinforcing the sense of belonging in its interlocutors.”
Code of Ethics of the Parent Company

Given the specific characteristics of a services company, the Bank has identified as “material” those aspects linked to the use of energy and raw materials, specifically paper and toner.³⁹

8.1. Management of direct environmental impact

To ensure sustainable management of the environmental resources used in its activities, the BPER Group has implemented a monitoring process aimed at reducing consumption in terms of both management of raw materials as well as energy, thanks to the efficient use of resources and optimal management of waste. This system enables constant measurement of internal performance, evaluation of variations and identification of the critical aspects.

Specifically, to reduce its direct impact on the environment, and simultaneously implement cost saving measures, BPER Banca has added the “Go Green & Digital” project to its 2015-2017 Business Plan, while as early as in 2014 Banco di Sardegna launched the “Switch off” project to monitor energy consumption and achieve greater energy efficiency.

The most significant activities with regard to reduction of environmental impact are:

1. reduction of the consumption of paper and increased efficiency of the relative usage processes.
2. purchase of products with environmental quality mark;
3. energy saving measures;
4. production of renewable energy.

8.1.1. Acquisition and responsible use of resources

Given the nature of its products and services, BPER Group’s raw materials mainly consist of paper and toner. A number of initiatives have been launched over the years in order to use resources as effectively and efficiently as possible.

³⁹ “Guidelines on application within the Bank of GRI Environmental Indicators” of ABILab 2017.

In 2016, the policy for the purchase of raw materials used by the Group companies drastically changed.

Today, some 93% of the paper used in the offices and branches of the Group's banks is recycled, and an additional 6% of office paper and advertising material has an environmental quality mark, an international certification that guarantees that the ligneous and/or paper material used to make these products originate from responsibly managed forests.



RECYCLED PAPER

93%

CERTIFIED PAPER

6%

With the objective of continuing to reduce paper consumption in 2017 as well, the circulation of a number of daily newspapers in digital format has been maintained, today adopted in almost all central offices.

Expansion of the service to the various branches is being evaluated.

Noteworthy, in terms of digitalisation of services, is also the implementation by Emilia Romagna Factor of a digital WIP platform that enables customers to assign their receivables entirely via the Internet.

Significant results have also been achieved thanks to promotion of the use of FEA (Firma Elettronica Avanzata - Advanced Electronic Signature), which allows bank documents to be signed without printing them on paper, and to rationalisation of postal charges (by urging the adoption of Posta On-Line on Smartweb, introducing new processes to manage registered mail and more efficient grouping of postal communications sent and management of so-called "returns"). Through the use of FEA, paper consumption was reduced by approximately 323 tonnes in 2016 and 883 tonnes in 2017.

Reduced paper consumption thanks to the advanced electronic signature



-883t

The use of FEA also affects the reduction of toner usage.

With regard to the management of toners, it is important to note that a process for streamlining the stock of printers is nearing completion.

To date, the number of purchased toner is considerably reduced thanks to the "cost-per-copy" purchase policy applied to all the major companies of the Group.

To monitor the overall use of toner, the data on disposed toner is currently considered.

Since the beginning of 2018, BPER Banca cost-per-copy contract will also include the disposal of toner; moreover, in 2017 we entered into an agreement with a provider of next-generation printers which will cover all central offices and Territorial Divisions of the Parent Company as from March 2018. The new printers are certified according to the ENERGY STAR.2 standard which guarantees lower use of electricity compared to current printers.

Raw materials purchased

	2016	2017
Total amount of office paper used	1,312,065 kg	1,161,917 kg
Total FSC certified paper	208,260 kg	64,008 kg
FSC certified paper ⁴⁰	16%	6%
Total recycled paper	961,849 kg	1,084,167 kg
Recycled paper	73%	93%
Total paper other certifications	251,364 kg	250,869 kg
Paper other certifications	19%	22%

“.. in all their actions while performing their duties and responsibilities, the Recipients of the Code of Ethics must be inspired by the utmost integrity, honesty, correctness, loyalty, fairness, objectivity, personal protection, transparency, confidentiality and responsibility in the prudent use of corporate, environmental and social assets and resources.”

Code of Ethics of the Parent Company

8.1.2. Waste management

In managing waste, the BPER Group minimises its impact through prudent management of the goods to be disposed, giving priority to their recycling, where possible.

The Parent Company has set itself the objective of eliminating the production of hazardous waste within 2018.

Separate waste collection for the various categories of waste is carried out at all Group’s locations. Given the large quantities of paper used, the BPER Group has decided to assign its disposal to specialised companies that immediately return it to the production chain. Therefore, the entire amount of paper waste is sent out for recovery.

Paper waste sent for recovery



Some 58% of toners used are recovered, in addition 75% of printers use regenerated toners.

In order to improve separate waste collection in the offices of the Parent Company, a project is currently in the prototype phase involving the elimination of wastebaskets under the desks.

It has been found that the “critical” element in the waste production and disposal chain is the basket traditionally supplied at each work station: often, just for convenience, the wastebasket is used inappropriately to dispose of any type of waste, although appropriate containers for paper and plastic are available nearby.

Therefore, the elimination of all baskets provided with each work station has been decided in some offices, while containers for paper and plastic were supplied to the

⁴⁰ Paper with Forest Stewardship Council (FSC) certification

offices as replacement.

Also for the organic and the unsorted waste collection, special containers were provided and positioned near common areas (printer rooms, bath anterooms, coffee rooms or similar).

To drastically reduce the production of hazardous waste, starting from mid-2016, the Parent Company signed a hardware maintenance contract that assigns to the supplier management of the maintenance and disposal/recovery activities. This permits a reduction in the quantities of special hazardous waste from electronic equipment, bringing them down to zero.

From 2016 the purchases of electronic material by the Parent Company exclude those products that subsequently generate hazardous waste.

The quantity of waste produced is 1,707 tonnes, of which 55% are sent for recovery.

8.1.3 Consumption of water resources

For most of the Group companies, water consumption is not a material issue as water is only used for sanitary purposes.

On the other hand, at the logistics company Modena Terminal the consumption of water resources has been optimised over time.

All the water used to defrost cooling systems are now being recovered instead of being discharged into the public sewers, as previously done. Currently the only water that is not recovered is exclusively the water used for cooling plant and equipment that is dispersed by evaporation. The 40 cm water collection tank (water for cooling and defrosting) also serves as support for the hydrant system in case of fire.

On 23/06/2017, the Manager of the ARPAE Authorisation and Concession Structure of Modena granted the Single Environmental Authorisation (AUA) to Modena Terminal for the following environmental areas: Authorisation for the discharge of waste water and authorisation for noise pollution. The authorisation is valid for 15 years.

The water consumption figure was only provided for 2017 due to the low quality of the data recorded in 2016.

Total water withdrawal by source

	2017
Ground water	18,252 m ³
Municipal water supply or water from other infrastructure	9,189 m ³
Source not specified	354,181 m ³
TOTAL	381,623 m³

8.1.4 Energy consumption

Vehicle fleet

The rationalisation and modernisation of the Group's fleet, based on green criteria, has continued for a number of years, especially with regard to the Parent Company: whenever a vehicle comes to the end of its lifecycle, it is replaced by a new bi-fuel (petrol-methane), hybrid or electric vehicle or with less polluting diesel-powered vehicles. To reduce travel, all Group companies have undertaken to increase the use of video conferencing.

To date, the vehicle fleet consists of 212 cars for shared use and 223 cars for mixed personal-business use.

Consumption of the fleet of company vehicles (GJ)

		31/12/2016	31/12/2017
Business use	Diesel oil ⁴¹	16,080	6,420
	Gasoline ⁴²	2,001	1,398
	LPG ⁴³	600	145
	Methane ⁴⁴	917	413
Mixed business-personal use	Diesel oil	12,026	24,565
	Gasoline	629	203
	LPG	34	0
	Methane	77	0



⁴¹ The applied conversion factor was taken from Legislative Decree 28 of 3/3/2011.

⁴² Conversion factor from Italian Greenhouse Gas Inventory 1990-2013. Total gasoline is given by the sum of fuel consumption for the car fleet running on gasoline plus 70% of the fleet of bi-fuel cars running on methane or LPG.

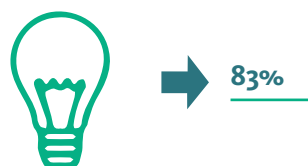
⁴³ Conversion factor from Italian Greenhouse Gas Inventory 1990-2013.

⁴⁴ Conversion factor from ENEA site with the energy equivalent of a number of fuel products (TABLE A, Ministerial Circular no. 219/F of 2 March 1992) <http://www.enea.it/it/comunicare-la-ricerca/le-parole-dellenergia/unita-di-misura/contenuto-di-energiaeffettivo-ed-equivalenze-nominali>.

Electricity and thermal energy consumption

The total energy consumption (electricity and heat) of the BPER Group for 2017 was 406,048 GJ, of which 52.8% from renewable energy sources. As regards electricity consumption, the % of renewables was 83%.

Renewable electricity



Energy consumption

GJ	2016	2017
Heating	85,084	109,651
of which natural gas	79,742	106,932
of which diesel oil	4,565	2,137
of which propane air	778	582
Electricity purchased, of which from renewable sources (purchased)	225,196 218,126	256,145 212,950
Electricity self-produced from renewable sources	1,868	1,866
Renewable electricity produced and sold/fed into the grid	242	363
District heating	3,519	5,605
of which non-renewable	3,519	5,605
Non-renewable fuel consumption by car fleet	32,364	33,144
Total energy consumption	347,789	406,048
% renewable over total	63%	52.8%

Energy intensity

To provide an overview of its use of energy, the energy intensity index was calculated with respect to the gross square metres of the Group's properties and the number of employees.

	unit of measure	2016	2017
Total energy consumed	GJ	347,789	406,048
Total square metres ⁴⁵	m ²	703,782	712,082
Intensity per employee ⁴⁶	GJ / man	29.6	34.7
Energy intensity per m ²	GJ/m ²	0.49	0.57

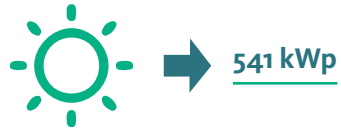
⁴⁵ total gross m² of BPER Group's properties.

⁴⁶ Calculated on the number of employees as at 31 December 2016, equal to 11,635 and 31 December 2017, equal to 11,686.

Production of renewable energy

9 photovoltaic systems have been installed in the Group companies in recent years:

Photovoltaic
systems



Renewable energy systems as at 31/12/2017

	Company	Installed power (kWp)	kWh produced
Photovoltaic - Centro Servizi Ed. C ⁴⁷	BPER Banca	112	85,393
Photovoltaic - Carpi Ag. 11	BPER Banca	10	4,955
Photovoltaic - BPER Banca kindergarten	BPER Banca	5	6,918
Photovoltaic - Pianoro	BPER Banca	20	21,475
Photovoltaic - Vignola	BPER Banca	10	10,972
Photovoltaic - Modena branch 18	BPER Banca	6	6,500
Type and address of the system - Photovoltaic system - Via Principi di Piemonte 12	Cassa di Risparmio di Bra	20	13,000
Type and address of the system - Photovoltaic system - Via Sarti	Cassa di Risparmio di Bra	20	3,000
Photovoltaic system	Modena Terminal	338	366,040
TOTAL	-	541	518,253

The estimates provided in the tables are the result of a proportional calculation compared to services centre C, as the systems are all in the same zone and have the same radiation and climate characteristics.

In 2017 the production of renewable energy amounted to 518,253 kWh, while in 2016 it was 173,037.

The difference is due to the fact that in 2016 the amount produced by some plants could not be traced.

Renewable energy systems as at 31/12/2017

		unit of measure	31/12/2017
BPER Group	Number of systems	no.	9
	Installed power	kWh	541
	kWh produced	kWh	173,037

⁴⁷ To determine consumption of the services centre C, a meter coefficient of 25 was applied. The readings made on 31 December at the end of 2015 and 2016 were, respectively: 10,087 and 14,843. The difference in consumption recorded in 2016 was 4,756 kWh

8.1.5. Energy saving measures

The energy strategy of the Parent Company, described within the “Go Green & Digital” Project in the 2015/17 Business Plan, aims to increase control and management of energy consumption in order to identify measures - implemented quickly and with an estimated return on investment of 2/3 years - that generate structural savings on operating costs of the BPER Banca portfolio.

Actions implemented:

1. Energy Diagnoses, in accordance with the required regulations in effect, for BPER locations identified by the clusters and preliminary to development of the monitoring and control system;
2. Preparation of an Action Plan intended to streamline the energy consumption of the buildings under analysis. This activity has enabled identification of highly “exportable” measures, with limited return on investment times for similar types in terms of building/systems;
3. Analysis of energy consumption of the branches to identify clusters for application of the Building Energy Management System (BEMS): the most energy-consuming branches were selected, along with those with the highest consumption;
4. Implementation on the 70 branches identified under point 3 of Building Energy Management Systems (also BEMS or remote management and control systems); the following activities will be carried out via acquisition of the data from the BEMS:
 - Monitoring of energy consumption for each branch;
 - Normalisation, analysis and processing of the data collected;
 - Creation of energy performance indexes and comparison with historic data;
 - Assessment of savings achieved following implementation of the BEMS.

During 2016, 32 branches were completed, and the remaining ones were involved in 2017.

In addition, a gas and electricity consumption monitoring system for all BPER Banca sites was implemented, based on supply invoices, with the goal of monitoring trends and defining the database on which to conduct benchmarking, from which to extrapolate and possibly generalise the best practices applied.

As a result of these actions in 2017 BPER Banca achieved savings of 17.1% compared to the project baseline.

With regard to Banco di Sardegna, the conclusion of the Switch Off energy consumption reduction project in 2017 is worth mentioning. The project, launched in mid-2014 involved some 150 buildings and branches, starting with the most energy-consuming. The branches involved are remotely controlled and monitored through a system that manages electrical loads and constantly measures consumption of the individual sites. The initial target of reducing electricity consumption by 10% has been reached and exceeded and currently stands at around 20% compared to the project baseline.

The Switch Off project involved all branches with annual consumption $\geq 30,000$ kWh. These larger projects combined with the initiatives undertaken by other Group companies on lighting, efficiency and waste reduction. Overall in 2016 the BPER Group reduced its consumption by 2,439.554 MWh, while in 2017 it reduced it by 2,641.6 MWh

8.1.6. Emissions generated

To objectively identify and monitor emission performance, the Scope 1 index was calculated, namely the quantity of CO₂ relating to consumption by the BPER Group for heating and fuel. Scope 2, which refers to the quantity of CO₂ emissions caused by the use of electricity from non-renewable sources was 3,780 tonnes of CO₂ in 2107 and 610.1 tonnes of CO₂ in 2016.

Scope 1 2016

	t CO ₂	t CO _{2e}	t CH ₄	t N ₂ O
Heating				
natural gas	3,953	3,976	0.173	0.069
diesel oil	335.97	339.25	0.032	0.009
propane air	43.25	43.25	-	-
Fuel for car fleet				
diesel oil	2,066.05	2,085.55	0.034	0.07
LPG	44.01	44.42	0.005	0.001
gasoline	182.03	184.17	0.048	0.003
methane	53.19	53.51	0.002	0.001
TOTAL	6,677.5	6,726.15	0.294	0.153

Scope 1 2017

	t CO ₂	t CO _{2e}	t CH ₄	t N ₂ O
Heating				
natural gas	5,325	5,356	0.233	0.093
diesel oil	157.26	158.74	0.015	0.004
propane air	32.39	32.39	-	-
Fuel for car fleet				
diesel oil	2,277.71	2,299.83	0.033	0.08
LPG	10.48	10.51	0.001	0
gasoline	110.79	112.05	0.026	0.002
methane	22.18	22.21	0.001	0
TOTAL	7935.81	7991.73	0.309	0.179



Emissions produced for the paper purchased

	2016	2017
kg of recycled paper	961,849	1,084,167
Kg of non-recycled paper	350,216	77,750
Emissions t CO₂e⁴⁸	1,312,065	837.9

Climate-altering gases

In calculating total climate-altering emissions, we must necessarily take into account the use of greenhouse gases for the conditioning of Group offices and, especially, for the Modena Terminal cold rooms.

Modena Terminal manages warehouses and cold rooms that in 2017 had a 60% impact on emissions related to refrigerant gases. (900 kg out of 1,492 total) of the Group.

The following systems are installed at the Modena Terminal:

- system for the production of cold, -25°C with a total charge of 3,750 kg of refrigerant gas;
- system for the production of cold, -25°C with a total charge of 1,500 kg of refrigerant gas;
- air conditioning system in the cheese maturing warehouse, total charge of 58.1 kg of refrigerant gas;
- air conditioning system in the cheese maturing warehouse, total charge of 118 kg of refrigerant gas.

⁴⁸ UK GHG conversion factors 2016 and 2017

Emissions from climate-altering gases

Type of Gas	2016		2017	
	t	t CO2e	t	t CO2e
R-407C	0.588	897,314	0.212	322,720
R-410A	0.242	417,864	0.358	618,223
R-22	0.022	39,820	0.022	39,820
R-427A	0.28	598,640	0.72	1,539,360
R-507	0.24	792,000	0.18	594,000
R-422D	0.023	63,886	-	
R-404A	0.045	147,352	-	
R-407	0.023	40,710	-	
R-410	0.001	2,070	-	
TOTAL	1.465	3,000	1.492	3,114

Emission intensity 2016

	t CO2e
Total residual emissions (tonnes)	8,609
Emission intensity per sqm	0.012
Emission intensity per employee	0.74

Emission intensity 2017

	t CO2e
Total residual emissions (tonnes)	12,942
Emission intensity per sqm	0.02
Emission intensity per employee	1.11

8.1.7 Emissions saved

Emissions saved 2016

Method	Quantity	CO2e saved
Renewable energy used ⁴⁹	61,043,977 kg	33,208 t
Energy saved	2,439,554 kWh	768 t
Paper saved	323 t	220.6 t
TOTAL		34,196.6
Total assets Etica azionario BPER + placed amount	Euro 36,278,458	171,597.1 t

⁴⁹ Source of emission factor: ISPRA 2017.

Emissions saved 2017

Method	Quantity	CO _{2e} saved
Renewable energy used ⁵⁰	59,571,700 kWh	32,407 t
Energy saved ⁵⁰	2,641,600 kWh	832 t
Paper saved	883 t	603.1 t
TOTAL		33,842 t
Total assets Etica azionario BPER + placed amount	Euro 46,263,008	219,286.6 t

In 2017, thanks to energy efficiency measures, the use of renewable energy and the reduction of paper consumption, the BPER Group avoided the emission into the atmosphere of 33,842 t of CO_{2e}, which is equivalent to planting 48,346 trees. Thus, it is as if we had planted a forest of more than 48 hectares (about 68 football pitches).

Reductions of CO_{2e} emissions



8.2. Reduction of indirect environmental impacts

The financial world, and companies and institutions in particular, are required to take more challenging measures to reduce their direct impact: that of allocating capital to activities and technologies with low CO₂ emission. Therefore, the Group must promote the measurement and reduction of environmental impacts generated by investments as well as grasp the opportunities connected to climate change, namely those linked to financing mitigation and adaptation solutions. The active commitment of the Group Banks and of the other companies providing financial services is also evident in the marketing of low-carbon products and products aimed at energy efficiency and in the financing of renewable energy production plants. Calculating indirect impact is very complex and the process to do so is currently in the analysis and study phase throughout the entire financial world. Several placed products have a positive impact on the environment (see chap. 6) which we are not currently able to report in terms of CO₂ emissions.

On the other hand, we can calculate the CO₂ saved through the purchase and placement by the BPER Group of Etica Sgr equity funds⁵² which, as noted above, calculated the carbon footprint of its investments and “decarbonised” its portfolio achieving CO_{2e} savings, for every Euro 100 invested, of 474 kg in 2017 and 473 kg in 2016.

In 2016, 171,597 tonnes of CO_{2e} were saved through the BPER Group while in 2017 the emission of 219,287 tonnes of CO_{2e} was avoided.

Just in 2017, if we add the above estimate to the savings obtained from energy efficiency activities, the BPER Group avoided emissions in the atmosphere of 253,129 t of CO_{2e}, which is equivalent to planting 361,612 trees. Thus, it is as if we had planted, in addition to those mentioned above, a forest of more than 360 hectares.



⁵⁰ Source of emission factor: ISPRA 2017.

⁵¹ Source of emission factor: Parchi per Kyoto.

⁵² For additional information, see chapter 6 “Development of an ethical and green portfolio”



9. Relations with the community



The BPER Group has always promoted initiatives and projects with a high social return, especially through its four territorial Banks.

The BPER Group's commitment to expand its reference network, its willingness to work in partnership and its continuous search for best practices in the sector is also evident from its active participation in numerous bodies and associations including: Global Compact Network Italia, Impronta Etica, Fondazione Sodalitas, Foundation for Financial Education and Savings (FEDUF), Association of Businesses for Social Responsibility, Value D, ABI working groups on sustainability and climate change and the CSR Manager Network.

The Group banks are associated with the Italian Banking Association and the Parent Company is registered with Confindustria, in the sections of the main provinces / regions where the Group banks are based.

Often, when speaking of donations, we tend to just consider the donations of Banks to local organisations engaged in different social areas. This does not adequately explain what is being done by the Group and it is for this reason that the projects implemented have been described and catalogued using the pyramid method by the London Benchmarking Group.

Through this method of presentation and the division into four main categories, we can thoroughly describe the commitment made in social and environmental projects. The categories contain:

1. "Donations": all donations made, the contributions to associations and the donations and contributions for solidarity, and health without brand profits;
2. "Investments in the community": medium to long-term initiatives implemented for social reasons but which generate a return in terms of the Bank's image, investments in the community, cultural and amateur sporting events with brand exposure, solidarity activities with brand exposure, ancillary costs with respect to solidarity activities with brand exposures;
3. "Commercial initiatives in the community": partnerships established with non-profit organisations, also aimed at brand promotion;
4. "Innovative products and services with social content": business activities with a high socio-environmental value, costs and investments for projects related to innovative products and services or with beneficial effects on the community, research and development for innovative products and services or with beneficial effects on the community.

The amounts specified below in relation to the four categories, except for the item "Donations", are underestimated since, due to the high number of projects implemented by the Group, it has not been possible to collect information on all of them.

The overall data relating to the mentioned categories are reported below:

Relations with the community: amount spent

	2016	2017
Donations ⁵³	€1,350,766	€1,116,756
Investments in the community	€3,502,999	€5,509,016
Commercial initiatives in the community	€1,065,659	€873,703
Innovative products and services	€985,005	€376,541
TOTAL	€6,903,336	€7,876,016



Each company can have positive or negative impacts on the community in which it operates. Until now we focused exclusively on the positive impacts proactively determined by the Group companies. However, in certain cases unfavourable conditions are generated by the Group's strategic decisions. To date, no complaints were received regarding the BPER Group's impact on society.

⁵³ Both for 2016 and 2017, in addition to the donations charged to the income statement, there are the donations from the Fund for charity and the Parent Company's works of public utility.

9.1 Economic support to the community

9.1.1 Donations

The Code of Ethics of the Parent Company verbatim asserts that

*“BPER Banca intends to be a Bank that creates value for the community it operates in, by seeking to achieve objectives that are not only profitable”
Code of Ethics of the Parent Company*

This statement, which applies for all Group companies, is embodied in the activities implemented to support the local community. Donations of charitable amounts during 2016 and 2017 were made in favour of a number of initiatives in the scientific, welfare and solidarity sectors. It is difficult to list all the activities supported.

The Group companies identify the activities to be financed based on the various requirements that arise in the territories in which they operate, with regard to schools, colleges, universities, sports associations, hospitals and health associations, cultural, arts and tourism associations, religious entities and churches, municipalities and local entities, and others.

With regard to the most significant donations, the Parent Company requires an assessment/approval by the Executive Committee. Contributions are allocated based on percentages defined by the Executive Committee for the different areas (social, cultural, health).

Donations for the purchase of diagnostic tools were especially relevant.

In detail, a total of Euro 1,013,443 in donations were made during 2017, of which as regards BPER Banca Euro 867,530 recognised in the Income statement, while Euro 103,313 arise from use of the “Fund for charity and works of public utility”.

9.1.2 Investments in the community

Culture and literature

The BPER Group has always worked with the firm belief that inclusion and the reduction of social inequalities also require a widespread organisation of cultural events open to citizens and accessible to all.

Alongside a policy of support for various national theatres, the Group is also engaged in an important activity for the organisation of artistic and musical events in all the regions where it operates.

We should mention among them, the Group’s participation in events organised by ABI such as “Invito a Palazzo”, through which the most beautiful buildings of Italian banks are opened to the public and the “Festival della Cultura Creativa” (Festival of Creative Culture) dedicated to children and young people.

In the literary field it is worth mentioning the important activity of the Parent Company in support of national awards such as, to name a few, the Premio Strega, including the Premio Strega Ragazze e Ragazzi and the Premio Strega Giovani, the Premio Estense in Ferrara and the poetry Award Laudomia Bonanni.

For many years now, new books are presented at the BPER Forum Monzani of Modena as part of a series of presentations. Through this initiative, which has seen an increasing appreciation by the public (more than 20,000 annual visitors) we seek to offer a loyal and attentive public the opportunity to meet with writers, actors, performers, musicians, scientists, athletes, prominent figures of civil society, nationally and internationally renowned.

BPER Banca is recognised as a “literate bank” and as a bank that is committed to support a participatory culture that can be beneficial to the communities where the Bank is engaged.

“La Galleria. Collezione e Archivio Storico”

On 2 December 2017, in Modena, “La Galleria Collezione e Archivio Storico”, a new cultural project of BPER Banca was opened to the public.

About 2,700 visitors registered in the first month of opening dedicated to the exhibition “Uno scrigno per l’arte”. The high number of visitors was a success for the art project promoted by BPER Banca that aims to enhance such an important asset in Italy.

The exhibition space, hosted at the Parent Company’s headquarters, had a favourable response from the city’s inhabitants who enthusiastically welcomed this dynamic project that aims to unveil over time the precious works of art held by the Bank.

After the first month of continuous opening to the public, the Galleria can be visited every first weekend of the month, including Friday, to continue giving visitors the opportunity to freely enjoy, at no cost, the most important masterpieces of BPER Banca’s antique paintings collection: Cristoforo Canozzi da Lendinara, Guercino, Guido Reni and Lanfranco are just some of the main painters whose works are displayed in the Galleria and which are part of a corporate collection of great importance in the national scene. Alongside the Modenese collection, there are other important collections of painters from the Abruzzo, Neapolitan and Ferrara areas.

The Bank’s registered Historical Archive will also be displayed in the halls of the Via Scudari building in Modena, testifying not only the history of the bank, but also the region where it was founded in 1867.

Spurred by the desire to continue promoting and sharing this cultural heritage with the public, many events and exhibitions have been planned which will extend throughout the year, thereby consolidating the relationship between the Bank and the community. Guided tours for schools, associations, private individuals and tourist bodies will be offered on a continuing basis.



Financial education

To support customers and their families and to promote a society that BPER Group wishes to become increasingly inclusive, the Group banks continue their commitment to carrying out Financial Education initiatives on the territories in question. In fact, while on the one hand, greater economic-financial skills ensure adequate protection of consumers, on the other, they also allow greater freedom of choice and a consolidated awareness in the management of savings, sharing the responsibility with the financial institutions themselves.



The GRANDE! project

For the 2016/17 and 2017/18 school years in primary schools, the edutainment (learning with entertainment) project “Grande!” was activated by the Parent Company, with the objective of teaching children the value of savings through games. In particular, two characters were created as testimonials of the project, Billo and Perla, who through various stories and adventures help children build a culture of “economic citizenship” that can support the development of the values of lawfulness and sustainability, proper appreciation of the value of money and of one’s own responsibilities within society. This project is supported by a dedicated site, original didactic material and a competition involving over 1000 schools (grande.bper.it). At the 21st edition of the “Webby Awards” the site, also available in English, was awarded as one of the best web initiatives in the “Social Responsibility” category. The site and text for the teacher’s guide are subdivided into several sections, each dedicated to a topic, accompanied by animated videos, analyses and didactic workshops to be carried out in the classroom.

The following subjects were covered:

- Trading: playing with the history of money, from bartering to credit cards;
- Achieving: understanding how ideas (projects, dreams or the vision of an entrepreneur) take shape thanks to money;
- Protecting: understanding why savings ensure a more serene future;
- Choosing: what are the rules that drive the market? Supply and demand;
- Imagining: building future scenarios together;
- Acting: discovering what each of us can do for a better and cleaner world.

In December 2017 the prize-giving ceremony was held for the primary school classes that won the “Gioca con l’economia” competition. In the 2016/17 school year, 1,000 Italian schools participated in the training initiative; among these, more than 100 schools joined the “Gioca con l’economia” contest, presenting projects for the promotion of the region involving approximately 25,000 students.

Children competed with very high-level works; numerous topics were proposed with insights from the green economy and support to the environment and animals, to solidarity towards the most vulnerable groups of society. In particular, 10 classes distinguished themselves and BPER Banca gave them interactive multimedia boards, educational materials (tablets, PCs, globes, printers, etc.) and books for their libraries. For primary schools, BPER Banca’s commitment is confirmed also for the 2017/18 school year, with a doubling of the opportunity to complement the school curriculum from 1,000 to 2,000 schools.

In addition to the school competition, a contest for families with the blog “Genitori Super!” was also introduced. The Blog collects articles and videos designed for parents who want to help their children take their first steps in the economic field, so that they grow up as aware and responsible individuals.

BPER:
Banca



Financial education on social and in-store events

BPER Banca’s commitments on the subject of financial education is confirmed also through the social channels. In 2017, in addition to the Facebook BPER U section, with 4 posts per month in which financial contents are explained by BPER Banca employees, 10 video tutorials have been created for the YouTube channel that explain economics and finance concepts in simple words. It is dedicated to all those who want to learn about banking issues and is conducted in collaboration with employees of the company.

BPER:
Banca



In 2017 an innovative project was launched with the aim of converting branch premises into new aggregation centres. The areas have been redesigned precisely with the intent of opening the Bank to new ways of interacting with customers, the idea being to turn the branch into a place for meeting and exchanging views, also addressing issues that are not strictly related to banking.

The meetings called “The ant and the grasshopper. How nature plans for the future”, focus on the need of man to protect himself and make plans through the metaphor of how animals and nature protect themselves from risks and think about their future. The contents have been prepared and presented with the collaboration of an expert entomologist. To ensure the full participation of families with children, educational workshops were organised for kids.

Teen! a project dedicated to teenagers and their growing-up

BPER Banca demonstrates its commitment to the new generations through tangible actions for the youngsters.

The Teen! project is dedicated to the world of teenagers and revolves around on the concept of “talent enhancement”, to be brought out and developed through the web. The project takes shape through the teenspace.it website, a digital platform with “two souls”: an educational one, to guide young people towards a responsible use of the Internet and their approach to social media, and a creative one, with targeted contents designed to develop and make progress in the four artistic disciplines of Photography, Writing, Music and Video. These areas are explored through contributions, advice and sharing of experience of established professionals and young influencers who are willing to share their success stories. Each section is updated with ad hoc editorial content, such as tutorials, video interviews, articles, reviews, news, infographics, as well as comics and memes. In addition, the project involves conceiving and organising contests for young people, dedicated to the defined artistic areas. Each contest will reward the commitment of boys and girls through prizes that will enhance their dedication to their passions.

Foundation for Financial Education and Saving (FEDUF).

BPER Banca, Banco di Sardegna and Cassa di Risparmio di Bra joined the “Foundation for Financial Education and Saving” (FEDUF), created by the ABI and a recent development on the PattiChiari Consortium.

FEDUF supports all types of schools in holding events with students at all levels, to speak about education with regard to “economic citizenship” and develop a greater awareness of the value of money, its use and its importance, with a view to more active and informed citizens. The initiatives examine topical issues such as the dematerialisation of money, sustainability of development and prevention of compulsive gambling.

In the periodic meetings of the financial education projects, given its purpose, the Bank's products are not advertised, nor are the attendees asked to provide their details for commercial purposes.

During the 2015/16 school year, financial education events were held in the cities of Modena, Lanciano and L'Aquila. A national convention entitled “Financial Education: the challenge for sustainable growth” was held in Matera, organised in collaboration with Etica Sgr and sponsored by Plus 24, of Il Sole 24 Ore.

In the 2016/17 school year, meetings were held in Milan, Cagliari, Sassari and Potenza.

Banco di Sardegna and Cassa di Risparmio di Bra

The project “Il Banco di Sardegna per la scuola” aimed at developing a business culture among young people, has reached the fifteenth edition. The competition is reserved for students of the last two years of high school and technical schools in Sardinia. The competition requires students, coordinated by their professors, to carry out innovative business research and development projects regarding Sardinia's economic and social environment.

For each participating school, Banco di Sardegna identified a tutor among its employees who helped students assess the financial feasibility of their project; the dedicated prize money was Euro 50,000.

The classes had the objective of developing a business project taking into account local potentialities and containing the deed of incorporation, articles of association, business plans, expenditure forecasts and development of the brand. The students of the Liceo Spano of Sassari won the first prize of Euro 25,000; they simulated a cultivation plant for the spirulina algae in Sardinia: the product is innovative: although still relatively unknown in Italy, it is considered the food of the future for its nutritional properties; the production process is innovative, entirely powered by renewable sources. Attention to the environment was the main theme of this year projects: the students' work shows not only the intention to create an economically sustainable business, but above all the firm ethical purpose of doing something useful for their region.

Starting this year, award-winning schools can decide to allocate part of the prize to launch the winning start-ups, which will also have access to a low-interest loan by Banco di Sardegna.

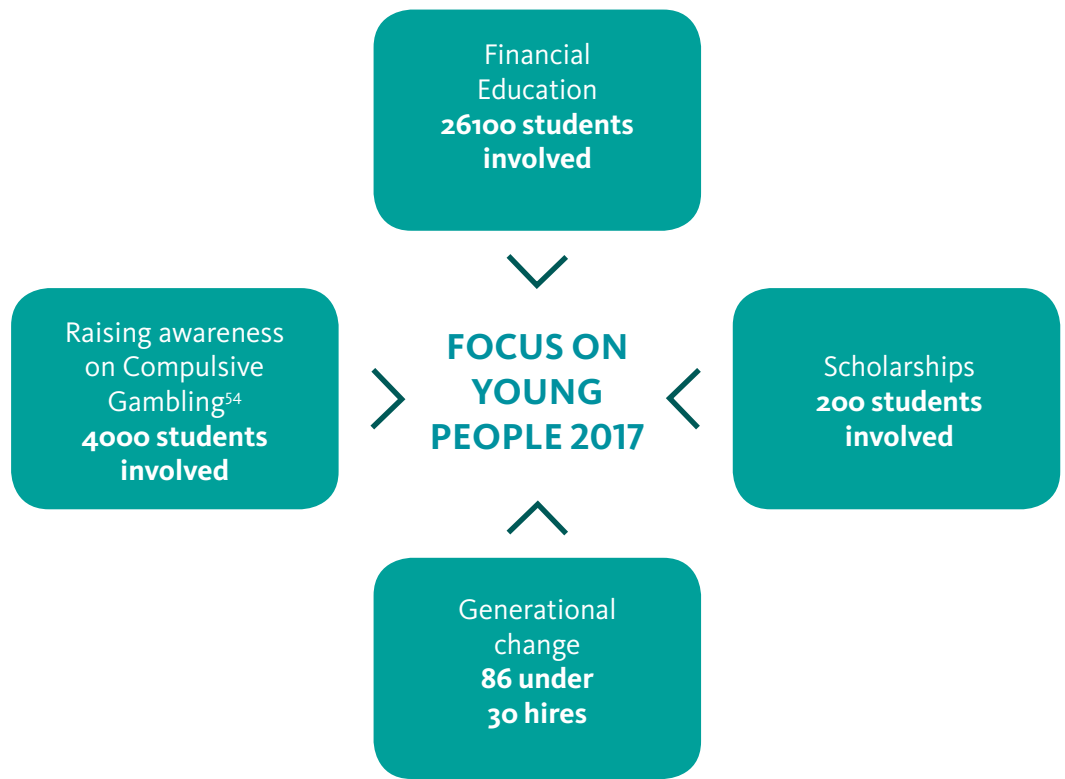
The Amici del Banco association also took part in the project, with the support of the Regional Education Office, the University of Sassari, Confindustria Nord Sardegna and Confapi.

Cassa di Risparmio di Bra also has an established collaboration with local schools through the “Noi e il risparmio” project.

For the sixth consecutive year, Cassa di Risparmio di Bra and Cassa di Risparmio di Bra Foundation proposed financial education activities to the schools with a final award event, in which some students of each class presented a particular saving aspect they studied and analysed with their teachers during the school year; the focus of the discussions was saving in all its aspects, including financial, energy and raw materials. Each class chose an aspect of the economy, studied and analysed it, proposing new ideas for a clean economy with the freshness of children's mind.

fair and supportive, able to satisfy needs while avoiding waste, pollution, marginalisation.

Focus on young people



Other projects

- Push to Open: university orientation project that involved 50 students (the project's SROI will be calculated, i.e. the Social Return on Investment);
- Sponsorship of hundreds of sports associations working with young people;
- “Cronisti in classe” (Class reporters) project (225 students);
- Photographic competition for boys and girls (250 participants).

Financial education for adults

For 2018, BPER Banca is planning and experimenting with educational and training projects to support growth of the economic-financial skills of adults as well, through meetings for specific categories, such as migrants, associations or pensioners. In support of such activities, a preliminary moment of listening was carried out, involving about one thousand customers, to identify the most interesting topics to cover during the financial education events and the most effective methods. The results collected supported the planning of initiatives for adults.

BPER PerVOI, the quarterly magazine for members of the Bank (about 90,000 copies printed) also introduced an information section on Financial Education issues. In fact, the magazine contains a Financial Education Glossary that explains the proper use of various services/products. BPER PerVOI was also drawn up in 2017 and sent to all former members, now shareholders of the Parent Company.

⁵⁴ Compulsive Gambling.



The Empori solidali “Il Mantello” in Ferrara and “Portobello” in Modena

BPER Banca is among the key partners of the project “Il Mantello” in Ferrara and “Portobello” in Modena: initiatives aimed at concretely supporting families in difficult situations, also following the impoverishment caused by the recent economic crisis. It is a form of support for a period of 6 to 18 months, through the distribution of essential goods via the establishment of a “market” that allows beneficiaries to choose the most appropriate products to satisfy their nutritional needs.

The projects also include supplementary services for individuals, designed to enhance and strengthen empowerment of the beneficiaries.

Other social and local initiatives

These initiatives are taken alongside various actions in favour of associations that provide assistance to the more vulnerable population groups and work in the social sphere and for the development of local communities.

The Group’s consortium company, BPER Services, in collaboration with the Pomposiana Social Cooperative which, among various activities, helps autistic children in accessing the job market, has (initially with the support of tutors) employed two boys of the mentioned cooperative for the scanning of documents in the Middle Office Service of the Service Desk Department, a simple and repetitive job that was greatly appreciated.

These initiatives are not subject to the compulsory hiring quotas required by the legislation on protected categories, as the Group already adequately meets this requirement.

The support to fairs, folklore events, patron celebrations to enhance local products and the beauty of the region is a way for the Group to show its care for the region. We mention among many “Cheese”, the event organised in collaboration with Slow Food in Bra, Autunno in Barbagia and the support for the Modena Fiere exhibition centre.

9.1.3. Commercial initiatives in the community and innovative products and services with social and environmental content

This sector of the pyramid includes both communication costs regarding the projects/products with significant environmental and social impacts, as well as the energy efficiency measures (see chapter 8) implemented by the Group in 2016/2017.

It is important to note that only innovative products/services with direct social and environmental impact were taken into consideration in this report, namely BPER LIFE4ENERGY and the Welfare Project.

This category also includes the scholarships provided by the Group companies⁵⁵.

Almost 200 scholarships were provided nationwide, in addition to internships and work placements as well as significant support to the Universities of the areas served by the Group.

9.2. Responsibility in controversial sectors

9.2.1. Guidelines on arms

The relationship between banks and operators in the military sector has been the subject of attention by Italian civil society for some time, particularly by associations that want to avoid Italy and its companies from becoming involved in the production

⁵⁵The Parent Company has included Scholarships among donations as they are managed as such from an accounting standpoint.

and sale of so-called controversial arms, especially where the counterparties are located in countries subject to international sanctions. For this reason, and in line with the principles of the Code of Ethics, starting from 2012, the Bank has adopted the “Linee Guida di Gruppo per la regolamentazione dei rapporti delle banche del Gruppo BPER con gli Operatori della difesa e le Imprese produttrici di armamenti”. With these guidelines, banks of the BPER Group have adopted a self-governance that regulates, more stringently than required by current legislation, their presence in this sector. In particular, in relation to transactions supporting the import/export of arms, Banks of the Group have decided to adopt internal rules that establish which transactions can be authorised and which cannot, without enforcing an absolute prohibition. Therefore, Group banks may be included in the annual Reports drawn up by the Presidency of the Council of Ministers pursuant to Law 185/90 (which sets specific limits on the export, import and transit of specific types of weapons), in relation to transactions that, according to the Group, minimise the risk that the goods produced or services rendered be destined to parties other than those with democratic governments. Moreover, the Guidelines also govern other types of transactions, such as loans, for which the banks of the Group must report the key aspects of the relationship between the credit institute and defence operator. In fact, the Group’s banks agree to publish an annual statement highlighting the activities that the BPER Group has carried out with companies that operate in the defence sector. This annual report is published, along with the guidelines, on the Group’s website (sustainability section).

9.2.2. Fight against compulsive gambling

With regard to operations in the gambling and betting sector, starting from 2013, the BPER Group, with a view to Corporate Social Responsibility in regard to the communities served, has implemented initiatives to inform, prevent and implement measures against the practice of compulsive gambling.

The Group is actively attentive and vigilant to avoid gambling from becoming a tool for money laundering or recourse to extortion. Consequently, the Parent Company has instructed the Branches to adopt more rigorous conduct than that envisaged by the regulations and to carefully assess any anomalies identified in the transactions of individual customers, promptly reporting any suspicious ones.

Information campaigns for the Group’s employees and customers have been implemented, describing the reports on a number of banking transactions that could reveal an addiction to gambling, and useful instructions and tips on how branches can approach such a customer and intervene to protect both the customer and their family. Compulsive gambling may also affect minors and, therefore, the Bank has promoted an education and prevention campaign at a number of schools.

BPER Banca has also published the Vademecum “Gambling addiction and banking services”, an information handbook that describes the possible measures implemented by the Bank to combat and prevent the risks connected to compulsive gambling.

The document was prepared in collaboration with the non-profit organisation “Papa Giovanni XXIII di Reggio Emilia” and distributed nationally with the support of various organisations, such as: CONAGGA (National coordination of groups for gamblers), the inter-parliamentary group “Non è un gioco” (it’s not a game) and the “Mettiamoci in gioco” campaign.

At the operational level, BPER Banca has decided to prevent its credit cards from being used for payment at facilities or on websites classified under the “gambling” category: in other words, you can’t gamble with BPER credit cards.

An exception to this are the prepaid cards (useful in terms of “recovery tool” for compulsive gamblers) and the Black Cards, accounting for about 0.1% of the total. Furthermore, particular attention is paid to minors: the PAYUP TEEN prepaid cards, safer and more appropriate for their target, have usage blocks for certain categories of expenditure that could be considered risky by parents, such as games and betting, telephone and postal sales, door-to-door sales, alcohol and tobacco, drugs and political organisations.

Furthermore, if a minor has a prepaid card that is not PAYUP TEEN, they are subject to checks and, in the event of use in gambling, the payment card is blocked and the parents are notified. Lastly, the BPER Group has decided to avoid the marketing and promotion to customers of Scratch & Win tickets.

In this context BPER Banca, together with Coop Lombardia, Etica Sgr and Unipol Group, promoted and organised an exhibition entitled “Fate il Nostro Gioco” at the “Fabbrica del vapore” in Milan, on the initiative of Taxi1729, a training and scientific communication company; the exhibition is an interactive path to explore the mathematical laws of chance and probability with a view to prevent the spread of compulsive gambling. The exhibition, with free admission, has been open from the 16th of October until the 14th of November 2017.



The project, targeted to young people and adults, was launched with the aim of unveiling the rules and the logic underlying the practice of gambling in Italy, so that participants can become aware of the hidden aspects of gambling, using mathematics as logical antidote. Scientific communicators guided visitors along a path that developed over three environments: in the first, visitors discovered the world of practically impossible events and the laws of probability, in the second environment a real mathematical casino with real croupiers, personified by the scientific communicators, was set up for the Roulette, Black Jack and Poker games but also for public games such as slot machines, Lotto, Superenalotto, Win For Life and Scratch and Win. It has been shown that players’ profit&loss situation is destined to worsen at a pace that can be mathematically calculated in a simple way.

In the third and last environment, a video was used to encourage reflection and discussion on the consequences of compulsive gambling, since ludopathy can not only destroy a single individual, but their entire families: it was calculated that, on average for each person addicted to gambling there are seven others - between parents, brothers, children, or friends - who necessarily suffer the consequences.

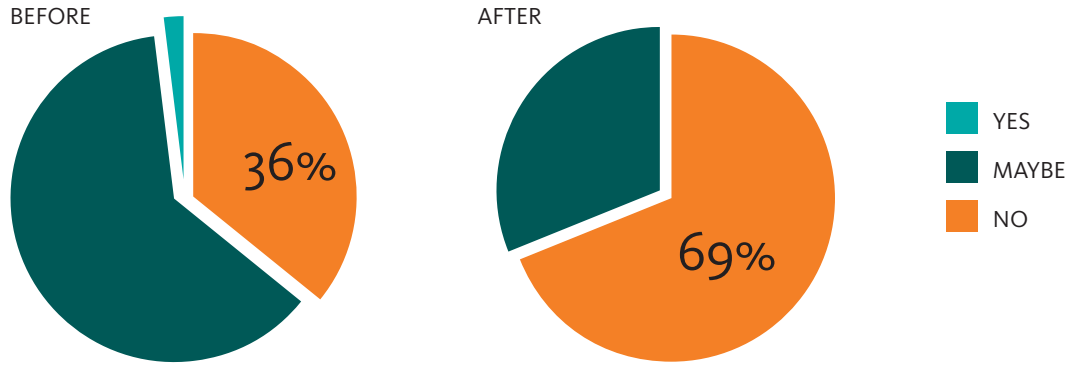
Gambling affects the most vulnerable sections of the population, in both psychological and socio-economic terms. Gambling is a social phenomenon that has simultaneous negative repercussions on the financial, social, relational and human capital of the country. For this reason BPER Banca decided to develop a project to raise awareness and inform about the risks of gambling, which was designed for the city of Milan and especially for the secondary schools.

The results of the exhibition were gratifying: 5,909 visitors, including 4,003 middle and high school students, in 247 guided tours.

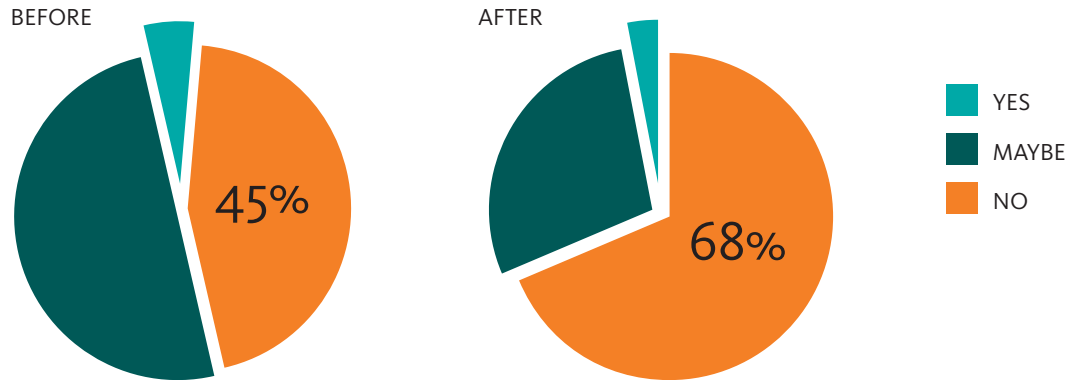
Moreover, thanks to its ethical and social value, this exhibition was sponsored by the Municipality of Milan and the Lombardy Region and saw the collaboration of FEDUF and the Pandora Onlus Cooperative.

About 10% of the students completed a questionnaire before and after the visit; their replies showed that they had learned one of the most important lessons about gambling, i.e. that in the long run luck and skill do not count for anything, as shown by the extract of the results of the survey which is shown below.

Question: Do you agree with the following statement?
"With gambling you can earn money by playing for a long time"

















Question: Do you agree with the following statement?
"There are slot players who, thanks to the skills developed through experience, know when they should play"







Report on 2017 objectives and identification of 2018-2020 objectives

(G): Group objectives
(B): BPER Banca objectives

Topic	%	Work progress status 2017 objectives	2017-2020 objectives	SDGs
Governance	<ul style="list-style-type: none"> ● ◐ ● ● ● ● ● 	<ol style="list-style-type: none"> 1. To continue with work on the sites identified in the 2015-2017 Business Plan 2. To launch the process of definition of the new Business Plan 3. To update the Risk Appetite Framework with a breakdown of Group companies and implement specific frameworks for operational and reputational risks 4. To draw up the Group's Sustainability Report 5. To report on the sustainability activities according to the SDGs (Sustainable Development Goals) 6. To participate in the Global Compact Network Italia Foundation 	<ol style="list-style-type: none"> 1. To draw up the 2018-2020 Business Plan (G) 2. To update the internal regulation on the protection of personal data (G) 3. To update the internal regulation on environmental issues (G) 4. To update the internal regulation on anti-corruption issues (G) 5. To update the Risk Appetite framework (G) 6. To implement the operational risk management framework (G) 7. To implement the reputational risk management framework (G) 8. To increase the indicators reported in the consolidated Sustainability Report (G) 	
Relations with the Community and Human Rights	<ul style="list-style-type: none"> ◐ ◐ 	<ol style="list-style-type: none"> 1. To implement structured Financial Education projects targeting children aged 0-12 and adults 2. To review the Guidelines on Arms 	<ol style="list-style-type: none"> 1. To update the internal regulation on how to support the Community (G) 2. To launch Crowdfunding projects to support Third Sector organisations (B) 3. To start collaborations with Local Authorities in support of compulsive gambling prevention activities (B) 4. To launch a project for the reporting of social impacts (G) 	   

<h2>Suppliers</h2>	<ul style="list-style-type: none"> 1. To complete a vendor rating model (G) 2. To conduct a feasibility analysis to establish an ethical/ sustainability rating with a view to a reputation rating (G) 		 
<h2>Personnel</h2>	<ul style="list-style-type: none"> 1. To conduct an analysis of the corporate climate 2. To define an internal communication plan on social responsibility issues 3. To introduce the testing of solutions and innovative approaches to work, which encourage a better work-life balance 4. To expand the Welfare Portal 5. To organise social and environmental events for employees 	<ul style="list-style-type: none"> 1. To strengthen internal communication to support improved engagement and business (G) 2. To launch a project for the enhancement of women talent (B) 3. To organise social and environmental initiatives for employees (G) 4. To launch Mobility Management projects and to draft the Home Work Commuting Plan (PSCL) (G) 5. To expand and further structure the testing of solutions and innovative approaches to work, which encourage a better work-life balance (G) 6. To strengthen activities for the development of managerial skills (G) 	   
<h2>Customers</h2>	<ul style="list-style-type: none"> 1. To strengthen and regularly conduct customer listening activities 2. To implement processes, instruments and behavioural models aimed at excellence of services throughout the entire distribution network 3. To review the entire system of identification, management and prevention of inefficiencies 4. To expand and improve the Value Proposition with regard to specific customer targets (e.g., teenagers) 	<ul style="list-style-type: none"> 1. To strengthen the culture of Customer Centricity, by strengthening customer listening and customer satisfaction management systems (G) 2. To strengthen the use of data and insight activities to support a more accurate identification of customer needs, more focused and relevant propositions and the development of new services and products (G) 3. To analyse and renew the proposition to the Small Economic Operators segment (B) 4. To consolidate the building up of direct and remote banking services, towards a comprehensive multi-channel distribution and relational model (G) 	  

	<ul style="list-style-type: none"> ● 5. To further develop the remote channels to facilitate access to banking services ● 6. To expand and improve the proposal of products and services in the credit area for households and small business 	<p>5. To improve the positioning and proposition towards the minors segment, including by activating new communication and engagement channels (B)</p> <p>6. To strengthen the advisory services (Global advisory) to support the complex needs of business and private customers (G)</p> <p>7. To Introduce pre-acceptance credit systems for Private and Small Business customers (G)</p>	 
Investors	<ul style="list-style-type: none"> ● 1. To promote meetings with investors ● 2. To implement new forms of communication 	<p>1. To develop relations with new investors (G)</p> <p>2. Improve web communications (G)</p>	
Environment	<ul style="list-style-type: none"> ● 1. To complete the 70 branches (BEMS) and implement the remote control and energy monitoring system ● 2. To monitor the various types of waste every four months ● 3. To purchase 4 hybrid cars ● 4. To implement energy savings measures in offices and branches ● 5. To increase reporting on environmental impacts 	<p>1. To implement the control and monitoring system (BEMS) on the other 115 branches (B)</p> <p>2. To implement the control and monitoring system (BEMS) on the other 13 executive offices (B)</p> <p>3. To implement energy savings measures in Data Centres (B)</p> <p>4. To implement energy savings measures in offices and branches (B)</p> <p>5. To switch off personal computers, printers, etc. via dedicated application when not in use (B)</p> <p>6. To launch activities for the reduction of paper consumption (B)</p>	 

GRI Content Index

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	ADDITIONAL INFORMATION: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-DMA	Approach for management of aspects relating to human rights	Low risk due to activities being circumscribed to Italy	
G4-HR4	Operations and suppliers for which the right to exercise freedom of association and collective bargaining may be violated and measures undertaken	Low risk due to activities being circumscribed to Italy	
	ADDITIONAL INFORMATION: CHILD LABOUR		
G4-DMA	Approach for management of aspects relating to human rights	Low risk due to activities being circumscribed to Italy	
G4-HR5	Activities or suppliers identified as having significant risk for incidents of child labour	Low risk due to activities being circumscribed to Italy	
	ADDITIONAL INFORMATION: FORCED OR COMPULSORY LABOUR		
G4-DMA	Approach for management of aspects relating to human rights	Low risk due to activities being circumscribed to Italy	
G4-HR6	Operations or suppliers identified as having significant risk for incidents of forced labour	Low risk due to activities being circumscribed to Italy	
	CATEGORY: SOCIETY		
	MATERIAL ASPECT: LOCAL COMMUNITIES		
G4-DMA	Approach for management of aspects regarding society	125-126	
G4-SO2	Operations with a potential or actual negative impact on local communities	126	
	MATERIAL ASPECT: ANTI-CORRUPTION		
G4-DMA	Approach for management of aspects regarding society	36-37	
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	36	
G4-SO5	Confirmed incidents of corruption and actions taken	37	
	MATERIAL ASPECT: PUBLIC POLICY		
G4-DMA	Approach for management of aspects regarding society	101	
G4-SO6	Total value of political contributions by country and recipient/beneficiary	101	
	MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOUR		
G4-DMA	Approach for management of aspects regarding society	36-38	
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	37	
	MATERIAL ASPECT: SOCIAL COMPLIANCE		
G4-DMA	Approach for management of aspects regarding society	36-37; 41	
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	41; 66	
	MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY		
G4-DMA	Approach for management of aspects regarding society	126	
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	126	
	SPECIFIC DISCLOSURES FOR THE FINANCIAL SECTOR		
	PRODUCT PORTFOLIO		
G4-DMA	Management approach for generic aspects	30-33; 55-57; 65-67; 69-70; 94-96; 125-126	
FS6	Percent of product portfolio for the various business lines, subdivided by geographical distribution, size and customer sector	57-60	
FS7	Monetary value of products and services designed to provide a social benefit	71	
FS8	Monetary value of products and services designed to provide an environmental benefit	72	
FS14	Initiatives to improve access to financial services for disadvantaged individuals	70-71	
	CATEGORY: PRODUCT RESPONSIBILITY		
	MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING		

G4-DMA (former FS15 and former FS16)	Approach for management of aspects regarding the products and services offered	55-57; 69-71; 130-133	
G4-PR3	Types of product and service information required by the company's information and labelling procedure and percentage of significant product and service categories subject to said requirements	100% of the banking and financial products are subject to stringent disclosure rules defined by the various supervisory authorities and faithfully respected by the BPER Group.	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	65-66	
G4-PR5	Results of customer satisfaction survey	61-63	
	MATERIAL ASPECT: MARKETING COMMUNICATION		
G4-DMA	Approach for management of aspects regarding society	65-66	
G4-PR6	Sale of banned or disputed products	66	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	65-67	
	MATERIAL ASPECT: CUSTOMER PRIVACY		
G4-DMA	Approach for management of aspects regarding society	65-66	
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	64	
	MATERIAL ASPECT: PRODUCT AND SERVICE COMPLIANCE		
G4-DMA	Approach for management of aspects regarding society	65-67	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	67	

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

**To the Board of Directors of
BPER Banca S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter the "Decree") and to article 5 of the CONSOB Regulation n. 20267, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of BPER Banca S.p.A. and its subsidiaries (hereinafter the "BPER Banca Group" or the "Group") as of December 31, 2017 prepared on the basis of article 4 of the Decree, and approved by the Board of Directors on March 8, 2018 (hereinafter the "NFS").

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

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

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

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

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

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

Auditor's Independence and quality control

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

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI G4 Guidelines. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

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

Specifically we carried out the following procedures:

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

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

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

In particular, we carried out interviews and discussions with the management of BPER Banca S.p.A. and with the employees of BPER Services s.cons.p.a., Banco di Sardegna S.p.A., Banca di Sassari S.p.A., Cassa di Risparmio di Saluzzo S.p.A., Cassa di Risparmio di Bra S.p.A., Modena Terminal S.r.l. and Sardaleasing S.p.A. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

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

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following companies, BPER Banca S.p.A., BPER Services s.cons.p.a., Banco di Sardegna S.p.A., Banca di Sassari S.p.A., Cassa di Risparmio di Saluzzo S.p.A., Cassa di Risparmio di Bra S.p.A., Modena Terminal S.r.l. and Sardaleasing S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the BPER Banca Group as of December 31, 2017 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI G4 Guidelines.

Other Matter

With reference to the year ended December 31, 2016, BPER Banca S.p.A. prepared a Sustainability Report on an individual basis that has been voluntarily subject to a limited assurance engagement in accordance with *ISAE 3000 Revised* by another auditor that, on March 24, 2017 expressed an unmodified conclusion.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Benini
Partner

Bologna, Italy
March 23, 2018

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

For information

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The **Consolidated Non-Financial Statement** is available on
the website **www.gruppobper.it**



We would like to thank our colleagues
who contributed to this Sustainability Report,
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Graphics and layout: mediamo.net

