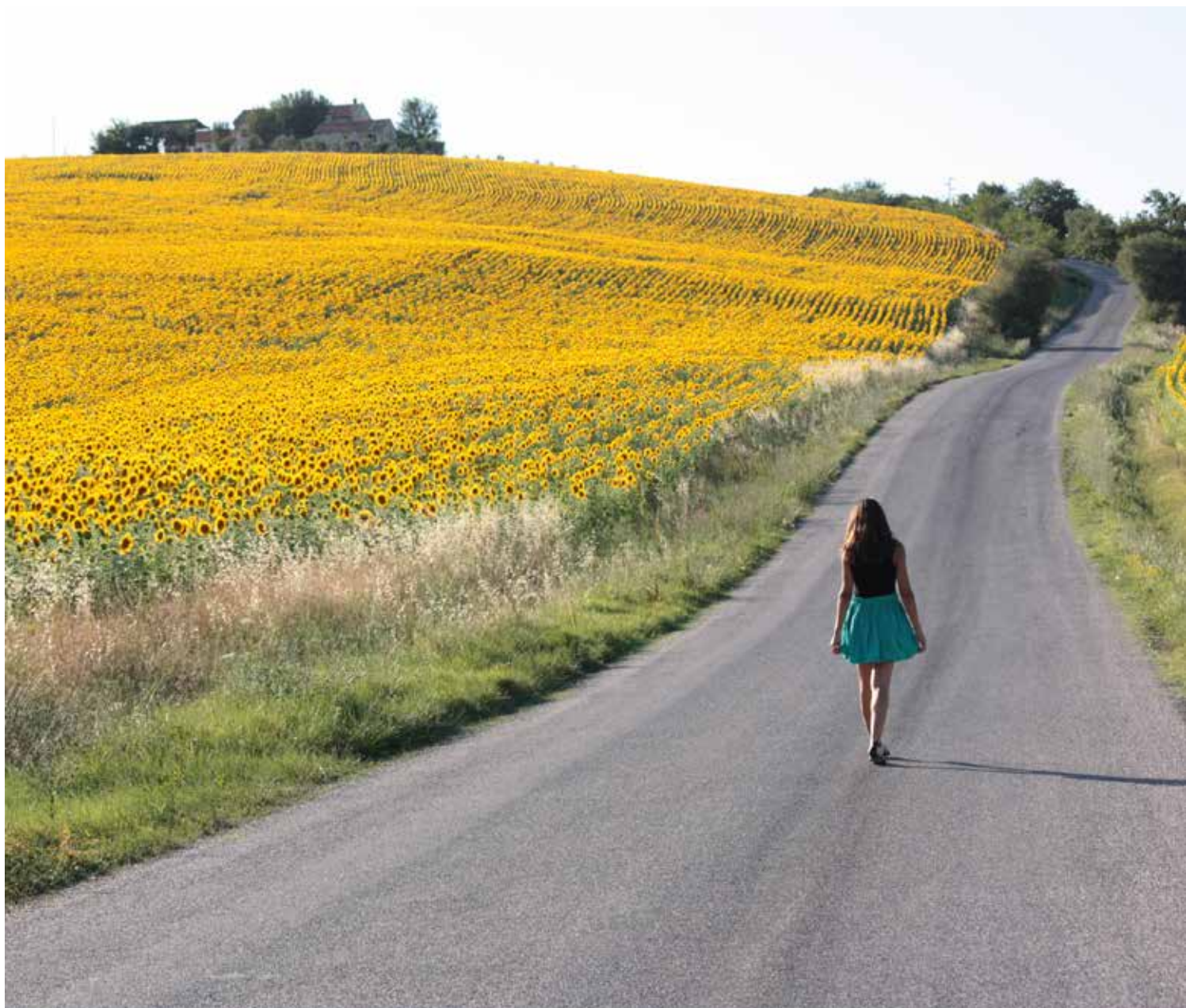


Consolidated non-financial statement

drawn up pursuant to Italian Legislative Decree 254/2016

2018 Sustainability Report



The present document is the English translation of the Italian Consolidated Non-Financial Statement, prepared for and used in Italy, and has been translated only for the convenience of international readers. The Consolidated Non-Financial Statement was prepared in accordance with articles 3 and 4 of the Italian Legislative Decree no. 254 of December 30, 2016 (Decree) and the “Global Reporting Initiative Sustainability Reporting Standards” established in 2016 by GRI – Global Reporting Initiative (GRI Standards).

Therefore it is not intended to present the non financial information according to regulatory framework and principles other than the Decree and GRI Standards.

Some of the pictures in this document are photographs received from the teenagers who took part in the photography contests organised for them in 2018 by BPER Banca:

- photography contest #VERSOSCUOLA Teen! Space (1st edition)
- 2018 photography award “CAMMINI: EMOZIONI E PERCORSI” (9th edition) organised in collaboration with QN-Quotidiano Nazionale.

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Modena, 12 giugno 2019

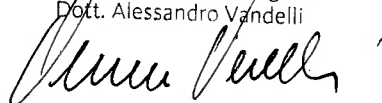
Si invia in allegato la Dichiarazione consolidata di carattere non finanziario di BPER Banca S.p.A. (la "Banca") relativa all'esercizio chiuso al 31.12.2018, tradotta in lingua inglese allo scopo di facilitare i lettori internazionali nella comprensione del documento stesso.

Vi confermiamo che la versione inglese della suddetta Dichiarazione consolidata di carattere non finanziario, allegata alla presente lettera, è la sua fedele traduzione e che i dati e le informazioni in essa contenuti corrispondono a quelli della Dichiarazione in italiano oggetto della Vostra attività di revisione limitata ("limited assurance engagement" secondo i criteri indicati dal principio ISAE 3000 Revised).

La fedeltà della traduzione e la corrispondenza dei dati e delle informazioni contenuti nell'allegata Dichiarazione consolidata di carattere non finanziario costituiscono nostra esclusiva responsabilità.

Cordiali saluti.

BPER Banca S.p.A.
L'Amministratore Delegato
Dott. Alessandro Vandelli



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Letter to stakeholders



2018 was a very busy and highly satisfactory year, in which two key words guided our daily activities: roots and future. Our roots recall the ever-present values of a journey that began over 150 years ago, while our future is entrusted to the great work carried out with commitment by all those who work in the BPER Group. Thanks to them, the year ended with the highest ever profit.

The notable results achieved in terms of profitability, financial strength and credit quality allow us to look confidently towards the upcoming challenges to be addressed for our growth and sustainable development. With this in mind, one of our primary goals is to seize every single opportunity for the creation of value for all our stakeholders. A concrete example? This year, the wealth generated by the BPER Group increased by over 30%, reaching almost Euro two billion, 75% of which was redistributed in various forms to the community.

The past year was intense also for other reasons: important extraordinary operations were prepared during this period and then defined in the first months of the current year; the new BPER 2021 Business Plan was also prepared, which for the first time, in addition to economic objectives, also includes some of the Group's sustainability projects. Their development represents an economic and social challenge which can only be won with a persevering and dynamic attitude and by setting tangible and measurable goals.

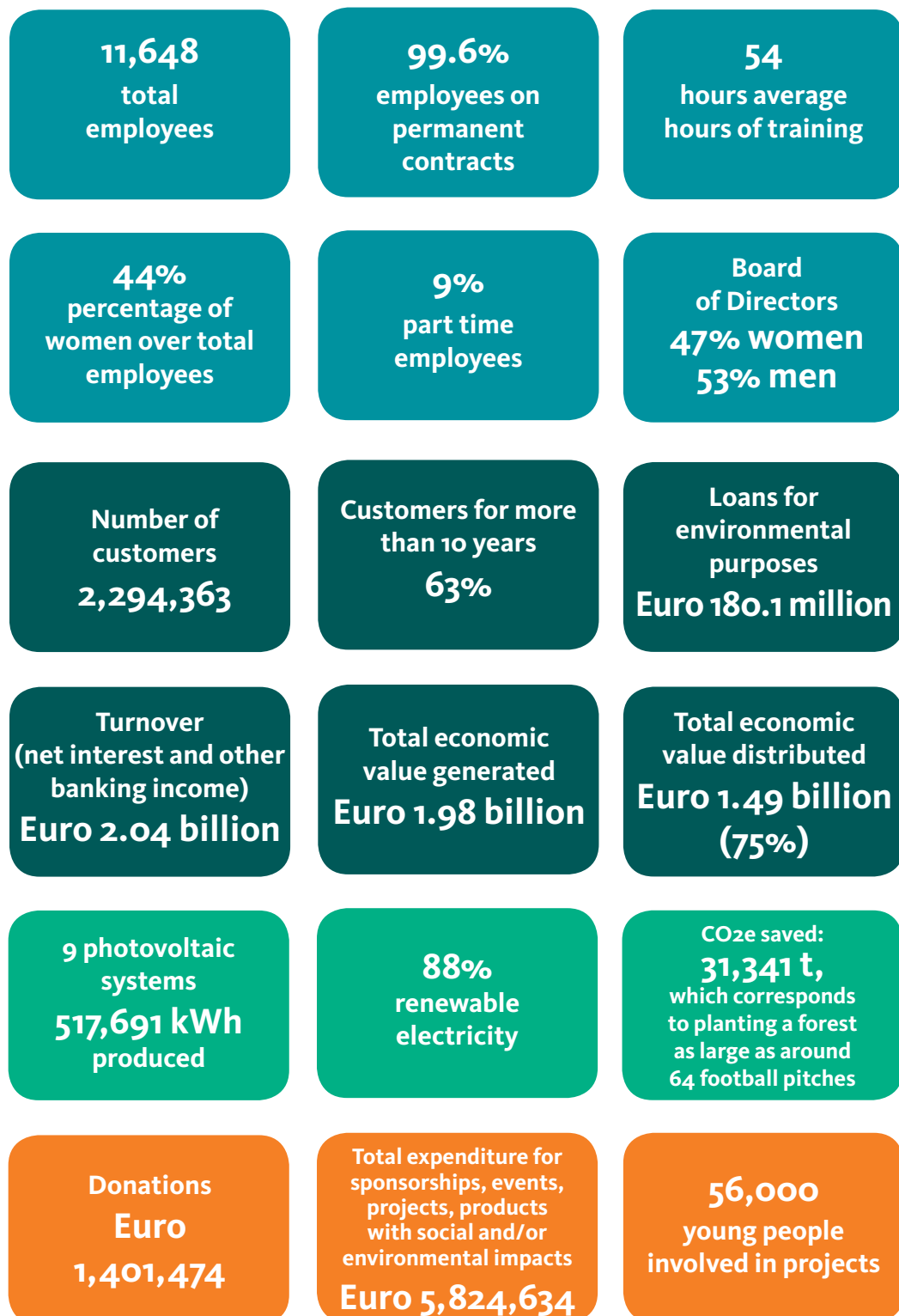
The projects in this important field are described in the Report, accompanied by reporting on the goals we set ourselves in the past and by the sharing of future ones. This is the right way to work in our opinion: taking small steps but with great determination, fully aware that we have embarked on a path along which we are not walking alone.

The following pages also describe what we have done to ensure equal opportunity in the company, to improve the quality of work and life of our colleagues and to promote sustainable mobility and energy efficiency. An account is also given of the intense collaboration with schools, universities and other institutions. This takes us back to the future: the attention of our Group to the local area, which is implemented by supporting projects and initiatives worthy of merit in various social areas, is increasingly focused on young people. It is no coincidence that the Sustainability Report contains photos received from teenagers who took part in photography contests organised or supported by us: a powerful tool for spreading educational and cultural growth projects throughout the country.

The future of young people, after all, also encloses our future. Happy reading.

Alessandro Vandelli
Chief Executive Officer

Highlights



Methodological note

This document constitutes the second consolidated Non-Financial Statement (hereinafter also “Sustainability Report”) of the BPER Banca Group (hereinafter also “Group” or “BPER Group”) with regard to the year 2018.

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 2018 (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 2018 Sustainability Report was drawn up in compliance with the “Global Reporting Initiative Sustainability Reporting Standards” comprising the “Financial Services Sector Disclosures”, defined in 2016 and in 2013, respectively, by the GRI - Global Reporting Initiative, according to the “In accordance - Core” option.

In drawing up the document, 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 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 coincides with area of consolidation in 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.

In 2018, there were no significant changes to the Group’s size, scope of consolidation, organisational structure, ownership structure and supply chain.

To enable the comparability of data over time, the comparison with data relating to 2016 and 2017 was introduced. The restatement of previously published comparative data are indicated as such. It is pointed out that the data and information relating to Nuova Carife, acquired on 30 June 2017, are included in the environmental and social data of the Group starting from 1 July 2017. Any exceptions are appropriately indicated in the text. 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 Banca.

This report was submitted to the Control and Risk Committee on 4 March 2019 and was subsequently approved by the Board of Directors on 5 March 2019.

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 activities of Corporate Social Responsibility, particular attention is paid to aspects regarding operational risk and reputational risk 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 continued its path of continuous improvement undertaken last year 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.

Specifically:

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 leading subsidiaries². It should also be noted that the Group has prepared a “Group Policy on the Governance of the Risk of non-compliance with anti-corruption legislation”, which identifies principles and rules for identifying and preventing potential corruption, while safeguarding the Group’s integrity and reputation. At the same time, this policy provides general information about the measures that each Group company must take to identify, mitigate and manage these risks. The Policy was approved by the BoD on 20 December 2018.

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.

The BPER Banca Group has defined a specific project (which is included in the 2019-2021 Business Plan) called "A Pari Merito" with the aim of increasing the share of female managers. 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 Banca) and Modena Terminal S.r.l. possess UNI EN ISO 9001:2015 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 “ethical and sustainable portfolio development” issue is governed through the Group Guidelines for regulation of the relationships of the BPER Banca Group with Defence operators and Weapons manufacturers and initiatives for fighting pathological gambling. Also note that the Group has set up a “Group policy for governing the risk of non-compliance with personal data protection legislation”, with a view to providing common guidelines at the Group level, consistently with the Group’s principles and values. This Policy was approved by the BoD on 20 December 2018.

Human Rights

Note that this item is already covered in the Code of Ethics, within the scope of the Organisation Model 231/01, and is binding for shareholders, the members of Corporate

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 and BPER Credit Management. Furthermore, it is pointed out that Nadia will adopt an Organisation Model 231/01 in 2019.

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, although the materiality analysis did not identify the issue of human rights as being significant, given BPER Banca Group's operating and regulatory context, during 2018, an internal due diligence was launched on human rights which highlighted general control of the issues examined and adequate commitment to promote behaviour consistently with the Code of Ethics.

Environment

In 2018, 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.

In this respect, the policy "BPER Group commitments towards the environment" was drawn up during the year and approved by the BoD on 17 January 2019.

The policy identifies the environmental commitments aimed at reducing the direct and indirect impacts of the BPER Banca Group, especially with regard to resource savings (in terms of energy consumption and waste) and attention to climate change.

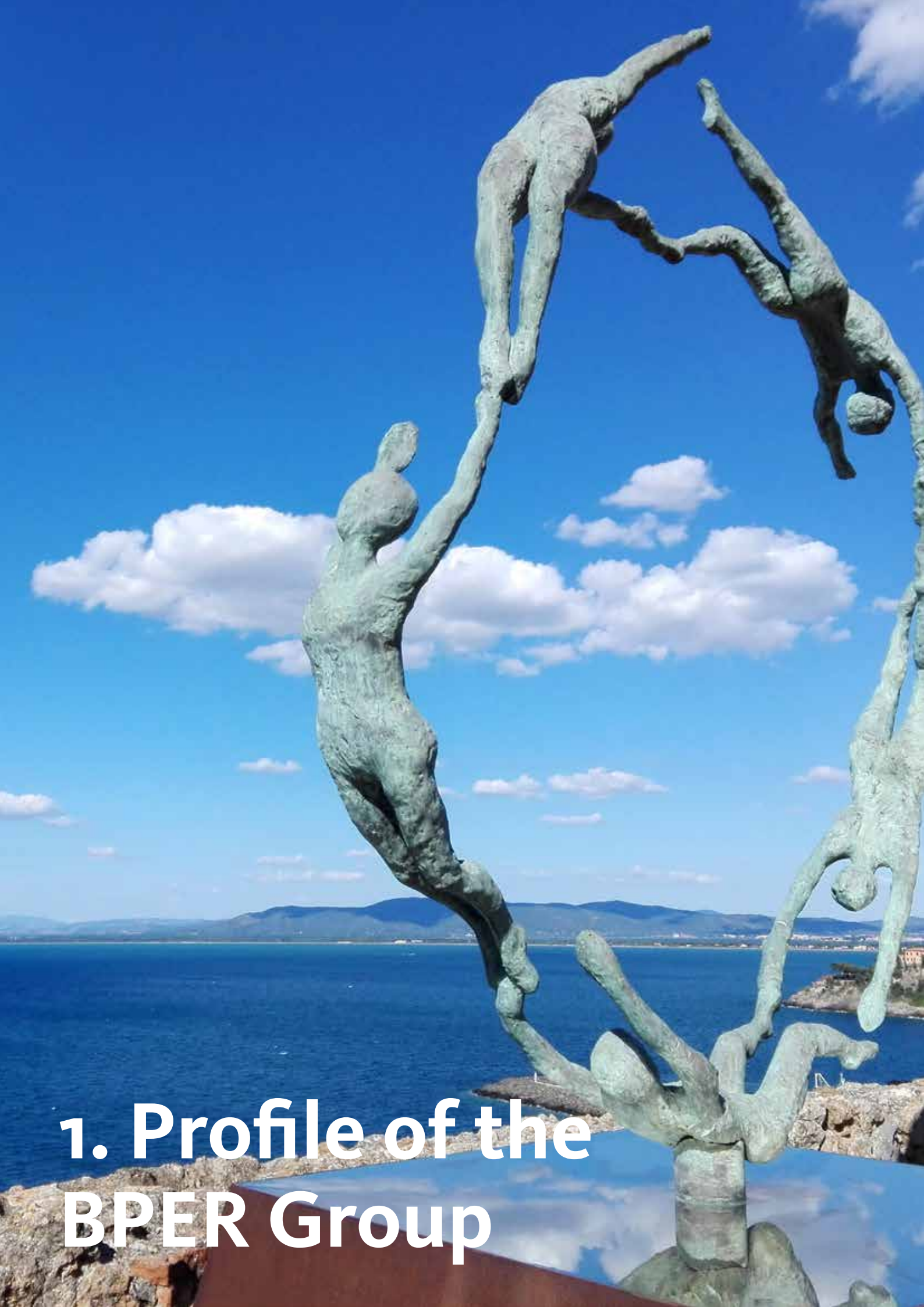
However, water consumption, given the business sector, was not deemed significant for the purposes of ensuring comprehension of the business activities.

The 2018 Sustainability Report is also published on the web site <https://istituzionale.bper.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

“

Since the past, we have always been future-oriented. Our history has always been marked by our commitment to build a solid future.

”

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 Bank of Luxembourg S.A., a clear example of BPER Group's international focus.

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

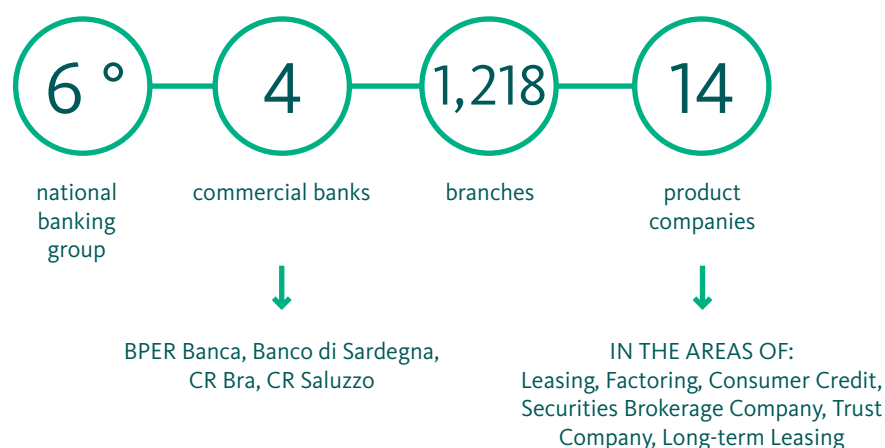
Through a solid partnership network, it is able to provide assistance to its customers in Europe and in the rest of the world.

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.

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 – <https://istituzionale.bper.it>.

OUR GROUP

We offer our services to over **2 million** 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)

The distribution network of BPER Banca (BPER Group's Parent Company) 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 Crotona, which encompasses the Territorial Areas of Sicily, Puglia, Basilicata, Calabria north and Calabria south

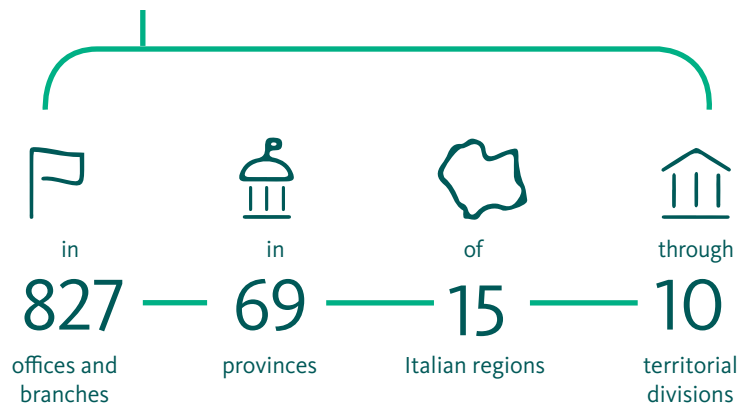
The distribution network of Banco di Sardegna is structured into five Territorial Areas (South, North, West, East and Peninsula).

BPER Banca 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.

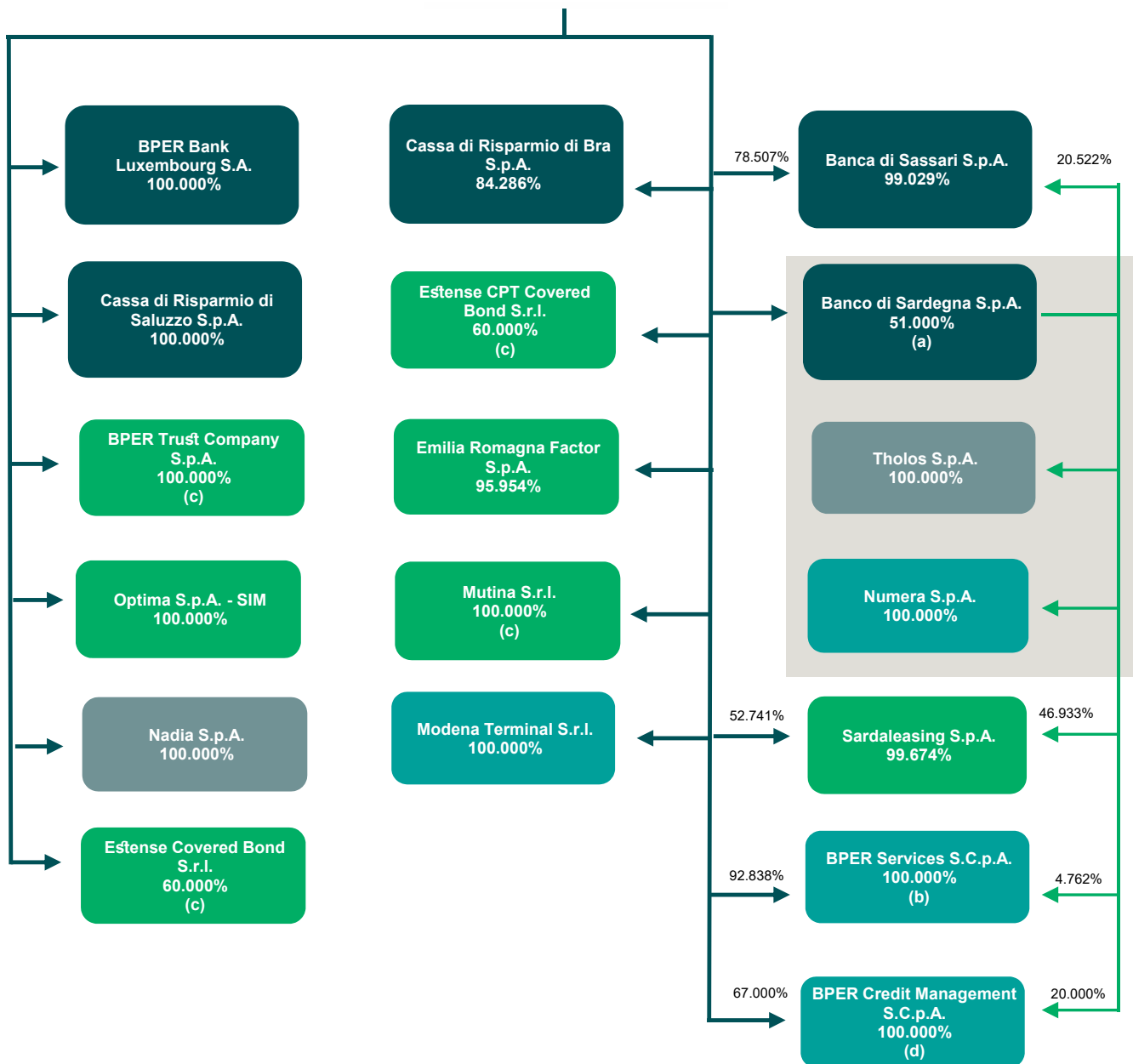
BPER Banca's goal is to respond to the challenges of increasingly competitive markets, combining the solidity of a top national bank with true knowledge of the territories in which customers live and operate. A bank focusing on households and on small to medium-sized companies, in line with its objectives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

THE BPER BANCA NETWORK

Today we welcome our customers



BPER: Banca



a) Corresponding to 50.940% 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, 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%)
- Sifa S.p.A. (51%)
- Banca Farnese S.p.A. in liquidazione (65.13%)

- **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, 336 branches in Sardinia and over 600,000 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 2018 “Value Creator Award” of Milano Finanza Global Awards 2018.

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 2018, it held a portfolio of payment cards of almost 2.2 million units, comprising credit cards (560,000), debit cards (1,200,000) and prepaid cards (400,000). 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

On 7 July 1842, Monte di Pietà - established in 1763 - approved the establishment of 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 S.p.A. (joint-stock company) and Fondazione Cassa di Risparmio di Bra. In 2013, BPER Banca acquired control of Cassa di Risparmio di Bra with a controlling stake of 67.00% of the share capital of Cassa di Risparmio di Bra. The majority shareholder subscribed a share capital increase in 2018, resulting in a controlling stake of 84.29% of the share capital of Cassa di Risparmio di Bra and subsequent reduced stake in Fondazione Cassa di Risparmio di Bra (15.71%). Cassa di Risparmio di Bra S.p.A currently operates through a distribution network of 28 branches located in the provinces of Cuneo, Asti, Alessandria and Turin.

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 and services to companies belonging to the BPER Group: study, design, realisation and development of IT systems and applications, data processing and transmission services, operational support and user assistance (Service Desk) services, and administrative, accounting and back office (Operations) services.

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. A few years from its establishment, the Company has succeeded in achieving ambitious goals in terms of both management and assets.

In the first three years of activity, in fact, the average rate of recovery has increased considerably and, overall, the non-performing portfolio of the Consortium members has decreased by almost Euro 2 billion with the sole activity of internal recovery.

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 a sole shareholder. It 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 31 December 2018, the total portfolios managed, delegated or on own behalf, amounted to around Euro 3.4 billion.

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 courtyard area of over 25,000 sqm, 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, whose two significant areas of expertise are 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.

Nadia and Tholos

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

BPER Bank Luxembourg

BPER Bank Luxembourg S.A. is the Luxembourg subsidiary of the BPER Group. It was established in 1996 and for over 20 years has dealt with the management of Private and Personal customers. It also manages the treasury for private and institutional customers and loans mainly for “Corporate” customers.

The growing importance of Luxembourg as a global financial centre has allowed the BPER Group, which is spread throughout the area, to seize greater opportunities in the collection and management of customer assets - especially private customers, HNWI (High Net Worth Individuals) and UHNWI (Ultra High Net Worth Individuals) - as well as better access to international credit.

The BPER Group can also count on a solid network of partnerships with financial institutions and foreign consulting firms. These relationships provide effective operational support to all companies engaged in internationalisation processes. For information: www.bperestero.it

Local presence

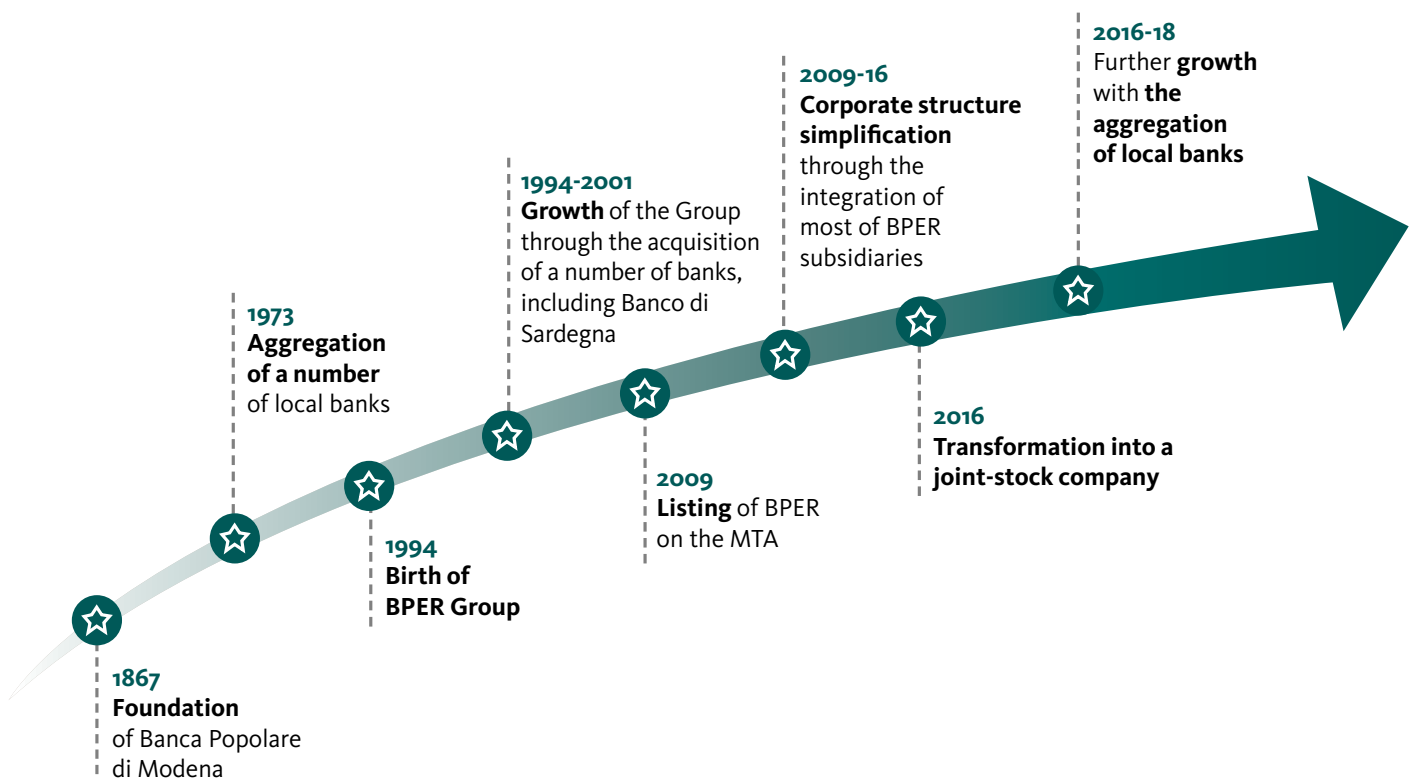


BPER:
Group

1.2 History

BPER Banca celebrated 150 years in 2017. Throughout its history, we can trace a strong connection with the economic and social events of the territory in which we have deep roots. The Bank's founding principles emerge from the documents contained in its archives: solidarity, soundness, prudence and development. 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.

Banca Popolare di Modena celebrated 150 years from its foundation on 12 June 2017. Here are the stages of the path undertaken.



A promise to be kept: Nearby. Beyond expectations.

1867 **BANCA POPOLARE**
DI MODENA

Every change aimed at growth must have deep roots and those of BPER Banca are steeped in over 150 years of history and consolidated values such as soundness, loyalty, responsibility and strong, local roots. From BPER Banca's establishment in 2015 to present day, results did not take a long time in coming.

2015 **BPER:**
Banca

The identity of BPER Banca stems from a variety of local banks and tells the story of a large group, its values and its goals. Our payoff "**Nearby. Beyond expectations.**" is the essence of our identity, and embraces our history and future vision in just a few words.

The core of the BPER Banca experience is dialogue, also represented in the two points in the logo. The two points represent the ability to open a **dialogue**, to exchange ideas with a view to sharing thoughts and projects and creating routes to achieve the desired outcomes. BPER Banca's entire communication is based on this principle: we wish to stand alongside people, providing useful, transparent and open messages.



From the start we have focused on increasing **awareness**, on developing a sense of belonging in employees, on explaining our new positioning to customers, and on digital and social brand storytelling.

This constant commitment in the production and sharing of valuable contents consistent with the brand in 2018 generated over 270 thousand interactions with our Facebook fan base, allowing BPER Banca to become the bank with the greatest number of reactions, comments and shares.

Again within the logic of opening a dialogue between the bank and people, the new **bper.it** website was released in November 2017: fully revamped, it features advanced user experience logics and allows visitors to contact the bank on every page, through forms, chat bots and online chats.

The project **Si può fare insieme**, which reached its second edition in 2018, told the stories of satisfied customers who became the protagonists of short documentaries bearing witness to how their businesses took off and grew thanks to their positive relationship with our bank, based on mutual trust.

Another pillar on which BPER's communication project is based regards **financial education**: providing content related to issues that are part of our DNA and to our areas of expertise is how we tangibly choose to make people more aware of their choices, providing tools that reduce information asymmetries and eliminating knowledge gaps.

Today, almost 4 years after the rebranding, we have reached the important goal we set ourselves of strengthening recognition, but the journey is not over yet because our growth objectives encourage us to continually look beyond expectations.



1.3. Business model and corporate strategy

The 2019-2021 Business Plan is based on three pillars supported by the same number of cross-cutting levers and actions that respond to the needs of local areas.

BEST WAY - Business Plan 2019 -2021

3 pillars supported by 3 cross-cutting levers

Growth and development of business



Efficiency increase and simplification



De-risking acceleration



Digital transformation of the relationship with customers and of internal processes

People at the heart of future development

BPER as a reference model for the community

Creation of value for stakeholders

The 3 initiatives of the Plan to better respond to the needs of local areas:



BPER Banca for the environment

- Reduction in energy consumption of BPER Banca through efficiency increase and use of renewable energy

★ 10% energy consumption reduction*

- Implementation of an **Environmental Management System****

- Incentives to promote **sustainable mobility** among employees, including:
 - installation of 4 electric vehicle charging stations
 - launch of a car pooling app for employees



BPER Banca for the community

- #LaBancaCheSaLeggere

Promotion of culture and reading as a key to social enrichment

- Meetings with the author at BPER Forum Monzani*** and at other locations

★ +20% yearly increase in events

- "Nati per leggere" ("Born to read"), programme for the promotion of reading for families

★ 10,000 books donated

- Commitment for the **financial education** of young generations

★ 66,000 students involved

- Financial education for children and families with publication of a book on the subject

★ Writing and distribution of 3,000 books



Sustainability in the value chain

- Definition of a sustainability **rating for suppliers**

★ 200 suppliers assessed

- Management of ESG unsolicited **rating for BPER Banca** and request of solicited rating;

- Standard Ethics Rating

★ Goal to reach **EE level within 2021**

- CDP Rating

★ Goal to reach **C- level within 2021**

*Baseline 2016 (see page 121)

** UNI EN ISO 14001:2015 standard (the System will not be certified)

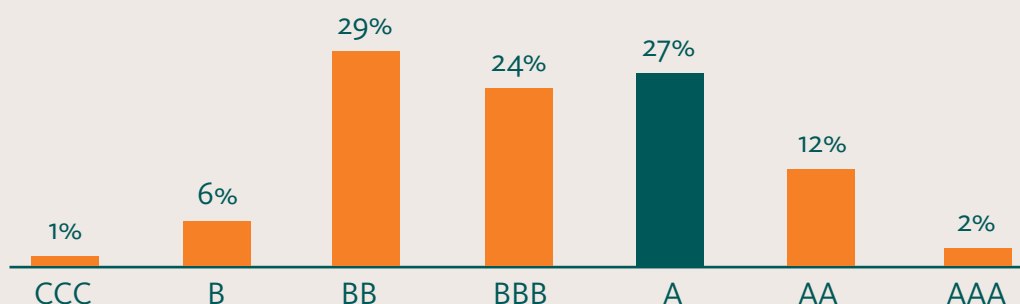
*** Nine years of events - 22 meetings/year - average 700 participants/event. Total: over 138,000 persons attending

ESG Rating



ESG rating (or sustainability rating) is a synthetic evaluation that certifies the soundness of an issuer, a security or a fund in terms of environmental, social and governance performance. As proof of the Group's commitment and ongoing improvement in this area, it should be noted that in 2018 the rating assigned by MSCI ESG Rating to BPER Banca rose from «BBB» to «A».



INDUSTRY RATING DISTRIBUTION 2018



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 the society, from businesses to Third Sector organisations, universities and operators in the world of communications and culture. 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 - in line with the indications of the Business Plan 2019-2021 - 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 in the following pages, through a number of examples in relation to the activities implemented.

Reference SDGs	Main actions
	<p>Goal 1: “Development of products that allow greater accessibility in terms of financial inclusion, including microcredit initiatives”.</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. <p>Among the main initiatives supporting Goal 1, of note are: Agreement with the National Agency for Microcredit, Referral and Collaboration Agreement with PerMicro Spa, Resto al Sud, products/services with social purposes (greater details at pages 74; 78).</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 pages 133; 134).</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 “A pari merito”, the Welfare Plan and BPER Banca’s participation in “Valore D” (additional details from page 99) show how the Group has undertaken a virtuous path.</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 and independently generating clean energy through photovoltaic plants (additional details on page 120), 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 from page 82 onwards).</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 71-89; 91-111; 114-120).



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 75) and loans aimed at encouraging energy efficiency (details from page 81 onwards).



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 102; 117, 130-132).



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 113-126) and loans dedicated to the Green Economy (additional details from page 81 onwards). Example of the initiatives organised: Prestito Valore Casa, Energy Plan, dematerialisation projects, electric mobility support.



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

- Target 16.5: to 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 through instruments such as the Code of Ethics, OMM, Whistleblowing, Internal Code of Conduct (additional details on page 36).

1.4 Mission and values

“

*Not all banks are the same
and the BPER Group strives to demonstrate this every day.*

”

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 160 countries around the world participate in Global Compact. For information:

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

The 10 principles	Performance indicators	GRI Standards
Human Rights	Principle 1 - Companies are required to promote and respect universally recognised human rights within their respective spheres of influence	413-2 (Local communities)
	Principle 2 - Companies are required to ensure that they are not accomplices in the abuse of human right, even indirectly	Human Rights: 408-1 (Child labour) Human Rights: 409-1 (Forced or compulsory labour)
Labour	Principle 3 - Companies are required to support freedom of association by employees and recognise the right to collective bargaining	Stakeholder engagement: 102-41 (Employees covered by collective bargaining agreements) Human Rights: 407-1 (Freedom of association and collective bargaining) Trade union relations: 402-1
	Principle 4 - Companies are required to eliminate all forms of forced and compulsory labour	Human Rights: 409-1 (Forced or compulsory labour)
	Principle 5 - Companies are required to effectively eliminate child labour	Human Rights: 408-1 (Child labour)
	Principle 6 - Companies are required to eliminate all forms of discrimination with regard to employment and occupation	Organisational profile: 102-8 (Information on employees and other workers) Employment: 401-1, 401-3 Training and education: 404-1, 404-3; Diversity and equal opportunity: 405-1, 405-2
Environment	Principle 7 - Companies are required to take a precautionary approach with respect to environmental challenges	Economic: 201-2 (Economic performance) Environment: 301-1 (Materials); 302-1 (Energy); 305-1, 305-2 (Emissions)
	Principle 8 - Companies are required to undertake initiatives that promote greater environmental responsibility	Environment: 301-1, 301-2 (Materials); 302-1, 302-3, 302-4 (Energy); 305-1, 305-2, 305-4, 305-5 (Emissions); 307-1 (Environmental compliance)
	Principle 9 - Companies are required to encourage the development and diffusion of environmentally friendly technologies	Environment: 302-4 (Energy); 305-5 (Emissions)
Fight against corruption	Principle 10 - Companies are committed to fighting all forms of corruption, including extortion and bribery	Ethics and Integrity: 102-16, 102-17, Society: 205-1, 205-3 (Anti-corruption); 415-1 (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.

The 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.

It should be noted that during the Shareholders' Meeting of 14 April 2018, the Board of Directors and the Board of Statutory Auditors were appointed, both for the three-year period 2018-2020.

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 <https://istituzionale.BPER.it/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, 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.

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

Diversity within the corporate bodies

Bank of Italy's Supervisory Provisions on corporate governance (Circular no. 285 of 17 December 2013, Part One, Title IV, Chapter 1) provide that the composition of corporate bodies must reflect adequate gender diversification.

In particular, large or operationally complex banks must identify the minimum number of members belonging to the less represented gender in the composition of the board of directors and must indicate the methods and time required for such composition.

The minimum number of members of the administration and control bodies of listed companies who must belong to the less represented gender is determined by applicable legislation and by the Articles of Association.

Law no. 120/2011 ("Golfo-Mosca"), which amended Article 147-ter, paragraph 1-ter, of the Consolidated Finance Act, introduced 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.

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.

It should be noted that, in 2020, the Mosca law will no longer be effective since envisaging an "expiry period" (three mandates from entry into force). In order to safeguard the positive effects resulting from application of this law even when it will no longer be effective, the Self-Governance Code of Listed Companies has been supplemented with a recommendation aimed at applying diversity criteria, also related to gender, for the composition of both the Board of Directors and the Board of Statutory Auditors, thus continuing the effects of the Golfo-Mosca Law on a voluntary basis.

In this regard, by adhering to the above Code, BPER Banca is committed to promoting all measures for ensuring the appropriate presence of the less represented gender within the Group's corporate bodies. Among these, of note is the recent adoption - pursuant to the Law and the Articles of Association, and in compliance with the guidance and guidelines expressed by the aforementioned national and international Supervisory Bodies and Authorities - of an internal regulatory document that lays down general guidelines regarding the composition of the corporate bodies of subsidiaries, promoting the culture of inclusion, as well as enhancing the various contributions that may arise from the combination of gender.

The presence of female members in the new Board of Directors sharply increased, rising from 33% in 2017 to 47% in 2018.

Board of Directors



WOMEN
47%



MEN
53%

Composition of the Board of Directors

	31/12/2016		31/12/2017		31/12/2018	
	no.	%	no.	%	no.	%
High school diploma	2	12%	2	13%	0	0%
University degree	15	88%	13	87%	15	100%
<30	0	0%	0	0%	0	0%
30-50	3	18%	2	13%	1	7%
>50	14	82%	13	87%	14	93%

Composition of Board Committees as at 31/12/2018

	Independent Directors (TUF)	Executive Directors	Participation in Committees	Gender	Age
Pietro Ferrari ⁶				M	63
Giuseppe Capponcelli	x		-	M	61
Alessandro Vandelli ⁷		x	Executive Committee	M	59
Riccardo Barbieri		x	Executive Committee	M	54
Massimo Belcredi	x		Appointments Committee	M	56
Mara Bernardini	x		Appointments Committee, Remuneration Committee	F	61
Luciano Filippo Camagni		x	Executive Committee	M	63
Alessandro Robin Foti	x		Control and Risk Committee	M	55
Elisabetta Gualandri	x		Control and Risk Committee, Committee for Independent Directors, Remuneration Committee	F	63
Roberta Marracino	x		Appointments Committee, Remuneration Committee	F	51
Ornella Rita Lucia Moro	x		Control and Risk Committee	F	57
Mario Noera		x	Executive Committee	M	66
Marisa Pappalardo	x		Committee for Independent Directors	F	58
Rossella Schiavini		x	Executive Committee	F	52
Valeria Venturelli	x		Committee for Independent Directors, Control and Risk Committee	F	49

Composition of Executive Committee*

	31/12/2016		31/12/2017		31/12/2018	
	no.	%	no.	%	no.	%
Males	4	100%	5	100%	4	80%
Females	0	0%	0	0%	1	20%
High school diploma	2	50%	2	40%	0	0%
University degree	2	50%	3	60%	5	100%
<30	0	0%	0	0%	0	0%
30-50	0	0%	0	0%	0	0%
>50	4	100%	5	100%	5	100%

*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).

⁶ In accordance with the respective Rules of Operation, the Chairman of the Board of Directors takes part, without the right to vote, in the meetings of the Executive Committee, Appointments Committee and Remuneration Committee. Again without the right to vote, the Chairman of the Board of Directors may also take part in the meetings of the Control and Risk Committee.

⁷ In accordance with the respective Rules of Operation, the CEO takes part, without the right to vote, in the meetings of the Appointments Committee, Remuneration Committee and Control and Risk Committee.

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 Cost Governance Office, 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 and control of the management of direct and indirect environmental impact
- 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, Sodalitas, Association of Modena-based Companies for CSR, Impronta Etica, Service Centre for Volunteers, 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.

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.

In order to ensure effective and pervasive communication of the risk objectives, the Group expresses its overall risk appetite by setting the management limits that govern the operations of the assigned organisational structures, in a structured framework consistent with its governance and single risk control policies.

Lastly, the Group periodically monitors the RAF metrics in order to promptly check that no tolerance thresholds identified and/or assigned risk limits have been exceeded. This is promptly reported to the Corporate Bodies, which also receive reports on the return actions as provided for by internal rules (Policy/Regulations).

The RAF is 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. It is also an enabling instrument for:

- strengthening the ability to govern corporate risks by facilitating the development and diffusion of an integrated risk culture
- ensuring the alignment between strategic guidelines and risk levels that may be assumed by formalising consistent goals and limits
- developing a rapid and effective monitoring and communication system for the risk profile assumed.

As regards the goals connected to the 2018 Report, it should be noted that

- mapping of the risks that BPER Banca and the entire Group are exposed to was regularly updated
- the Risk Appetite Framework was updated consistently with the Surveillance requests
- prior assessments on the most significant Transactions were performed
- the operational risk framework was regularly implemented by performing the Risk Self Assessment and Loss Data Collection processes (which included developments in terms of methods and tools)
- reputational risk framework activities were carried out. In detail, specific reputational risk self assessments were performed which, together with the results of the reputational data collection activities, made it possible to identify the areas most exposed to this risk and so steer relevant monitoring activities.

Furthermore, the Group took part in the project developed by ABI, which also included an in-depth analysis of the approach adopted by banking and non-banking sector players in order to manage ESG risks and so support possible areas for improving the reporting process.

During this activity, the External Relations and CSR Activities Office and the Risk Management Function took part in a structured exchange of views with relevant contact persons to better understand the organisational approach adopted by the companies and to effectively manage ESG risks and analyse them.

A parallel activity was then undertaken that allowed ESG risk factors to be examined within the scope of reputational risk analysis.

ESG risk factors table

Topic Italian Legislative Decree 254/2016	ESG risk factors	Description of ESG risk suffered	Controls/mitigating actions
Environmental	Energy efficiency (renewable and non-renewable sources)	Risk of being affected by impacts on profits linked to the use of non-renewable natural resources, energy inefficiency and failure to recycle (higher costs)	Policy: BPER Group commitments towards the environment (page 114); Projects included in the 2019-2021 Business Plan (BPER Banca for the environment; page 20)
Environmental	Climate change (natural disasters, weather events)	Risk of suffering losses due to reduced operational continuity resulting from natural disasters (e.g. floods, heavy snowfalls, extreme temperature changes)	Business Continuity Plan (page 32)
Social	Funding of activities with social criticalities	Credit risk resulting from the failure to evaluate significant social aspects for the sector of belonging of the counterparty when assessing creditworthiness	Agreements with the National Microcredit Agency and with Per Micro (page 74)
Social	IT risk	Risk of suffering losses due to the vulnerability of operational management processes and business continuity deriving from ICT tools and infrastructures, and of the IT system architecture, both for use by the company and used by customers	IT safety Group policy and relevant procedures (page 68)
Social	Risk of failure to protect personal data and privacy	Risk of suffering losses resulting from failure to comply with data privacy regulations	Group policy for governing the risk of non-compliance with personal data protection legislation and relevant procedures (page 69)
Personnel	Risk related to occupational health and safety	Risk of suffering losses due to accidents/legal actions as a result of accidents at work in relation to the activities carried out, to work places and to the work equipment used	Group Policy for governing the risk of non-compliance with occupational health and safety regulations and relevant procedures (page 103)
Personnel	Risk of losing the wealth of knowledge and experience	Risk of reduced profits due to inadequate professional profiles and loss of key resources, especially those considered to be most distinctive and critical for business development	Group Guidelines for the management of Human Resources and relevant procedures (pages 91, 94)
Personnel	Risk of equal opportunity violation	Risk of suffering losses resulting from the violation of equal opportunity regulations	Group Guidelines for the management of Human Resources and relevant procedures; Projects included in Business Plan 19-21 (pages 91, 93, 99)

Personnel	Risk of conflict among social parties	Risk of suffering losses resulting from the violation of trade union regulations	Group Guidelines for the management of Human Resources and relevant procedures (pages 91, 103)
Human Rights	Risk of violating human rights	Risk of losses due to sanctions and/or legal disputes resulting from discriminatory statements or behaviour towards a company party	Code of Ethics; Group Guidelines for the management of Human Resources (pages 38, 41, 91, 106)
Human Rights	Risks deriving from inappropriate operations in supplier companies with regard to the respect for human rights	Risk of losses due to sanctions and/or legal disputes resulting from inappropriate operations in supplier companies with regard to the respect for human rights	Group regulations for the purchasing process and payables cycle, and relevant procedures; Projects included in the Business Plan Sustainability in the value chain (pages 20, 43)
Corruption	Changes, infringement of law and compliance risk	Risk of losses due to sanctions and/or legal disputes resulting from non-compliance with procedures regarding anti-corruption, crime prevention pursuant to Italian Legislative Decree 231/01, money laundering, market abuse, and conflicts of interest in performing banking and intermediation activities	Group Policy governing the risk of non-compliance with anti-corruption law (page 36)
Corruption	Risk of money laundering, fraud and/or terrorism financing	Risks of losses due to sanctions and/or legal disputes arising from activities that may potentially occur in the form of an offence, direct and indirect support for money laundering, fraud and terrorism financing	Regulations of the Business Unit in charge of overseeing the specific anti-money laundering rules of Group Companies based in Italy (page 41)
Corruption	Failure to train personnel	Risk of losses due to sanctions and/or legal disputes resulting from the failure to train and inform personnel and contractors on the performance of the company's business with regard to compliance with anti-corruption legislation	Group Policy governing the risk of non-compliance with anti-corruption law (page 36)

The 2019 goal of updating the risk map and the risk appetite framework according to the indications of the Corporate Bodies and the Supervisory Body is confirmed. Activities related to operational and reputational risk frameworks will continue, in addition to activities related to most significant Transactions.

For a more detailed analysis of risk management and Business Continuity, see the section of the Consolidated Financial Statements entitled “Main risks and uncertainties”, available at <https://istituzionale.bper.it> in the “Investor Relations” section.

Identification of risks

With regard to the activities of Corporate Social Responsibility, particular attention is paid to aspects regarding operational risk and reputational risk 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.

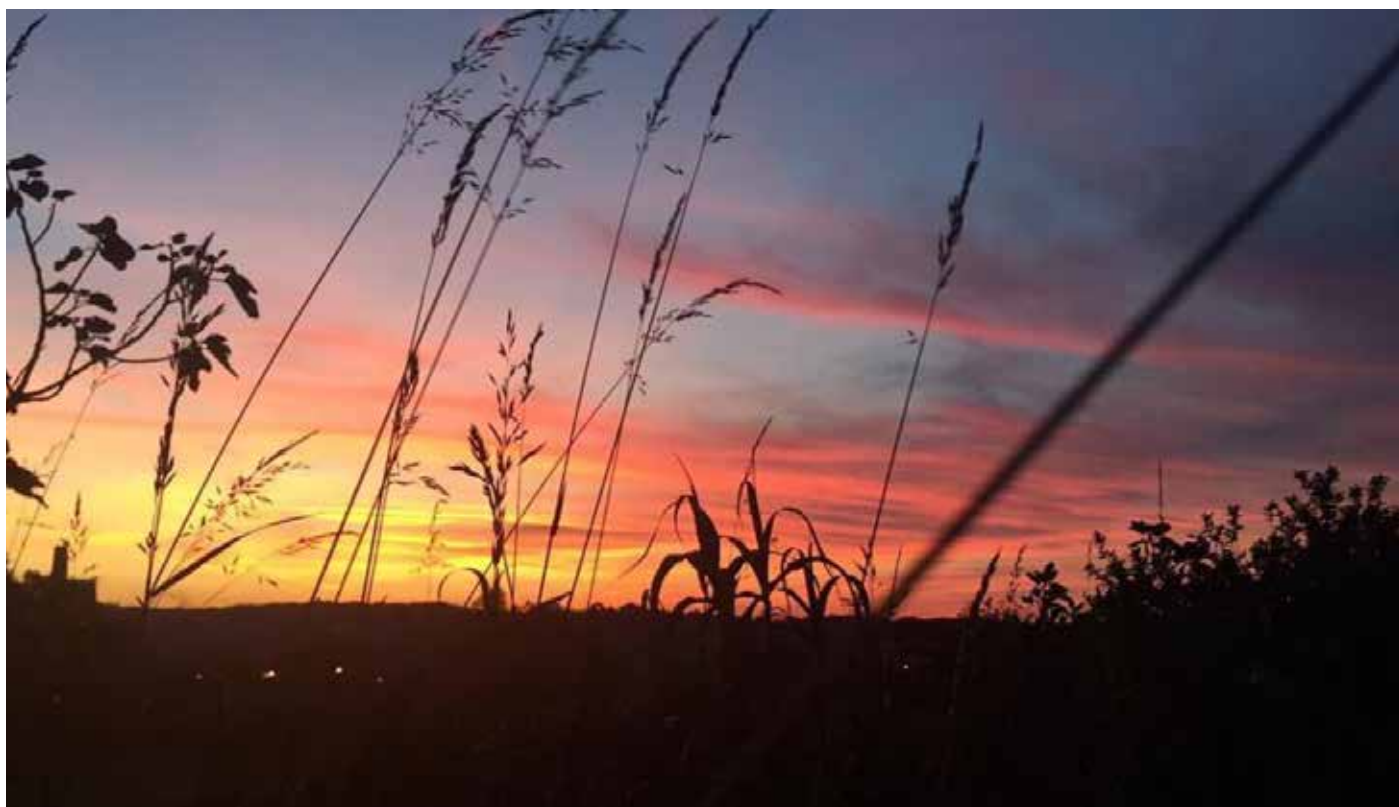
The BPER Group pays particular attention to identifying significant business risks, both current and future. The Prudential Supervisory Regulations, issued with the Bank of Italy Circular no. 285 of 2013, provides that banks independently and accurately identify the first and second pillar risks to which they are or could be exposed, taking into account their operations and reference markets. This activity is the result of an integrated and ongoing recognition process carried out at centralised level by the Parent Company, which also envisages (if deemed necessary in relation to any developments and/or changes in the business model) the involvement of the individual legal entities included in the Group's scope of consolidation, in order to enhance its role in relation to individual and specific operational features. In this regard, the Risk Map is viewed as having management and risk governance purposes, making it the cornerstone of the Internal Control System.

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 the Parent Company defines, through a specific "governance policy", the risk objectives, the relative exposure and operating limits and the "process for adoption and management of risk".

Operational risk

With regard to the activities of Corporate Social Responsibility, particular attention is paid to aspects regarding operational risk and reputational risk. The BPER Group applies 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 governed in a lower-level regulation. The management framework is based on the following assumptions:

- operational risks are identified, reported and notified to Top Management
- risk is assessed by determining its impact on business processes also from a financial viewpoint; periodic monitoring of operational risks and exposure to significant losses is ensured
- adoption of appropriate management actions for risk mitigation
- definition of operational and management reporting aimed at reporting the outcome of activities both to Corporate Bodies and to various operational structures.

This framework results in loss data collection activities carried out on an ongoing basis. Their results are used for risk self-assessment analyses which identify and monitor the most critical areas and potential operational risks.

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 2018, 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 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.

Most Significant Transactions

Furthermore, in accordance with the requirements of the Supervisory Authority, BPER Group’s Risk Control function specifically assesses the consistency of its Most Significant Transactions with respect to the Risk Appetite Framework. Most Significant Transactions are transactions that can have significant, quantifiable and negative impacts on the Group’s risk profile expressed in terms of RAF metrics and that may relate to transactions having extraordinary (or at least not ordinary) and significant characteristics due to their complexity, or business transactions and/or transactions of another nature.

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 2018 materiality analysis (See Chapter 2 Paragraph 2.2 Materiality analysis).

1.6.1 Fight against corruption and unfair commercial practices

The Group carries out its activities with a view to providing banking and financial services to its customers in compliance with the value of integrity, which in turn is based on the principles of professionalism, diligence, honesty, fairness and responsibility.

The activities and organisational structures are subject to checks related to the implementation of Model 231/2001⁸, while the Supervisory Body reports to the Corporate Bodies on its adoption and effective implementation, on the supervision of its functioning and on its update.

In line with the aforementioned principles, reported in the Anti-Corruption Policy, and in compliance with the values and provisions set out in the Code of Ethics and the Organisation and Management Model adopted pursuant to Italian Legislative Decree 231/2001, the Group does not tolerate:

- any type of corruption, in whatever form, manner or jurisdiction it occurs
- any conduct involving the offer or acceptance, whether direct or indirect, of money or other benefits, for the purpose of inducing or rewarding the performance of a function/ activity or the omission thereof.

Such conduct is not tolerated even if referring to payments of small amounts for the purpose of speeding up, favouring or ensuring the performance of routine activities or activities that are part of the recipients' duties (Facilitation Payments).

Group personnel who are involved in an act of corruption or favour such conduct, or act in a manner that is not in keeping with internal or external regulatory provisions, are subject to disciplinary measures in accordance with the law and with the contractual provisions governing their employment relationship.

Similarly, with reference to external parties, the Group terminates any relationship with third parties that, in their dealings with Group companies, breach the law on the fight against corruption, including the Anti-Corruption Policy, as required by the specific clauses included in the contracts.

There were no cases of corruption regarding Group personnel in 2018.

With regard to unfair competition, the Group has defined the areas relating to unfair commercial practices among the risk profiles set out in a specific Antitrust Policy: the document summarises the principles of conduct required to prevent this risk.

Regulations on Unfair Commercial Practices - which are divided into misleading practices (e.g. related to comparative advertising and/or actions) and aggressive practices (e.g. the use of unfair terms) - are specifically aimed at protecting consumers from any commercial action, omission, conduct, statement or communication unfairly carried out by a professional in relation to the promotion, sale or supply of products or services.

A commercial practice is considered to be unfair and is therefore prohibited if it is likely to alter the consumer's ability to make an informed decision, causing him/her to make a commercial decision that he/she would otherwise not have made.

The Group has defined a number of organisational and regulatory controls to ensure that consumer clients are able to make informed decisions without any restrictions concerning:

- the convenience or otherwise of purchasing a product
- the terms and conditions of the promotion, sale or supply of products or services
- partial or full payment
- the convenience of keeping a product or eliminating it
- the convenience of exercising a contractual right related to it.

⁸ See note 2.

Commercial practices are prohibited if they do not comply with professional diligence requirements and if they seek to significantly alter the economic conduct - in relation to the product - of average consumers or of a group of consumers to whom they are addressed. Moreover, principles of conduct are defined to prevent unfair commercial practices which include, among other things: the ban on performing any type of action, omission, conduct, statement or commercial communication including advertising and marketing which may significantly distort the customer's economic behaviour; the need to avoid behaviour that does not comply with the requirements of professional diligence in dealings with customers, in addition to any behaviour that could distort with a reasonable degree of likelihood the economic behaviour of the average customer. No cases of unfair commercial practices were reported in 2018.

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, fairness and transparency. 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 be such as to 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

The Code of Ethics was last updated on 27 March 2018. Its contents were implemented and enriched, allowing the document to provide increasingly complete and effective control, in keeping with the company's approach.

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 the Group's Banks and Companies 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 also 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 ethical profile and reputation that the company is seeking to pursue.

The Code of Ethics is generally published on the website of the Company it refers to.

The Code may also be downloaded from each company intranet, with a view to making the Code accessible to all of its recipients.

A copy of the Code of Ethics, 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 may be the subject of specific awareness campaigns for customers and other stakeholders. 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 in line with international conventions by introducing in our legislation a system for the administrative liability arising out of crime, substantially comparable to criminal liability.

As at 31 December 2018, the following companies of the BPER Group had 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, Emilia Romagna Factor and BPER Credit Management. Other Group companies are evaluating the adoption of an analogous Model based on the business conducted and on the type of clientele served. In this regard, it is pointed out that Nadia will adopt an Organisation Model 231/01 in 2019. Implementing an OMM is not a legal requirement. A good number of 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
- shareholders
- employees (personnel belonging to the first, second and third professional categories, managers, executives)
- 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 set out in the model are integrated with those of the respective Code of Ethics, which represents the first and most important protocol for preventing the commission of any crime, 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 appointed (pursuant to Articles 6 and 7 of Italian Legislative Decree no. 231/01), a body which is able to perform its duties in an autonomous and independent manner, as well as with the appropriate expertise and professionalism. The Supervisory Board (S.B.) has its own regulations (“Supervisory Board Regulations”) which are an integral part of the OMM.

The Group Supervisory Boards are currently of a collegial nature and are composed of three members.

To involve employees in the constant updating of the Organisation and Management Model and collect any proposals for changes and implementation of said model, all the Group Banks, as well as BPER Services and BPER Credit Management 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, potentially sensitive areas pursuant to Italian Legislative Decree 231/01 and any amendments and supplements to be made to relevant 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 Business Units recipients of the specific content of the Model.

Reporting to the Supervisory Board and Whistleblowing procedure

Starting from 1 January 2016, in keeping with the obligations envisaged by the Supervisory Provisions, the Parent Company implemented its own Whistleblowing system, structured in such a way as to guarantee:

- the submission, receipt, examination and evaluation of reports on any illegitimate conduct regarding the breach of rules governing banking activities pursuant to art. 10 TUB - Consolidated Banking Act (collecting savings from the public, granting credit) and financial activities, fraud against one or more companies, recipients through specific, autonomous and independent channels other than ordinary reporting lines; furthermore, in consideration of the new regulations introduced following issue of the eleventh update of the Bank of Italy Circular no. 285/2013, the Whistleblowing system has also been extended to Market Abuse violations and to the fight against money laundering and terrorism financing
- the confidentiality and protection of the personal data belonging to the reporting person and the person being reported.

As regards the management of this Model, which is managed centrally by the Parent Company for all Group companies falling within the scope of application of the process, a function in charge of handling reports was identified: the internal audit function. The person identified as Head of the Internal Reporting System for all the recipient companies is the Head of the Internal Audit Department.

The Whistleblowing System does not amend or abolish, but rather supplements, the internal reporting procedures already applied within the Group in relation to specific sectors, the value of which, therefore, is unaltered and confirmed.

1.6.5 Human Rights

Despite the fact that the materiality analysis did not consider the issue of human rights to be significant, given the operational and regulatory context of the BPER Group, it is covered by the Code of Ethics, within the Group's commitment to comply with the values of fairness and objectivity towards employees, customers, suppliers and any other stakeholder.

Furthermore, in 2018, the BPER Group carried out an internal due diligence on the issue of human rights aimed at:

- setting up a Gap Analysis on human rights with a view to implementing relevant corrective actions
- achieving greater consistency with the UN Global Company Principles which the company has adhered to since 2017.

Starting from this premise, the due diligence was able to map existing controls and start a process for assessing the potential impact of the Group's activities in terms of respect for Human Rights.

The assessment analysed internal documents, especially policies and procedures of interest for the Human Rights areas examined; interviews with Group Departments then followed for greater completeness of the information collected and analysed.

The results highlighted general control of the issues examined and adequate commitment to promote behaviour consistently with the Code of Ethics.

1.6.6 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 and as indicated in the Regulation for the service in charge of controlling anti-money laundering issues⁹.

The Function carries out specialised control for the Parent Company, the Banks and Companies of the Group which are the recipients of reference legislation, 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

⁹Regulations of the Business Unit in charge of overseeing the specific anti-money laundering rules of Group Companies based in Italy (does not include BPER Bank Luxembourg).

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 three-year period 2016-2018, of note is a sanction¹⁰ referring 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.

1.6.7 Relations with suppliers

The Procurement Function 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 as well as 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.

These are the main product categories supplied:

- information systems, with reference to the IT area (HW and SW), including e-money
- professional services, consulting and various professional services (information services and surveys, financial information)
- property management for maintenance, energy, cleaning and leasing costs
- security, including transport, value reduction and surveillance
- office supplies and transport, specifically also postage, office supply, telephone, gifts and transport costs.

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.

¹⁰ The significant fines regarding 2017, namely for over Euro 100,000, are indicated.

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.

Proportion of spending on local suppliers in 2018¹¹

Geographical area	Expenditure (€)	Expenditure (%)
Local purchases north	326,747,194	77%
Local purchases south and islands	14,599,184	17%
Local purchases abroad	1,449,624	100%

Considering the geographical area which the Group Companies belong to (Company's registered office) as "local", the table is to be regarded as follows:

- 77% of purchases by companies having their registered offices in the north are local
- 17% of purchases by companies having their registered offices in the south and islands are local
- 100% of purchases by companies having their registered offices abroad (BPER Lux) are local.

It should be noted that, with regard to Banco di Sardegna and Banca di Sassari, most of the purchases are managed centrally and carried out by BPER Banca; for this reason the share of local purchases in the south and islands is not particularly high.

As it has Italian suppliers that are largely well-known, the Group 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.

As a result of the Group's¹² intention to strengthen a responsible approach along the entire supply chain, 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), a project was developed to assign a sustainability rating on suppliers. The project consisted of an assessment system implemented through documentary auditing, at the end of which each supplier received an index and a report they could use for their business, thus achieving greater visibility on the ABC Portal. More specifically, the index was divided into 3 Rating ranges, similar to the Legality Rating (Antitrust Authority) with the aim of rewarding companies that voluntarily adopt socially responsible behaviour, even if partially, in the following areas: general, environment, labour, human rights, corruption, consumers, local community.

¹¹ It is pointed out that the geographical allocation of local purchases made in the "south and islands" area was partly based on estimates. Following the update of the reporting method relating to 2018 data, the 2017 data are not reported since not comparable. For the previously published data on the geographical distribution of purchases, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>

¹² With regard to the scope of application of SAP: BPER Banca, Banca di Sassari, Banco di Sardegna, CR Bra, NADIA, BPERServices.

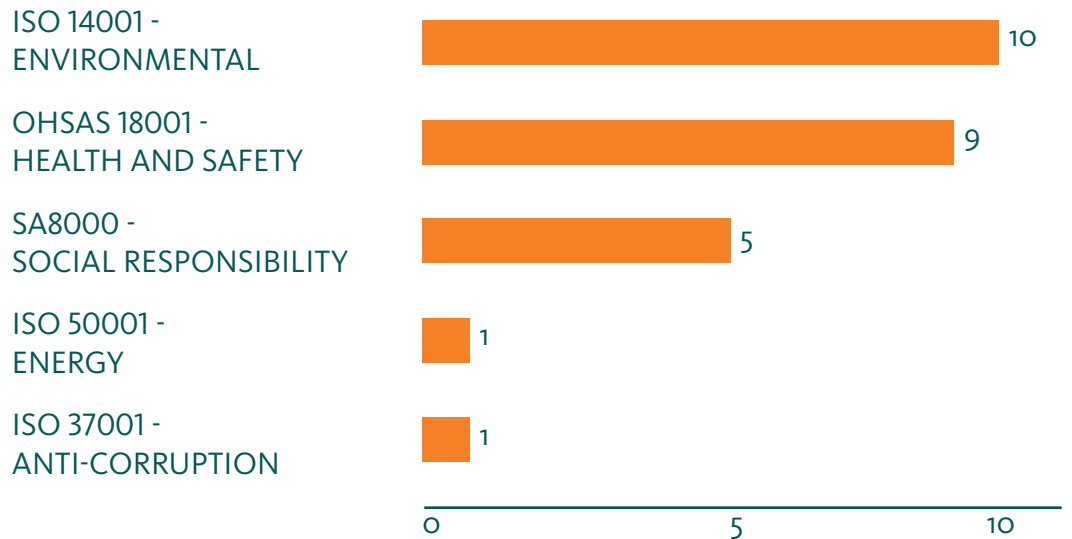
Out of the 31 companies involved, 23 answered the questionnaire. Of these, 17 reached the minimum threshold to be reported as companies that are sensitive to CSR issues, as detailed below:

- 13 reached a score sufficient for the lowest range (R.S.I. +)
- 4 were positioned in the average range (R.S.I. ++)

Among the main details that emerged, of note is that 7 companies out of 23 provided a social or sustainability report and 16 out of 23 a Code of Ethics.

Regarding certifications, out of 26 certifications in the area of Social Responsibility, the following distribution was noted:

No. of Certifications



A project was included in the 2019-2021 Business Plan, which will extend the sustainability rating to the top 200 Group suppliers (see page 20).





2. Group stakeholders and materiality analysis

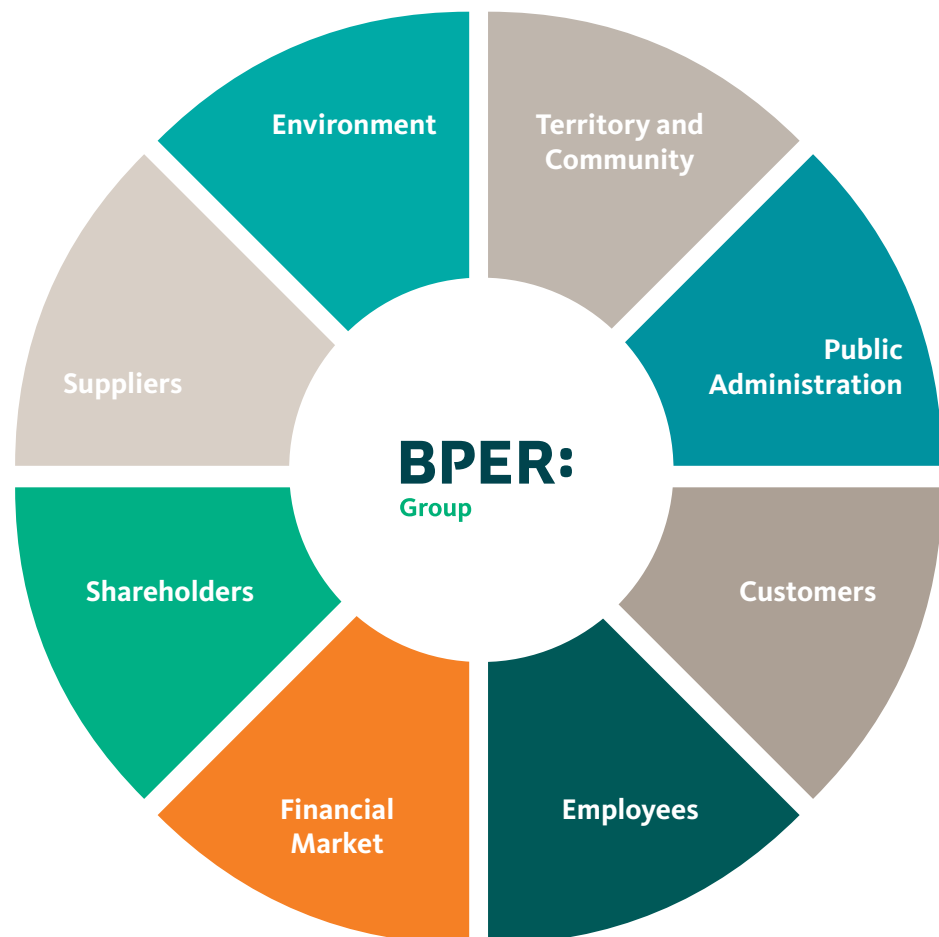
2.

2.1 Stakeholders

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, as there may be indirect methods of interaction able to generate negative impacts.

In the figure below, note that the stakeholder map published in the 2017 Sustainability Report has been updated and the “investors” category has been included in the “Financial Market” stakeholder.



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), or 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. 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.

2.2 Materiality analysis

The materiality analysis, as required by Italian Legislative Decree 254/16, defined, through internal research and various activities of listening to stakeholders which were performed in 2016 and 2017, the relevant aspects to be reported (Material Topic). A topic is defined as "material" if it is able to influence the decisions, actions and performance of an organisation and of its stakeholders. The analysis took place on the basis of 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. The BPER Group updates the materiality analysis every two years, unless the annual assessment it performs shows that there have been significant changes with respect to the economic, environmental and social impacts of the Group and the context of reference. For this reason targeted listening activities were not carried out in 2018. Given the above, in 2019, the Group plans to develop a structured stakeholder engagement process for widespread and direct listening of stakeholders and of local areas, also with a multi-stakeholder approach. Furthermore, it should be noted that also in 2018 the Control and Risk Committee and the Board of Statutory Auditors were involved, making it possible to reconfirm the validity of the topics of relevance for 2017.

The following materiality activities were carried out in 2017.

To determine the relevance of topics for the Group, interviews were conducted with 22 Top Management representatives of BPER Banca 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, involving:

- **CUSTOMERS:** in 2017, BPER Banca and Banco di Sardegna customers were involved through customer satisfaction interviews which included questions on economic, environmental and social sustainability. Furthermore, in 2016, Focus activities were organised with Third Sector customers in order to optimise specific products and services
- **TERRITORY/COMMUNITY:** a Media 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
- **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 were added

- OTHER STAKEHOLDERS: customers, public entities, trade associations, environmental and social associations, suppliers, investors and university students were provided with an online questionnaire requesting them to choose the three topics they regarded as most important.

Furthermore, an analysis of documents and Guidelines on sustainability reporting in the financial sector was carried out¹³. 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:

GRI topic	GRI Aspect	Scope of impact	Type of impact
Economic performance	Economic performance	BPER Group	Caused by the Group
Protection of financial stability	N.A.	BPER Group	Caused by the Group
Risk management and prudent approach	Environmental compliance Socioeconomic compliance Marketing and labelling Labour/management relations	BPER Group	Caused by the Group
Management of environmental impacts	Materials Energy Emissions Environmental compliance Effluents and waste	Group; Suppliers of electricity	Caused by the Group and directly connected with its activities
Customer satisfaction	N.A.	BPER Group	Caused by the Group
Service quality	Marketing and labelling Customer privacy	BPER Group	Caused by the Group
Transparency towards customers	Marketing and labelling Customer privacy	BPER Group	Caused by the Group
Integrity in conduct/compliance	Anti-corruption Public policy Anti-competitive behaviour Socioeconomic compliance Marketing and labelling Environmental compliance	BPER Group	Caused by the Group
Adequacy of the offer	Products portfolio	Group Banks	Caused by the Group
Responsible credit	Products portfolio	Group Banks	Caused by the Group
Sustainable business	Products portfolio	BPER Group	Caused by the Group
Support to the community	Local communities	BPER Group	Caused by the Group
Establishment within the territory and direct economic impacts	Market presence Procurement practices	BPER Group	Caused by the Group
Governance and decision-making processes	N.A.	Parent Company	Caused by the Group

¹³ 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

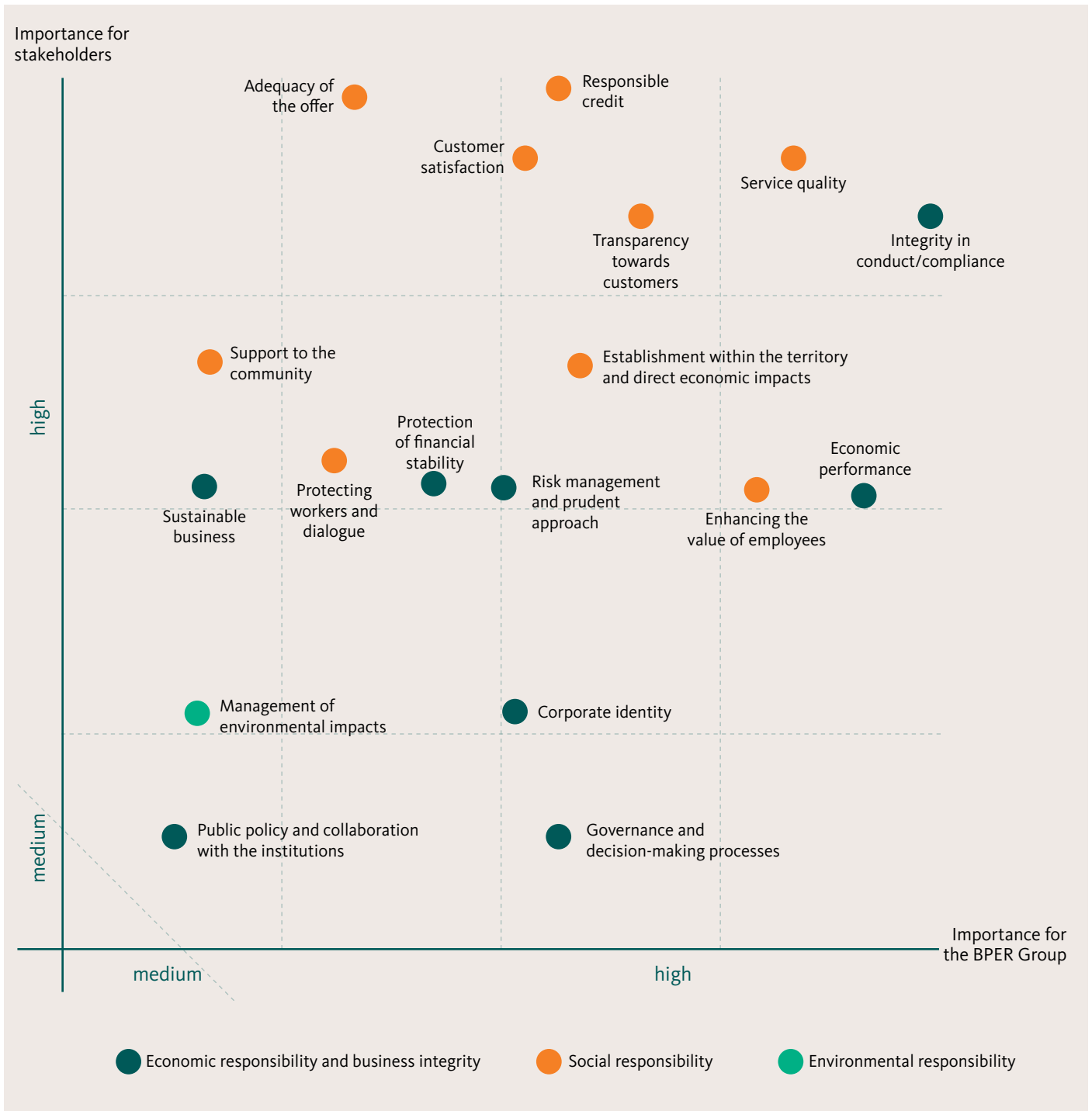
Public policy and collaboration with the institutions	N.A.	BPER Group	Caused by the Group
Corporate identity	N.A.	BPER Group	Caused by the Group
Protecting workers and dialogue	Employment Diversity and equal opportunity Occupational health and safety ¹⁴ Labour/management relations	BPER Group employees	Caused by the Group
Enhancing the value of employees	Employment Training and education	BPER Group	Caused by the Group



¹⁴ Given the business sector, the health and safety topic, under “protecting workers and 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. During 2019, the BPER Group will examine the analysis considering the importance of non-employees of the Group, with particular reference to agency-supplied workers, in order to assess the need to collect data from the employers of the external staff and suppliers who work at Group offices and/or under the control of the Group, evaluating the quality and accuracy of such data over which it does not have direct control.

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



3. Protection of financial stability



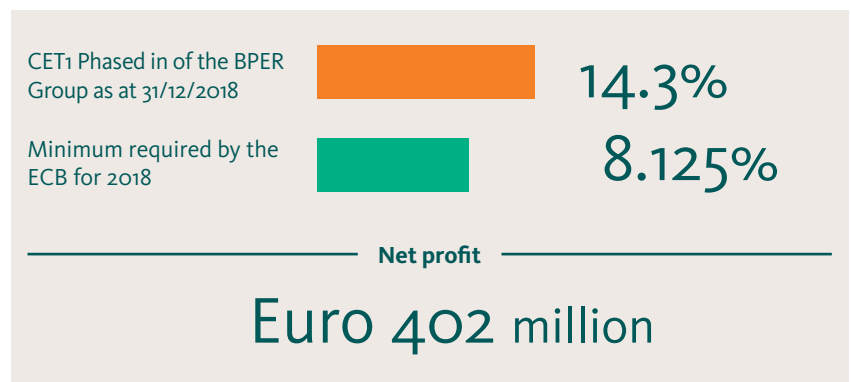
A description of certain characteristics of the BPER Group useful in assessing its reliability is provided below.

High solidity



CET1 (Common Equity Tier 1)

IT IS 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. The BPER Group value is significantly higher than the minimum that is required for 2018.



High liquidity



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

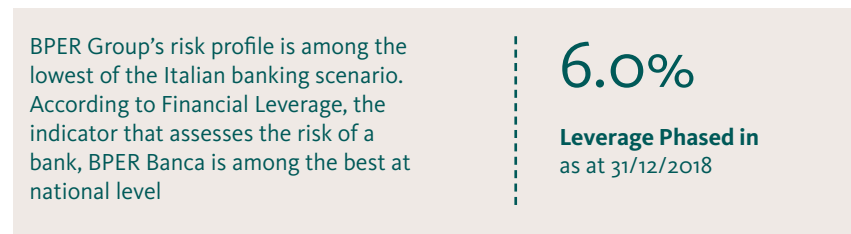
Low risk



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

Financial leverage

Indicator used to evaluate the risk profile of a bank.



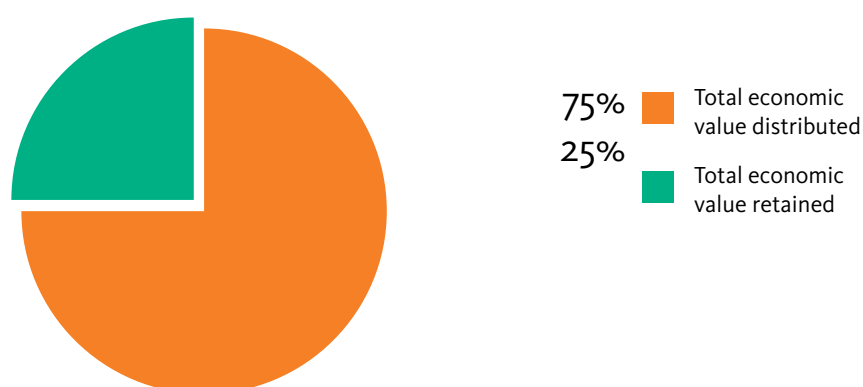
3.1 Economic value generated and distributed

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 2018 amounted to Euro 1,979,715,000, was largely redistributed to stakeholders.

Thousands of Euro	2017	%	2018	%
Total economic value generated directly	1,508,856	100%	1,979,715	100%
Economic value distributed to suppliers	(440,230)	29.18%	(472,364)	23.86%
Economic value distributed to employees and external staff	(783,478)	51.92%	(821,494)	41.50%
Economic value distributed to shareholders	(53,338)	3.53%	(106,407) ¹⁵	5.38%
Economic value distributed to central and local public administration	(9,907)	0.66%	(86,589)	4.37%
Economic value distributed to the community ¹⁶	(6,522)	0.44%	(4,842)	0.24%
Total economic value distributed	(1,293,525)	85.73%	(1,491,696)	75.35%
Total economic value retained	215,331	14.27%	488,019	24.65%

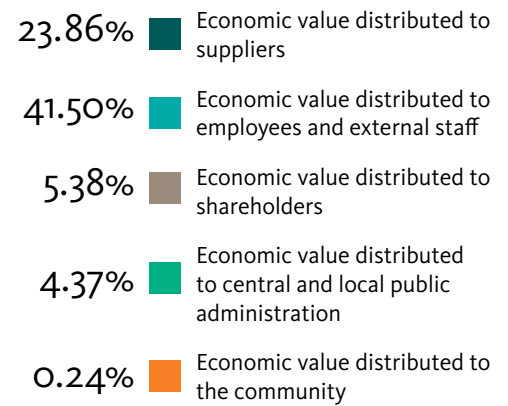
Against an increase in the percentage of economic value retained, note how distributed value has increased for the shareholders. For the latter, an amount of 13 cents per share, compared to 11 cents distributed in 2018, was resolved by the Board of Directors on 7 February 2019.

Furthermore, the value generated in 2018 is higher than the 2017 figure mainly due to a reduction in net impairment losses on loans to customers as a result of various interventions carried out at Group level to reorganise the credit and loans structures (granting and recovery), review lending processes and procedures designed to improve the quality of outstanding receivables and reduce inflows to the non-performing portfolio, with an improvement in the portfolio's risk profile. In this sense, the adoption of the main recommendations of the EBA's NPL Guidance led positive effects on the entire loan portfolio.



¹⁵ 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.

¹⁶ Following a process for the improvement of the reporting system, the item "Economic value distributed to the community", in addition to donations, also included investments in the communities (see chapter 8 "Relations with the community"). For this reason, the 2017 figures have been restated compared to those published in the previous Sustainability Report. For the previously published data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>



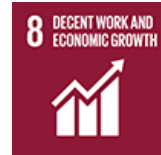
3.2 Fiscal transparency

BPER Banca was admitted to the collaborative compliance regime by Tax Authority Decision dated 25 July 2018, following a process that commenced in December 2017 on presentation of the application and subsequent investigation to check the adequacy of its Tax Control Framework. As envisaged in the regulation, BPER Banca has been added to the list of companies admitted to the regime, which is published on the institutional website of the Tax Authorities. The cooperative compliance regime was introduced in Italy in 2015 and its aim is to establish a relationship of trust between the taxpayer and the Administration in order to increase the level of certainty on relevant tax issues: this is achieved through constant and preventive dialogue with a view to assessing possible tax risks. The main advantages of the new regime may be summarised as follows:

- single interlocutor within the Financial Administration
- fast-track ruling according to which the Tax Authorities must answer companies' questions within forty-five days
- penalties reduced to half and not exceeding, in any case, the minimum amount, and collection suspended until the finalisation of the assessment, for risks notified promptly and exhaustively, where the Tax Authorities do not share the company's positions
- exemption from the obligation to provide guarantees for refunds.



4. Our customers

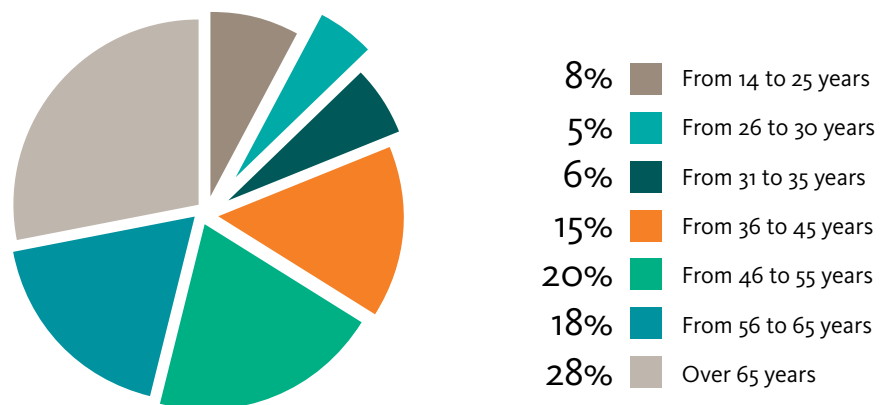


The BPER Group bases its success on the relationship of trust established with its clientele, characterised by fairness and transparency. In the company’s philosophy, the customer is first and foremost a person with their own dreams and plans, but also one with problems and difficult situations. Our mission is to help customers achieve their objectives 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 63% of customers¹⁷ have maintained a relationship with the Group for over 10 years.

Distribution of customers by age

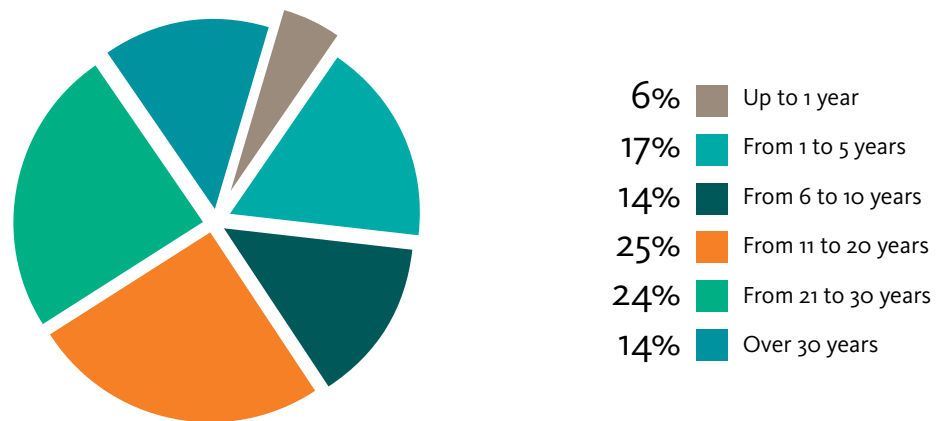
	31/12/2017	31/12/2018
From 14 to 25 years	135,369	148,641
From 26 to 30 years	95,418	98,769
From 31 to 35 years	108,556	110,051
From 36 to 45 years	308,752	301,713
From 46 to 55 years	398,695	399,845
From 56 to 65 years	347,638	357,475
Over 65 years	527,641	539,749



¹⁷ The data regarding the chapter “Our customers” include the following banks for 2016 and 2017: BPER Banca, Banco di Sardegna, CR Bra. The 2018 figure also includes Cassa di Risparmio di Saluzzo.

Distribution of customers by seniority

	31/12/2017	31/12/2018
Up to 1 year	116,397	125,676
From 1 to 5 years	381,746	393,853
From 6 to 10 years	341,595	331,765
From 11 to 20 years	577,805	570,001
From 21 to 30 years	606,637	557,345
Over 30 years	227,315	315,723



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 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, in keeping with the obligations envisaged by the Supervisory Provisions, the Parent Company implemented its own Whistleblowing system, structured in such a way as to guarantee the transmission of reports of any illegitimate behaviours involving violation of the regulations governing financial activities.

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.

The advanced advisory service 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.

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.

Global Advisory

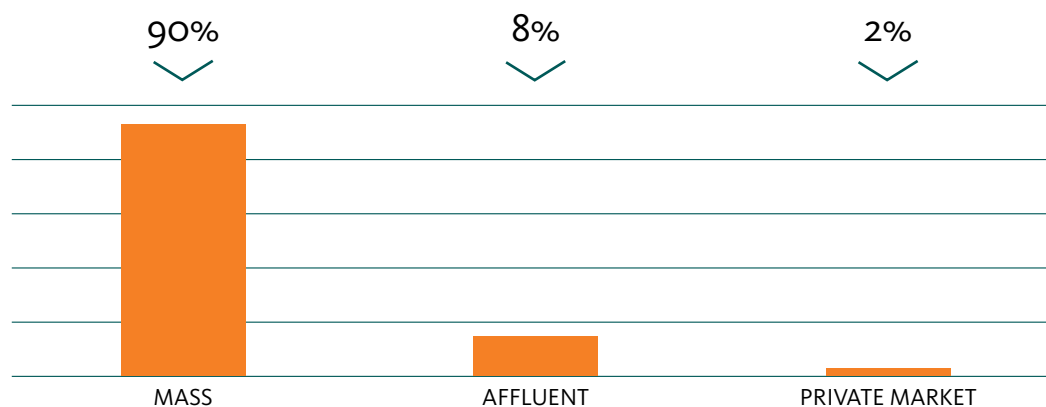
Strategic Cube

Customer portfolio by business line: sector type (mln €)¹⁸

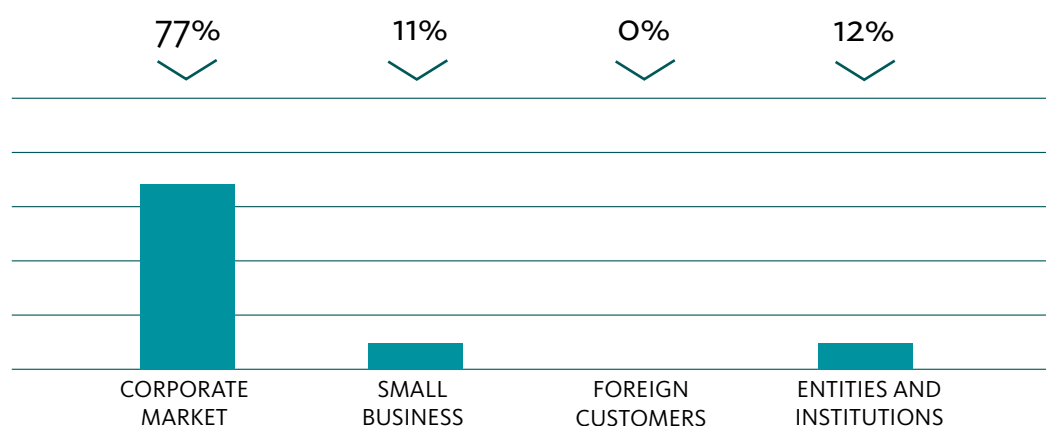
	31/12/2016				31/12/2017				31/12/2018			
	Retail Banking	%	Commercial and corporate banking area	%	Retail Banking	%	Commercial and corporate banking area	%	Retail Banking	%	Commercial and corporate banking area	%
Mass	12,121.82	90%		0%	13,348.53	90%		0%	13,425.42	90%	-	0%
Affluent	1,069.50	8%		0%	1,191.27	8%		0%	1,242.18	8%	-	0%
Private market	207,326	2%		78%	293,114	2%		0%	350,119	2%	-	0%
Total private customers	13,398.65			0%	14,832.91	100%		0%	15,017,72	100%	-	0%
Corporate market		0%	25,790.70	78%		0%	26,013.41	77%	-	0%	24,147.39	77%
Small business		0%	3,855.63	12%		0%	4,214.18	12%	-	0%	3,588.36	11%
Total corporate		0%	29,646.33	90%		0%	30,227.59	89%	-	0%	27,735.75	88%
Foreign customers		0%	98.031	0%		0%	84,377	0%	-	0%	64,909	0%
Entities and institutions		0%	3,133.15	10%		0%	3,464.76	10%	-	0%	3,747.44	12%
Total	13,398.66	100%	32,877.51	100%	14,832.91	100%	33,776.73	100%	15,017.72	100%	31,548.09	100%

¹⁸ Following the update of the reporting method for the customer portfolio, the data are reported in terms of monetary value starting from this year. The total number of customers by business line published in the 2017 Sustainability Report is equal to: Retail Banking 1,922,069, Commercial and corporate banking area 329,426 as at 31/12/2017. For the previously published detailed data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>

Customers by sector type (Retail banking)

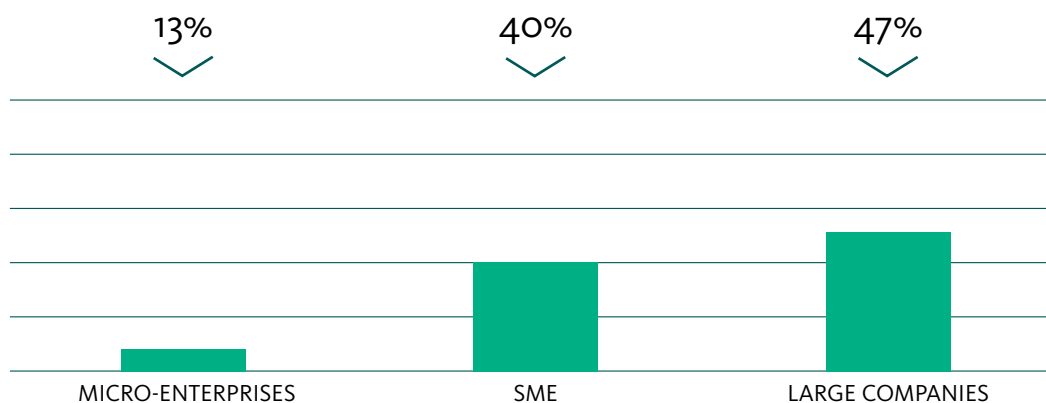


Customers by sector type (Commercial and corporate banking area)



Corporate customer portfolio by size¹⁹

	31/12/2016		31/12/2017		31/12/2018	
	Commercial and corporate banking area	%	Commercial and corporate banking area	%	Commercial and corporate banking area	%
Micro-enterprises	3,855.63	13.01%	4,214.18	13.94%	3,588.36	12.94%
SME	12,834.86	43.29%	12,840.30	42.48%	11,018.26	39.73%
Large companies	12,955.85	43.70%	13,173.11	43.58%	13,129.13	47.34%
Total corporate	29,646.34	100%	30,227.60	100%	27,735.75	100%

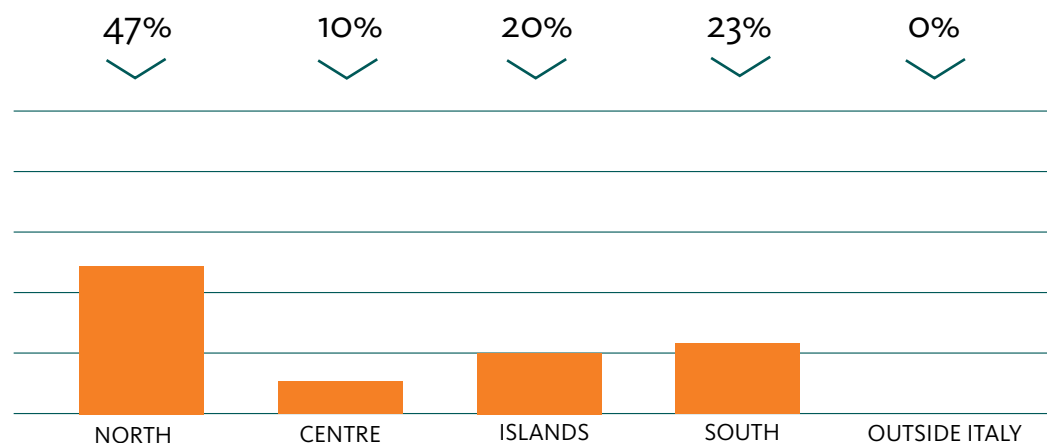


¹⁹ Following the update of the reporting method for the customer portfolio, the data are reported in terms of monetary value starting from this year. The total number of corporate customers published in the 2017 Sustainability Report is equal to: Micro-enterprises 205,006 (77%), SME 49,706 (19%) and Large Companies 10,646 (4%) as at 31/12/2017.

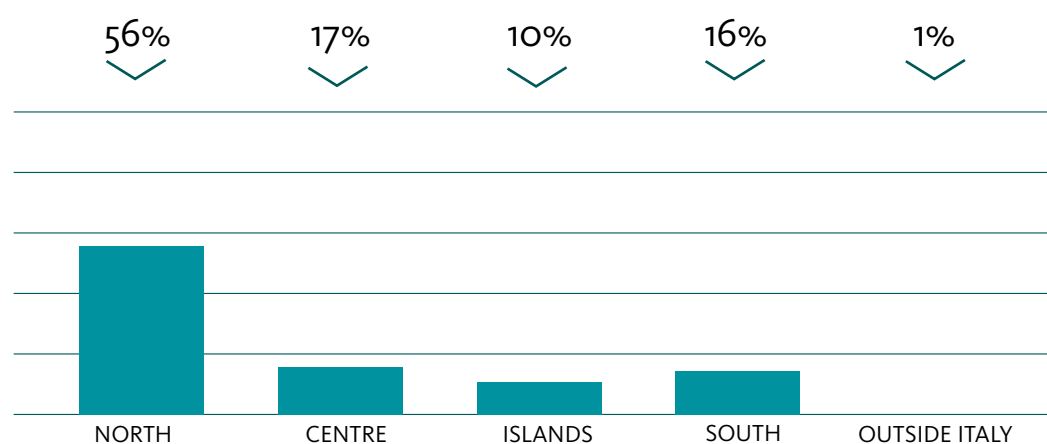
Customer portfolio by business line: geographical distribution (mln €)²⁰

	31/12/2016				31/12/2017				31/12/2018			
	Retail Banking	%	Commercial and corporate banking area	%	Retail Banking	%	Commercial and corporate banking area	%	Retail Banking	%	Commercial and corporate banking area	%
North	6,343.13	47.3%	17,426.13	53%	7,149.41	48.2%	18,353.64	54.3%	7,098.94	47.3%	17,784.71	56.4%
Centre	1,230.80	9.2%	5,423.84	16.5%	1,431.80	9.7%	5,525.90	16.4%	1,483.93	9.9%	5,360.10	17%
Islands	2,762.95	20.6%	3,991.88	12.1%	2,923.12	19.7%	3,917.99	11.6%	2,995.39	19.9%	3,138.58	9.9%
South	2,999.62	22.4%	5,819.10	17.7%	3,276.16	22.1%	5,815.38	17.2%	3,388.04	22.6%	5,132.18	16.3%
Outside Italy	62.16	0.5%	216.57	0.7%	52.42	0.3%	163.82	0.5%	51.42	0.3%	132.52	0.4%
Total	13,398.66		32,877.52		14,832.91	-	33,776.73	-	15,017.72	100%	31,548.09	100%

Number of customers by geographical distribution (Retail banking)



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



²⁰ Following the update of the reporting method for the customer portfolio, the data are reported in terms of monetary value starting from this year. The total number of customers by business line published in the 2017 Sustainability Report is equal to: Retail Banking 1,922,069, Commercial and corporate banking area 329,426 as at 31/12/2017. For the previously published detailed data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>.

4.1 Listening to customers

Customer satisfaction is one of the main levers of the system for planning and monitoring the quality of services, as well as a strategic competitive factor on the market. 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.

In 2018, the BPER Group gave way to a new and more structured process of listening to its Private customers and Small Economic Operators, with the objective of ongoing monitoring of the level of satisfaction and of the emerging needs, identifying precious guidelines to fuel a process of continuous improvement of the service and relationship. The new structure envisages the implementation of a monitoring system and governance of the Net Promoter Score (“NPS”), an indicator that measures the proportion of “promoters” (customers who would recommend the bank) compared to “detractors”. This new listening activity uses email surveys as the main contact channel and aims to collect feedback from the greatest number of customers possible. The initial results collected, namely approximately 22,000 interviews, indicate that the level of customer satisfaction is in line with regard to the Family and Personal segments, while it is lower, even if still positive, for Small Economic Operators. An analysis of the data collected suggests that the use of Internet Banking is linked to a greater level of satisfaction, and that satisfaction increases with the number of channels used by the customer. Even the frequency of interaction with branch contacts increases customer satisfaction, while customer without a branch contact (or who do not perceive to have one) are less satisfied.

Group Customer Satisfaction Survey of Private Customers

Bank	31/12/2018 ²¹	
	Segment	NPS ²²
BPER Group	Family	+20%
	Personal	+21%
	Small Economic Operators	+11%

Since 2016, the service quality monitoring system has been active at the branch level for the Parent Company, referred to as IESS (Indice di experience e soddisfazione di servizio - Service satisfaction and experience index). The ongoing listening activity envisages 56,000 telephone interviews a year dedicated to private customers (Family and Personal service models) and Small Economic Operators that visit their relative branches. The data collected on all aspects of the experience within the branch are presented on a dedicated portal with weekly update, allowing each Branch Manager to promptly identify the critical points with regard to the service requiring action. The main indicators are reported below.

BPER Banca Customer Satisfaction Survey of Private Customers

Bank	31/12/2018		
	Segment	Summary index of CS ²³	NPS
BPER Group	Family	85	+49%
	Personal	84	+46%
	Small Economic Operators	83	+37%

²¹ The 2018 Customer Satisfaction survey was conducted based on different considerations compared to 2017; consequently, the two figures are not comparable.

²² The Net Promoter Score is an indicator that measures the willingness of customers to recommend a product, brand or service, and is represented by the proportion of “promoters”, net of the amount 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.

²³ Summary index of Customer Satisfaction: expresses the customer’s degree of satisfaction on a scale of 0 to 100.

The customer satisfaction survey of BPER Group Corporate Customers was carried out in October 2018 and involved a sample of 1,600 customers, 800 companies with the Corporate service model and 800 companies with the SME Business service model. Corporate customers are satisfied on average, showing good future behaviour intentions and perceiving the institutional image as solid, positively evaluating Personnel (Contact person) above all, along with the Branch processes and financing solutions.

Group Customer Satisfaction Survey of Corporate Customers

Bank	31/12/2018		
	Segment	Summary index of CS	NPS
BPER Banca	Corporate	74	+10.2%
	SME Business	73.6	+8.2%

The customer satisfaction survey of Private customers of the BPER Group was carried out in November 2018 for a total of 500 interviews. Private customers are satisfied with the Private Banking service of the BPER Group and, among the image aspects, above all recognise the Group Banks as possessing the features of fairness and consistency of conduct over time.

The figure of Manager is highly appreciated, in terms of both professionalism as well as relationship.

BPER Banca Customer Satisfaction Survey of Corporate Customers

Bank	31/12/2018		
	Segment	Summary index of CS	NPS
BPER Banca	Private	76.7	+16.2%

Contact Centre

The BPER Group's Contact Centre answers only from Italy, with a view to encouraging national employment and providing better customer service. However, in addition to Italian, customer support is available in 6 languages: English, French, Spanish, Romanian, Portuguese and Arabic.

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

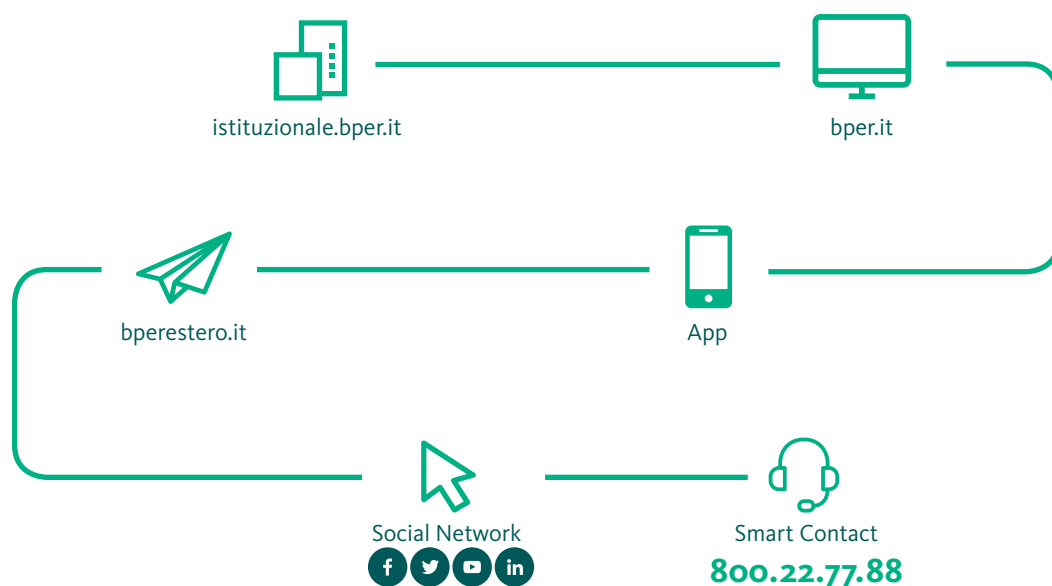
Moreover, development of the WhatsApp contact channel permits, through integration with the Live Person platform (top Finance entity worldwide), an excellent customer relations service remotely, through a certified Business profile.

During 2018, a specific climate survey was conducted, referred to as "Knowing people in order to make the organisation grow", which involved 3 of the Contact Centres.

The initiative is part of the measures implemented as part of the ISO 9001 Quality Certification. The climate survey highlighted areas for improvement, followed by specific action plans aimed at improving the service provided to customers through positive evolution of the service climate.

OUR CONTACT POINTS

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



Moreover, BPER Banca and Banco di Sardegna have a virtual assistant that answers and provides suggestions to all those who write on the digital channels. An artificial intelligence system at the service of customers.

“Dotti” and “Pinti”, currently present only on the bper.it and bancodisardegna.it sites, respectively, answer through guided navigation.

Banco di Sardegna Spoke Light Project

The Spoke Light Project is dedicated to the smaller branches in areas with high penetration and low competition.

A project has been launched to improve the sale of complementary services or products through a better offer, simplified and focused on the territorial vocation (private individuals, food, tourism), and better communication, putting oneself in the shoes of the customer and speaking a clear and simple language. Even the layout of the branches and communications to said branches have been redesigned bearing these criteria in mind. The following were also defined:

1. changes in opening hours to focus on the sale of top-seller products by cluster
2. management of Small Economic Operators and/or Personal customers, thanks to the support of the Consultant (also remote)
3. extension of the products catalogue to the non-banking segment as well (e.g., books).

The project was launched on a trial basis with the first 20 pilot branches, and the results in terms of improvement in cross-selling (sale of complementary products) and growth in quality of relationship with the customer led to the extension of the project to another 39 branches. After the specific training phase, conducted based on the training requirements of each of the collaborators, the roll-out phase is envisaged for the beginning of 2019. Moreover, in order to improve the value proposition with regard to specific customer targets (such as teenagers) and strengthen the remote channels to facilitate access to banking services, development of the new commercial site and of the mini-sites for mortgages is underway.

Management of claims

The timely and proper handling of claims and complaints 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.

4.2 Service innovation

Now more than ever, changes are the order of the day and customer requirements 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.

They are projects that contribute to reducing the direct environmental impacts of the bank by reducing the use of paper/printing, encouraging processes to be carried out entirely online.

Digital 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 or Smart Mobile app (choosing the most suitable type and signing the contract directly on Smart Web via Digital Signature).

Remote Offer of Funds

Remote offer via Contact Centre: the Family customer may subscribe to Funds and SICAVs (Arca Sgr, BPER Sicav, Etica sgr) through remote consulting on investments by operators of the Contact Centre. The service permits investments to be made independently and remotely, with digital signature on Smart Web.

Digital Signature

Digital Signature is the 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. It 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. As of December 2018, there were 42 Lockers installed.

Migration of Cassa di Risparmio Saluzzo users

The process already developed the prior year for migration of the Carife multi-channel users was reused. The process to manage the migration of multi-channel users of CR Saluzzo to internet banking and Smart Web is entirely online. In just a few steps, customers of CR Saluzzo can identify themselves by loading their document, signing the multi-channel contract via Digital Signature and accessing their own Smart Web account (where they can view signed contracts in the relative "Documents" section).

Update of ID via Smart Web

Possibility for customers to enter their updated ID on Smart Web, loading the front/bank photos and only entering the essential information.

4.3 Management of customer relations

With regard to the bank-customer relationship (customer satisfaction, quality of service offered and transparency), in addition to initiatives that encourage proper behaviour and good rules, in accordance with sector regulations, the Group adopts and maintains an internal organisation and a control system adequate for the overall activities carried out, along with effective self-governance with regard to the following specific profiles:

- security: operational continuity, IT systems, physical security in the branches and areas dedicated to customer relations, protection of personal data
- products and services: correctness in the relationship with customers and in the information provided, transparency, development and management of the product catalogue, communication and marketing, management of inducements, as well as respect for the customer's interests in commercial and marketing practices
- compliance with laws and regulations, in addition to voluntary codes of conduct, with regard to the sale of products and use of services, including investment.

The system is based on three main pillars:

- organisational, which for management activities and first-level controls are carried out by the business functions (starting with the Chief Business Officer and Chief Lending Officer), while for second and third-level controls they are carried out by the Chief Risk Officer, the Compliance Officer and the Chief Audit Executive
- regulations, such as policies, process regulations, organisational procedures and internal provisions relating to the aspects mentioned above, where the principles, responsibilities and activities of the various organisational units are identified
- technical, such as platforms dedicated to commercial activities and customer relations, security tools and protection of information and data, analysis of customer satisfaction and quality of the relationship.

The provisions of the Supervisory Authorities on the transparency of banking and financial transactions and services define, among other things, general standards for the preparation of information documents for customers (structure of documents, essential information, lexical choices, standardisation) and for the marketing of traditional banking services, also regulating obligations of an organisational nature and control for compliance with the rules of transparency and fairness in relations with customers. These rules on transparency are in addition to those provided for the provision of investment services, governed by the Consolidated Law on Finance (TUF), or insurance products or the provisions contained in the Consumer Code.

With regard to the development of the commercial offer, in 2018 the Group adopted a new and specific Product Governance Policy that defines the rules and responsibilities for the development and distribution of new products and for management of the product catalogue.

The specific process of governing the commercial offer involves several organisational structures that ensure the correct and effective performance of the same, so as to pursue quality objectives and compliance with regulations in line with the Group's mission, strategies and business objectives, while respecting the needs of customers.

Therefore, processes and procedures for definition of the following have been updated, in line with the principles and guidelines of this policy:

- the role held, as Producer or Distributor
- the methods for identification of the target market
- the adequate distribution channels

- significant information to be provided to consumers (product characteristics, risks, price, etc.)
- activities and controls to evaluate the impact of the new product on the target market, with a multitude of scenarios (product testing)
- the monitoring activities aimed at verifying ongoing consistency of the products with the target market
- corrective measures to remedy any critical aspects identified with respect to the products.

4.4 Transparency towards customers

Transparency of the relationship is governed by internal governance and regulatory processes that oversee relations with stakeholders. The regulations and rules of banking transparency have been applied by an organisational process that provides for a rigid approval process, functional to the drafting and publication of advertising material in compliance with legislation.

The process, which covers the entire BPER Group, is the result of a shared corporate culture based on the desire to provide customers with all the information they need to find their way through banking, financial and insurance products. Indeed, an informed customer is able to make informed choices, leading to a lasting, solid and trust-based bank/customer relationship. Compliance with the rules protects the bank from the risks of litigation with customers, from reputational risks and, lastly, from the risk of assessments and sanctions by the Supervisory Authorities. The communication materials therefore follow standard criteria of layout, document structure and syntactic and lexical clarity. Advertising information is comprehensible for the target and disseminated via the most appropriate communication channel.

A concrete example of the above is the bper.it site, fully renovated last year. The site adapts to the requirements and searches of users, showing products and services most suitable to them. Moreover, to ensure constant availability, clarity and transparency, tools have been introduced into the site to ensure that the user can contact the bank at any time: for example, the chat and a form to request an appointment with the branch. Consequently, the rules for drawing up content and promoting products and services express our positioning and respect a specific brand strategy, with the utmost attention paid to people and to respect for their decisions and requirements.

BPER:
Banca

Cerca Parla con noi Filiali

Privati Imprese e Professionisti Private Banking Perché BPER Sito Istituzionale Accedi

Carta Conto
La prepagata che sa fare il conto corrente.
Richiedila online.

Vai alla pagina

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

Brand and marketing communication rules

The Parent Company uses high transparency standards in all commercial communication instruments, such as email marketing (DEM or DM), web sites, 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.

The same regulations and behavioural rules are sent to the branch colleagues, namely:

- diligence in pursuing sales objectives, respecting the 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.

Financial Cocktails

In order to increase customers' awareness of the world of finance and investment, BPER Banca, in partnership with a number of product companies, has set up financial culture meetings called "Financial Cocktails".

The format involves events that alternate from moments dedicated to updates on the dynamics of the financial markets to moments of entertainment, with the aim of enhancing the culture of the territory and the aspects that characterise it.

Cardinal Points

Today more than ever, customers expect personalised experiences, transparent communication and a flow of efficient services, and they direct their choices towards companies that offer an excellent and memorable Customer Experience.

In order to strengthen the Customer Experience, it is essential to align the entire company organisation with consistent and shared principles of service design and experience.

Following this Vision, BPER Banca has adopted a decalogue that places the Customer at the centre of its process of design and implementation of service elements, consistent with the promise of a brand and capable of generating distinctiveness. The decalogue defines the Key Points of the Customer Experience, twelve guiding principles for the design of the BPER Banca customer service experience collected in an Abacus of Cardinal Points of the Customer Experience: Consistency, Understanding, Customisation, Distinctiveness, Customer Value, Emotionality, 360° Experience, Clarity,

User Experience, Measurability, Testing, Continuous Learning. Twelve operational references to follow in each of the four phases of the design of the elements of customer service - Knowing, Thinking, Planning, Learning - for a continuous virtuous cycle aimed at a Customer Experience of excellence.

New Concept

As part of the renewal plan that has been underway for several years, aimed at increasingly defining the identity, values and promise of the brand, the project of restyling the branches according to the New Concept model continued in 2018.

It is not just a simple restructuring of the branches, but an innovative path oriented towards the centrality of people, a radical reinterpretation of the spaces towards openness, growth and excellence.

The new bank branch offers visitors an engaging experience, with an identity strongly characterised by the style of the BPER Banca brand.

Based on this philosophy, the new branches have been redesigned to facilitate listening and encourage open and equal dialogue; barriers and counters have therefore been eliminated, to be close to people and establish a strong relationship with the branch visitors. A relationship that starts from listening and is based on an open and equal dialogue.

This consequently gives rise to a different dimension, a new dimension, where people feel immediately welcomed and guided. Where it becomes even easier to move and explore and where one is encouraged to interact and discover, while still ensuring high standards of safety, thanks to the use of modern technological solutions.

The innovations introduced concern all dimensions of the customer experience: from communication to the management of flows and wait times, from the discovery of new ways of dealing with the bank to consultancy activities.

The new model thus has a direct impact on a series of elements of the in-branch relationship: from the supervision of reception to organisation of the flows according to the need in question, to active management of the wait time. The relationship and service to the Customer have been completely redefined, communication has been revised in new interactive and customisable ways and cash operations have taken on new forms.

The rethinking of spaces and technologies also has a considerable impact on some variables with a social and environmental impact: a significant reduction in cash, the almost total elimination of paper and printer use (except for contractual and legal obligations), thanks to the use of new technology, and the significant reduction in energy use (per square metre), guaranteed by the elimination of internal and external barriers.

4.5 Privacy and data protection

In 2018, the BPER Group maintained its constant commitment to protecting privacy, namely the confidentiality and security of the personal data of its customers and employees, ensuring a high level of protection from theft and loss of data.

In fact, the Group believes that the protection of IT resources and the information managed by them is an important and critical aspect in safeguarding the existing value and the capacity to create value in the future, in terms of competitiveness, profitability and growth; therefore, maintenance of an adequate level of protection constitutes a significant element to be considered and preserved in the development process and company operations, as indicated in the Group Policy on IT security.

The Banks have continued their activities of adaptation of company processes and IT systems, launched in early 2017, to ensure compliance with European Regulation 2016/679 - GDPR - which will be applicable from 25 May 2018, recognising new rights for the interested parties.

The project involved all Group companies and resulted in updating of the organisational model for data governance, appointment of a new role, namely the Data Protection Officer (DPO), 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.

On 12 April 2018, the new organisation model established the Privacy and Data Protection office, appointing a single DPO for the BPER Group, excluding BPER Bank Luxembourg S.A.

On 20 December 2018, the Board of Directors of the Parent Company resolved to review the Policy on the processing of personal data which, in accordance with the updated organisational model, envisages the presence of a single privacy officer in BPER Banca and in each Italian company included within its scope, identified as the Chief Executive Officer (if present) or the General Manager. The role of Company Privacy Contact has been established within the Group Banks and Companies, responsible for tasks of information liaison and representation of the Group DPO; for the Italian banks of the Group, the figure of Company Privacy Specialist is also envisaged, in charge of carrying out operational tasks and information liaison, in close contact with the Parent Company's Privacy and Data Protection Office.

Simultaneously, during 2018, the Group held 16 training courses on privacy for 2,125 attendees, for a total of 7,775 training hours, confirming the Group's high level of attention to these issues.

In 2018, the BPER Group received 12 complaints regarding violation of customer privacy.





5. Development of an ethical and green portfolio

5.



5.1 Adequate and responsible offer

Integrity and sustainability are fundamental values for the BPER Group. They have always represented the principles on which all members of the organisation base their conduct, in the belief that we can only generate value for the Group, for its shareholders and, in general, for all stakeholders by pursuing excellence in Customer service and attention to the territory in which we operate. In line with this vision, ethics and sustainability are true drivers of success and reliability over the short, medium and long term.

For development of our portfolio of ethical products, with social impacts or for reduction of environmental impacts, the Group uses the same procedures identified for the realisation of traditional products.

An important role in the definition and approval of a product in the portfolio 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.

Definition of the product portfolio must also take into consideration the guidelines of the Code of Ethics.

The BPER Group’s commercial offering 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 of development and approval of the commercial offer are:

- to ensure the improvement and timely development of the commercial offer in compliance with customer needs, consistently with the company’s strategy and objectives
- to ensure correct mapping, assessment and management of risks deriving from the new operations, in line with BPER Banca’s risk propensity
- to 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
- to assess the products structure, with regard to how customers understand their characteristics and the risks involved, especially for complex forms of remuneration and reimbursement
- to ensure transparency and fairness in the marketing phase
- to ensure full compliance of the commercial offer development and approval process, through respect of the various phases envisaged and involvement of the various corporate 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 accordance with the regulations in effect and with the guidelines of the Supervisory Authorities, the governance system for the commercial offering of the BPER Group is based on the necessity to establish and maintain effective monitoring measures, in order to:

- ensure consistency among the interests, objectives and characteristics of customers
- direct the offer towards the customer target for which it was created and adjusted in terms of characteristics, 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 post-sale, by listening to customers and analysing complaints and inefficiencies, to verify:

- consistency between customer target identified during the design of the product and the target actually achieved
- appreciation by customers or the presence of defects.

Lawfulness rating

The Group banks have adapted to Ministerial Decree no. 57/2014 (Lawfulness rating for companies), which indicates the obligations that credit institutes must respect and the special conditions that must be offered to companies possessing the 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 2018, the Group Banks²⁴ recorded 290 requests for financing by counterparties with lawfulness rating. The lawfulness rating did not provide benefits in two cases only, where the creditworthiness assessment of the counterparty judged as inadequate prevailed. All of the approved requests benefited from improved economic conditions and, in 191 cases, of a reduction in decision times as well.

5.2 Ethical products and services

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

There are a number of products with significant social impacts. For the economically disadvantaged, the Group's banks participated in the agreement between the Minister of the Economy and Finance, Bank of Italy, the Italian Banking Association (ABI), Poste Italiane and Associazione Italiana to offer basic current accounts.

Added to these products are initiatives to facilitate access to credit, particularly for the purchase of properties belonging to the non-luxury category, through fixed-rate mortgage loans and residential leases.

Moreover, thanks to the multi-channel orientation, the Group banks offer visually impaired customers specific tools to carry out financial transactions, bank transfers, mobile phone top-ups, etc. online. In fact, MSITE (the internet banking application for access by mobile devices) provides specific software (so-called screen readers) that "reads" what appears on the monitor or display and describes it through a vocal summary. To allow these customers to be as independent as possible, there is now also an option to see the webpages in a larger format, as well as new functions linked to password management.

In this regard, the Group's banks are in the process of applying braille characters to all credit, debit and prepaid cards offered to customers, to enable blind and visually impaired customers to recognise the instrument more clearly.

²⁴ The figure does not include Cassa di Risparmio di Saluzzo.

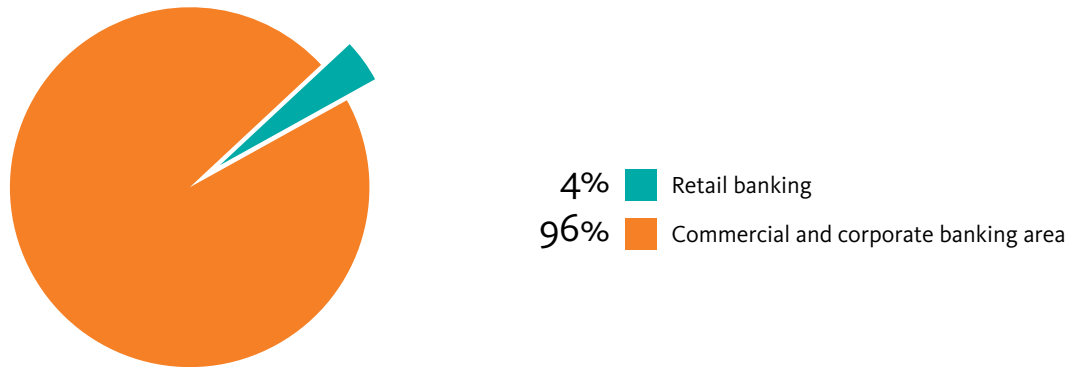
Welcome to the bank of ABI

BPER Banca has adopted the ABI initiative “Benvenuto in banca” (Welcome to the bank): an admirable initiative focused on social inclusion. In fact, ABI has drawn up a simplified guide, available in ten languages, on the main banking products and services aimed at the weaker segments and at immigrants. The Transparency section of the Group banks’ web sites contain the versions translated into the most widespread languages.

The significant increase in options available to customers, along with the growing complexity of financial instruments, have highlighted and underlined the importance of a financial expertise plan.

In this respect, BPER Banca - always sensitive to growth of the territory in which it operates and to the prosperity of the families and companies situated there - has for several years conducted a financial education programme aimed at private individuals and high value-added consulting for companies.

5.2.1 Products and services with social purposes



Products and services designed to deliver a specific social benefit²⁵

	Unit of measure	31/12/2017		31/12/2018	
		Total	%	Total	%
Retail banking	no. transactions	712		1,090	
	Disbursed value (€)	4,504,593	1%	15,588,201	4%
Commercial and corporate banking area	no. transactions	2,284		2,002	
	Disbursed value (€)	445,488,122	99%	398,919,810	96%
Total	Disbursed value (€)	449,992,715		414,508,011	

The bank’s territorial vocation also means financial inclusion support and programmes aimed at parties not fully integrated into the economic and productive fabric, or those who, for various reasons, have been marginalised: mainly youth and the elderly. For these categories, financial, credit and savings services have been designed and implemented, aimed at economic strengthening.

²⁵ Following improvement of the reporting system, the 2017 data have been restated compared to those published in the previous Sustainability Report with respect to the number of loans. For the previously published data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>

Microcredit

Microcredit is the financial instrument that meets the requirements of financial inclusion for those with difficulty in accessing traditional credit. With a view to financial inclusion, the Group Banks have 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 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 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 business productivity
- support in defining price and sales strategies, through market studies
- support for the solution of legal, fiscal and administrative issues, and information on the relevant services available on the market
- support for the identification and diagnosis of any critical aspects of implementation of the financed project.

The BPER Group has provided a **credit line of Euro 75,000,000** to promote the activity. 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 Microcredit, the branch puts them in contact with the nearest PerMicro office, which assesses the applicant’s creditworthiness.

There are several initiatives to support Microcredit activated in collaboration with associations and religious bodies. Special mention goes to 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.

The Microcredit target comprises micro-enterprises and freelancers with VAT number, and the purpose for the loan is the purchase of goods and services related to the business, for training costs and remuneration of new employees or partners.

Microcredito Imprese loans disbursed

by BPER Banca, Banco di Sardegna and Cassa di Risparmio di Bra - ENM

	No. of transactions 2017	Amounts disbursed 2017	No. of transactions 2018	Amounts disbursed 2018
Banco di Sardegna	17	€ 164,000	163	€ 3,881,103
BPER Banca	70	€ 1,078,830	329	€ 7,672,326
Cassa di Risparmio di Bra	-	-	2	€ 40,000
Grand total	87	€ 1,242,830	494	€ 11,593,429

Loans to companies

To establish a local 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 and the European Bank for Investments. These partnerships permit the Group's banks to offer companies specific solutions to facilitate their financial inclusion and economic strengthening.

Fin PMI

Guaranteed by the Guarantee Fund for small and medium-sized enterprises, it 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. The Fund envisages, among other things, priority intervention for:

- less-favoured areas or areas affected by earthquakes
- companies with predominantly female ownership
- innovative start-ups.

The use and dissemination of these forms of financing allow an efficient allocation of financial resources throughout the territory, promoting economic development and business initiatives, thanks to modularity of the guarantee percentages, which are higher in disadvantaged and underdeveloped areas and in areas affected by earthquakes, improving and promoting access to credit for SMEs and, at the same time, promoting innovation and employment.

Innovfin

It 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.

Mortgage with EIB funds

This is a medium and long-term loan in support of investment programmes 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), it 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

This loan is intended as a stimulus for company growth in foreign markets. It is issued with the SACE guarantee, dedicated to the internationalisation and foreign investments of companies.

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.

Corporate - professional loan - "Fin job"

Loan aimed at supporting and facilitating companies which, as part of their development plans and taking advantage of the regulatory changes of the "Poletti Decree", have planned to hire new employees.

Special Credit

This is a loan aimed at freelancers, artisans, sole proprietorships and companies that aims to finance the advance payment of taxes, contributions and thirteenth months' pay, in the amount of 80%.

Fin PMI imprenditoria femminile

It is an unsecured loan backed by direct Guarantee by the Guarantee Fund for small and medium-sized enterprises, to facilitate access to financial resources by SMEs with a predominantly female component.

Welfare solution

It is the BPER Banca service 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 BPER Banca not just as an entity that provides financing or financial services, but also and 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 offers to support companies in all aspects concerning awareness with respect to research and to the development of better working conditions. Tax legislation is 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. 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 project contributes to growth of the region’s social and economic fabric, leading to innovation, increased business productivity and a real financial advantage for its employees. The service has been available throughout the entire country since April 2018. With the aim of developing increasing skills in welfare, the bank, following the national launch of the service, has activated a training campaign in collaboration with the project partners in favour of its employees, thus ensuring the provision of adequate and in-depth consulting to interested companies. As confirmation of the quality of the service provided, at the fifth edition of the Italy Protection Awards, among the awards defined with business intelligence activities of the EMF group, the portal of BPER Banca, SiSalute and Willis Towers Watson was awarded, receiving recognition for the innovation of the platform of advanced services dedicated to corporate welfare. The bank’s positioning is also confirmed by a series of free workshops in favour of companies interested in the service.

Current accounts

Basic Account

The characteristics of the account were defined by the Agreement between the Minister of the Economy and Finance, Bank of Italy, the Italian Banking Association (ABI), Poste Italiane and Associazione Italiana Payment and Electronic Money Institutes.

It is reserved for new customers without bank accounts or with limited operational requirements. Specifically, it is intended for consumer customers residing in Italy or in the European Union, without discrimination and regardless of their place of residence (also including consumers without a fixed address and asylum seekers); it meets the purpose of financial inclusion with limited operation and has a simple, transparent and easily comparable cost structure.

The bank has the right to make the appropriate banking checks on the potential client in accordance with the regulatory provisions in effect.

The offer is broken down into the following solutions:

- **Basic Account**, designated for all consumers legally residing in the European Union
- **Basic Account - ISEE < € 11,600**, designated for consumers legally residing in the European Union and with a valid ISEE of less than € 11,600
- **Seniors’ Basic Account up to € 18,000 annual gross**, designated for consumers legally residing in the European Union and receiving a pension equal to a gross annual amount equal to or less than € 18,000.

Third Sector Current Account “Non onlus” (Non-profit)

Dedicated to non-consumer customers belonging to the third sector: volunteer associations, social cooperatives, volunteer civil protection associations, social promotion associations, amateur sports associations, consumer and user associations, mutual aid companies, non-governmental organisations and social enterprises. In general, it is dedicated to third sector organisations or institutions that carry out activities of general interest that are not related to an economic value or for which the economic result is only a consequence of their activities, not an aim.

Third Sector Current Account “Onlus” (For profit)

It is solely dedicated to non-profit organisations. It has the same conditions as the Third Sector Account dedicated to for-profit organisations but is exempt from payment of the stamp duty.

Specific products have been created for minors and youth

Account for 13-17 year-olds

For teens with a prepaid card - BPER CARD PAY UP TEEN - that can be topped up and is nominal for customers under 18.

GRANDE! Savings account

For children under 12 years, a welcome kit with a card is envisaged, with special conditions for entry into theme parks.

GRANDE! Personal loan

It is a low-interest loan for requirements linked to minors, made out to one or both parents. It finances expenses related to the minor (education, medical costs, purchase of furniture or items linked to the care of the child/newborn).

GRANDE! Vita, protection for your loved ones and serenity for the entire family

Products of the GRANDE! Vita line were created with the objective of offering a concrete savings opportunity to those families who would like to set aside small-large amounts of money for their children. The amounts invested are designated for the minor, who may use them upon reaching adult age, to finance their studies and passions. The amount may be set aside in a lump sum or with regular deposits, thereby enabling everyone to stipulate investment policies.

Products of the GRANDE! line are consistent with the project of the same name. In fact, they were all designed to develop and sustain a saving culture, a value that BPER Banca would like to pass on to small investors, promoting responsibility in the decisions of minors as well.

Free Erasmus Student Network account card

BPER Banca has signed an agreement with E.S.N. Italia (Erasmus Student Network), association responsible for offering, among its various services, the necessary assistance to international students in Italy and to Italian students who travel abroad to complete their studies.

Prepaid “ethical” cards

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:

- Amnesty International
- Emergency
- Telefono Azzurro.

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

- Emporio solidale “Il Mantello” in Ferrara
- Mission Card
- We Love Sport
- Reggio Emilia Refugee Project.

Auto insurance policy with black box

Arca Motor Box is the technological device that enriches the “Tutto Tondo” auto insurance policy by Arca Assicurazioni. With Arca Motor Box, based on the kit selected, the customer has many services at their disposal: they can count on 24-hour assistance, they can find their car more easily in case of theft, they can defend themselves from attempted fraud or sanction and they can take advantage of Value Added Services (innovative online services supporting customers and providing savings on the cost of the service).

The objective is to offer the customer more protection, safety and assistance at the wheel. Thanks to continuous transmission of data to an operations centre, the possibility of guaranteeing perfect geolocalisation, the detection of stresses on the vehicle and its internal memory for data processing, Arca Motor Box makes it possible to objectively reconstruct the dynamics of an accident.

Senza Barriere Loan

It is a low-interest loan dedicated to visually impaired and blind customers in order to finance requirements linked to their disability.

In accordance with said objectives, the loan may also be disbursed to family members of the individual in question.

The loan is complementary to what is already covered free of charge by the National Health Service (wheelchairs, prostheses and anything else that may fall within the health area) or recognised by any Regional Laws.

For example, the loan finances technical aids for mobility (crutches, lifts, stabilisers, etc.), aids for everyday life (special tools for the home, specific equipment for hobbies and sports, etc.), personal care items, computer aids (voice recognition, ad hoc keyboards, educational software, etc.), aids for environmental accessibility (installation of a home automation system, sensors, automatic sliding doors, etc.) and communication devices (alphabetical, symbolic, etc.).

Salary-backed loans

The BPER Group has subscribed to the Memorandum of Understanding signed between Assofin and Consumer Associations, aimed at promoting good practices in granting salary-backed loans/assignment of pension and payment authorisations. The Memorandum was defined with the objective of encouraging greater transparency in customer relations to increase consumer protection and prevent over-indebtedness. The Protocol provides for certain activities to be carried out in the assessment of customer credit risk and reliability, aimed at preventing and avoiding 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 3 items at most: application processing costs, including tax costs, corresponding to the costs actually incurred in processing the application, network brokerage commissions, charged to the customer, and annual nominal rate.

Resto al Sud

It is a government project that envisages incentives to support the creation of new businesses by young people in the Southern regions.

The special conditions are aimed at young people of between 18 and 35 years of age who:

- are residents within the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia or Sicily at the time of submission of the loan application
- transfer their residency into the above regions after notification of positive outcome
- do not have permanent employment for the entire duration of the loan
- do not already operate a business.

Applications may be submitted by companies, including cooperatives, sole proprietorships established subsequently to 21 June 2017, or teams of individuals established within 60 days (or 120 days if resident abroad) after the notification of positive outcome.

The objective of Resto al Sud is to launch entrepreneurial initiatives for:

- production of goods in the industrial, artisanal, agricultural, fishing and aquaculture sectors
- provision of services to companies and people
- tourism.

The investment will be covered by a capital contribution of 35% and a subsidised loan for the remaining 65%, with repayment at a fixed rate over eight years, of which two years of pre-amortisation. The Loan, granted by the affiliated banks, has an eligible Mediocredito Centrale guarantee of 80%, free of charge and automatic. Given the substantial amount in question (Euro 1.25 billion), the tender is expected to remain open for at least four years.

Ethical products and services of Banco di Sardegna

In accordance with the Group strategies, Banco di Sardegna has expanded its products portfolio to offer specific solutions. The main ones are summarised below.

Mortgages with the First Home Guarantee Fund

The Bank adheres to the Memorandum of Understanding, signed between ABI (Italian Banking Association) and the MEF, for creation of the First Home Guarantee Fund, envisaged by the Interministerial Decree of 31 July 2014. This agreement provides for the granting of a state guarantee on 50% of the principal amount on mortgage loans, even with takeover from splitting, with restructuring of real estate to be used as the main residence of the borrower. The tool is dedicated to all natural persons, consumers with particular attention to the so-called "Priority Subjects", to whom the Fund Manager (Consap) assigns priority in the event of multiple applications for admission to the guarantee received on the same day. It specifically refers to:

- young couples
- single-parent families with minor children
- tenants of homes owned by Social housing institutes
- youth under 35 years of age with an atypical employment relationship as per Art. 1 of Law no. 92 of 28 June 2012.

FIN TUR Loans

Loans granted according to various technical forms (short and medium/long-term) have the characteristic of providing customised repayment plans that take into account the seasonal nature of inflows for companies operating in the tourism sector and have the key advantage of avoiding the liquidity crises often faced by companies operating in seasonal markets. These tools have an important socio-economic importance for the tourism sector, helping to generate positive effects both on the companies directly benefiting from funding and on the ancillary sectors.

LEB Loans

In 2018, refinement of the various types of credit facilities (BT, MT and MLT) granted to companies of high standing continued, in order to favour the strengthening of capital and the correct execution of investments; by granting LEB (Limited Edition ECB) loans, beneficiary companies can access credit at particularly advantageous rates and conditions. The various technical forms available make it possible to finance numerous business needs: from the financing of working capital, to imports and exports in general, to the granting of short and medium-term loans for mere business liquidity. In the second half of 2018, through the BIG LeB initiative, in line with what was implemented by the Parent Company, the commercial offer of LEB loans for significant tranches was promoted at particularly advantageous conditions. Operational streamlining combined with highly competitive market rates have made it an instrument of undoubted socio-economic impact.

R&I Fund

Established in collaboration with the MIUR and EIB to promote investment in Research and Innovation in the Regions of Southern Italy: Sardinia, Abruzzo, Molise, Campania, Calabria, Puglia, Sicily and Basilicata. The Fund has been assigned to Banco di Sardegna by the EIB, following an international tender, for a total of Euro 62 million. The objective of the initiative is to contribute to reducing the existing

gap in terms of Research and Innovation between Southern Italy and the rest of the Country.

As head of the Fund itself, the Bank will handle assessment of the projects for assignment of the available resources in the form of loans and investments in Equity, to which further resources may be associated on a co-financing basis by the Bank or by parties activated by it.

Beneficiaries may be large, medium and small-sized companies, research centres, universities and public and private institutes. The investment areas cover different sectors: aerospace, agrifood, sea economy; green chemistry, design, creativity and made in Italy, energy, smart factories, sustainable mobility, health, smart, safe and inclusive communities; environmental technologies and technologies related to cultural heritage.

Natural disaster funds

Following the exceptional weather events that hit Sardinia since the beginning of October, the Bank has set aside a ceiling of Euro 50 million in favour of businesses and families to implement in a quick and operational streamlined manner a series of financial measures to provide an immediate response and deal with emergency situations and difficulties that may affect the performance of commercial and economic activities.

Start Cup Project

As part of the initiatives in support of Start Ups, the Bank was partner and sponsor of the award organised by PNIcube, association that brings together Italian academic incubators and business plan competitions with the aim of stimulating the creation of new knowledge-intensive, university-based companies and accompanying them into the market. Start Cup allows the top three ranking projects to gain access to the National Innovation Award, at its sixteenth edition in 2018. In addition to sponsoring the project, the Bank contributed to the scouting and mentoring activity, as well as to assessment of the business plans.

Ollolai home value

In November 2018, the Bank decided to support the initiative, started by the Municipality of Ollolai and envisaged by Regional Law no. 8 of 2015, with a credit instrument specifically designed to facilitate the projects of those who believe in a new direction for the historic centres of Sardinia, counteracting the progressive depopulation and revitalising the community. The project will allow access to a loan of up to Euro 50 thousand at favourable conditions and without mortgage guarantees to those who want to renovate homes purchased for one euro. Some public regional entities, based on the experience acquired with said initiative, have expressed an interest in replicating.

ABI SME MORATORIUMS in favour of families and companies

As part of the policies supporting the territory, Banco di Sardegna supported companies during the period of economic crisis. Since June 2014 it participated, along with the Group, in extending the ABI SME moratorium, providing continuity in particular to the tools envisaged, to suspension of payment of the principal amount and to extension of the duration of mortgages, thereby allowing greater liquidity for the business world. Similar operations were implemented in 2018, including with different characteristics from the ABI moratorium, the so-called internal moratorium, to allow companies to overcome periods of financial difficulty.

SFIRS Regional Guarantee Fund

The granting of loans secured by the Regional Guarantee Fund (Regional Law no. 1/2009) continues. The beneficiaries are companies possessing the size parameters for access to State Aid designated for SMEs. The loans are granted through various technical forms, backed by guarantee from Regione Sardegna, granted to the beneficiary free of charge. This is another important tool that allows access to the

credit market at competitive conditions for SMEs that have adequate economic and financial requirements; moreover, it favours the birth and growth of the same by contributing to economic development on a regional basis.

Products dedicated to youth (under 28)

Particular attention has been paid to the youth target (aged 18-27 years).

Presence of current account with particularly advantageous conditions (**Banco Young**); in this respect, in November 2018, marketing of the new Modular current account “**Io Conto**” was launched, which envisages elimination of the fee on the basis module for the Under 28.

CONTO ANCH'IO

Current account dedicated exclusively to minors of between 13 and 17 years of age who would like to be using their first banking tools. It offers a debit card that allows you to withdraw from the ATM and make payments at merchants, while the Smart Web Info Service allows you to monitor transactions.

Agreements with the Universities of Sassari and Cagliari

These are two initiatives that confirm the close relationship between the Bank and the Sardinian academic world, together, albeit in a particularly delicate socio-economic context, to facilitate young people in the management of their university life in Italy and abroad through:

- UNISS Card: the agreement permitted the issuance of a prepaid card by the Bank, provided free of charge to the students of the University of Sassari. The card is registered and is used not only as an ordinary payment instrument, but also for the use of all services related to the attendance of university courses, such as payment of tuition and accreditation of scholarships.
- UNICA Card: even in this case, an agreement was stipulated with the University of Cagliari for the issuance of a prepaid card by the Bank, provided free of charge to the students of the University of Cagliari. The card functions as an ordinary payment instrument, including for university fees, as well as the accreditation of scholarships.

Special mortgages for first-home purchases by residents of Sardinia

The Bank grants loans for the purchase, construction and recovery of a principal residence, subsidised by an interest contribution from the Autonomous Region of Sardinia (Regional Law 32/85), to beneficiaries meeting the following conditions:

- maximum annual household income of € 46,063.90, with the exception of recovery works and purchases with recovery of homes situated in the “historic centres” or “matrix centres”
- European citizenship or non-European citizenship, provided they comply with the laws on immigration and residency
- they have lived in Sardinia, with official residence, continuously for over five years
- non-owner of property rights, usufruct, use or housing rights to adequate accommodation in the territory of Sardinia in the three years preceding the date of submission of the application to the Region.

5.2.1 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.

	Unit of measure	31/12/2017		31/12/2018	
		Total	%	Total	%
Retail banking	no. transactions	87		63	
	Disbursed value (€)	2,420,970	5%	1,535,750	1%
Commercial and corporate banking area	no. transactions	15		16	
	Disbursed value (€)	51,252,500	95%	178,558,772	99%
Total	Disbursed value (€)	53,673,470		180,094,522	

Project Finance

Project finance is part of the ethical products with environmental purposes and refers to the financing of projects aimed at the realisation of systems for the production of energy from renewable sources (wind, photovoltaic, hydroelectric, biomass, etc.) or for infrastructural initiatives under concession (ports, hospitals, parking lots, various infrastructures, gas distribution systems, etc.).

The distinctive element of project finance lies in the fact that the main object of the valuation is the project, with its contractual structure, and not the economic-financial reliability and package of guarantees backing the loan.

As at 31/12/2018, the BPER Group had a project finance portfolio with a residual debt of approximately Euro 445 million, including 44 transactions in the renewable energy sector as well as in the infrastructure and networks sector.

Main areas of intervention: energy (renewable), infrastructures in the area of public and environmental concessions and networks.

Photovoltaic: in 2017, 24,811 Gwh were produced in Italy from photovoltaic source, an increase of 11% on 2016 (21,757 Gwh). The increase in production is due on the one hand to the higher installed capacity, at 409 MW (+11% on 2016) and, on the other, to climatic factors such as higher radiation. Solar photovoltaic systems have benefitted from five incentive systems referred to as "Conto Energia" (Energy Account), which followed one another from 2006 to 2012.

Hydroelectric: in Italy, hydroelectric energy is the main alternative resource to fossil fuels and provides approximately 18.2% of the national energy requirements. The total volume of installed hydroelectric power at the end of 2017 was 18,702 MW, with the volume of new installations equal to approximately 95 MW, volumes that are slightly higher than those of 2016. The Regions that installed the most in 2017 are the same as those in 2016, specifically Lombardy (26.35 MW), Piedmont (21.8 MW) and Trentino (9.08 MW).

The market value of new installations in 2017 was approximately Euro 443 million, largely attributable, in fact, to the small plants. It is interesting to note how in the case, the difference in cost in €/kW between large and small plants is extremely significant. Plants of under 500 kW cost over 2.5 times those of between 5 and 10 MW.

Biomass: the cumulative power, adding all of the various types of biomass used for electricity production, exceeded 4.2 GW at the end of 2017, with total growth of "only" 50 MW in 2017, compared to 40 MW in 2016. Stability in prices (no events are envisaged that could significantly impact the price of biomass for bioenergies) and a national supply of approximately 60 Mton/year, with growth prospects of a further 30 Mton/year, are able to satisfy the demand of biomass for bioenergies, which is up slightly. In fact, the guidelines of SEN 2017 (Strategia Energetica Nazionale - National

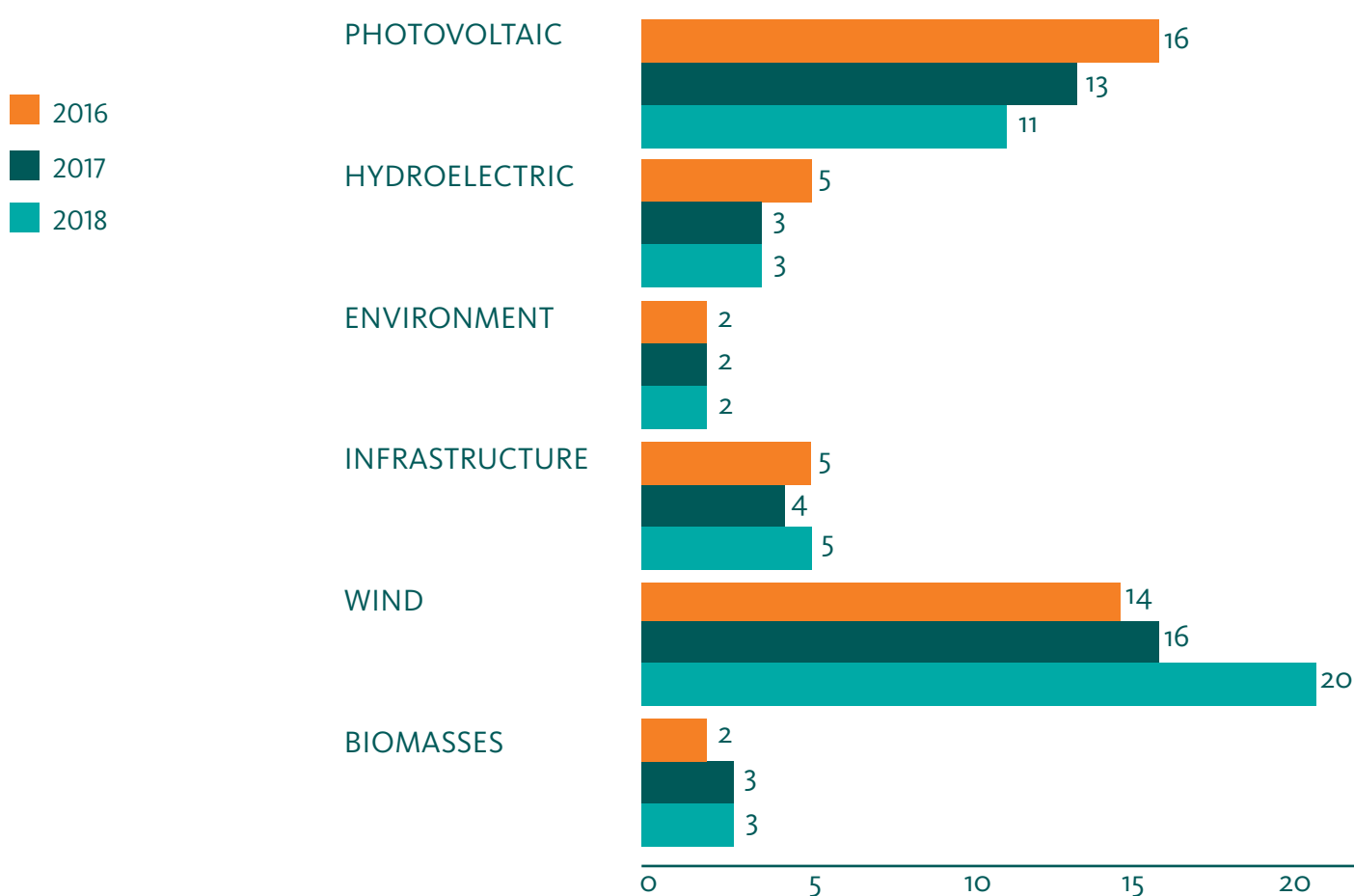
²⁶ Following improvement of the reporting system, the 2017 data have been restated compared to those published in the previous Sustainability Report. For the previously published data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>

Energy Strategy) envisage the installation of new biomass capacity of very small size (<300kW) and maintenance (revamping) of the existing large plants (>5MW).

Wind: the total volume of installed wind power at the end of 2017 was over 9,811 MW, with the volume of new installations equal to approximately 359 MW (+23.8% compared to 2016). It is important to note how, given the conformation of the national territory and the relative windiness, almost all of the connected power (99%) is located in the regions of Southern Italy.

The market value of new installations was just over Euro 534 million. The large majority is represented by plants of over 5 MW, with a countervalue of over Euro 280 million (approximately 54% of the total). The cost in €/kW in 2017 was within the range of € 1,840 for small plants and € 1,300 for large plants.

No. of existing project financing contracts



NUMBER OF TRANSACTIONS AS AT 31/12/18 44

RESIDUAL DEBT AS AT 31/12/18 445 MLN €

AMOUNT DISBURSED IN 2018 174 MLN €

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. Thanks to this initiative, BPER Banca has earned the ABI 2018 Innovation Award for Green Finance. The Award is intended for banks active in the introduction of environmental variables into credit policies and investment strategies and is a recognition to the BPER Group for its growing focus on innovation and on the development of business solutions that combine economic growth with environmental sustainability.

These are financing operations, also in pools with other banks, aimed at providing beneficiary companies with the necessary resources to cover the project costs and VAT requirements generated during the construction period of plants for the production of electricity from renewable sources (wind, photovoltaic, hydroelectric, biomass, etc.).

In order to benefit from the credit, companies must hold all the authorisations and permits necessary for construction and management of the plant, as well as benefit from an incentive rate provided by the GSE (National Energy Services Manager), which differs in terms of type of renewable source and size of the plant, and whose duration is longer than that of the loan.

As far as the "infrastructure" is concerned, however, it is a question of financing the construction costs of public works, including hospitals and car parks.

The structure of these operations envisages a public grantor who provides a public contribution for realisation of the work, to which the private contribution financed by the banks is added.

Fin Helios Corporate banking

Financing dedicated to the installation of photovoltaic systems for electricity designated for self-consumption or sale and to the expenses sustained for the removal or disposal of “Eternit” and/or asbestos, in relation to the roof pitch on which the photovoltaic system will be installed.

Regional Funding Multipurpose Loan - Energy sector

Unsecured low-interest loan designated for companies of the Emilia Romagna Region, with mixed funding, 70% from public resources (Por Fesr 2014-2020) and the remaining 30% from funds provided by the banks that have agreements in place with UNIFIDI. The investments must be aimed at promoting energy efficiency and developing the use of renewable energy in companies within the Emilia Romagna region.

Title VI Loan - Aid for the protection of the environment, POR Puglia 2020

BPER Banca has an agreement in place with the Puglia Region to operate as Lending Party under Title VI. These are loans aimed at financing investment projects to achieve primary energy savings of at least 10% of the energy used by company headquarters, which is where the investments must be made. Investments must regard: energy efficiency - high-yield cogeneration - production of energy from renewable sources.

Prestito Valore Casa

The loan designed to make your home ecological and sustainable. It supports interventions regarding:

- 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.

It is ideal for those who wish to install solar panels or carry out refurbishment works to improve energy savings.

Its objective is to improve the energy efficiency of one's home, making it both ecological and sustainable. It is reserved for natural persons who want to make their home more sustainable, carrying out refurbishments for energy efficiency.

Home insurance policy with Earthquake guarantee

The bank offers, within the residential insurance product referred to as “RiparaCasa New”, the Earthquake guarantee, which may be applied to the entire building and its contents.

Green mortgages, launch of the European project to finance energy savings

The project, financed with the European Funds of Horizon 2020, is promoted by an international consortium consisting of the European Mortgage Federation - Covered Bond Council (EMF-ECBC), the Royal Institute of Chartered Surveyors (RICS), E.ON, Ca'Foscari University of Venice and Goethe University of Frankfurt. A programme involving dozens of stakeholders and banks, including Italy entities or entities operating in Italy (Abi, Enea, Crif, Green building council, Rics, Mps, Bpm, BPER Banca, Crédit Agricole, Société Générale, Volksbank, Friulovest Banca, Unicredit), in addition to numerous public institutions and companies specialised in the energy sector and Real Estate.

The objective is to create a standardised "green mortgage" that encourages private individuals to carry out energy efficiency works on owned properties or to purchase properties with already high efficiency performance.

The incentive must be linked to preferential economic conditions. The initiative is based on the assumption that energy efficiency may have a risk-mitigating effect for the bank, linked to the increase in value of the property.

BPER Banca was selected to participate in the initiative promoted by ABI, BEI and Unicredit due to its specific sector expertise, its collaboration in technical panels of ABI on renewable energy and real estate and, above all, as pilot bank for Italy, selected by the European Commission and by the EIB (European Investment Bank) for the LIFE4ENERGY loan product.

Farm loans

Confirming its vocation as bank with strong ties to the territory and its strong sensibility to the issues of respect for the environment, low-interest medium/long-term farm loans were proposed again in 2018.

No ceiling has been envisaged, to allow maximum accessibility for clientele.

The beneficiaries are farm business owners and agroindustrial enterprises.

The purposes are documented production investments, including in renewal energy with regard to company requirements and environmental protection.

Furthermore, in the last quarter of 2018, particular attention was paid to the Organic and Biodynamic farming sector, through tactical actions with short-term impacts.

Sardaleasing

In the last 11 years (from 2007 to 2018) Sardaleasing has financed renewable energy production plants (photovoltaic, wind, hydroelectric, biogas, etc.) for an amount of Euro 229,602,305.

For 2018, the amount was Euro 3,882,433, for an installed capacity in new Energy contracts of 4,096.88 kWp.

With elimination of state incentives for production and distribution of energy produced by PV plants, the development of the Energy product financed through the leasing instrument was substantially halted.

In fact, in three years (2016/2018), the Energy segment declined (in terms of volume) on a cumulative basis by over 70% compared to production in 2015.

Loans by Banco di Sardegna

Cheese sector

All the activities and initiatives implemented to support companies in the entire sector are also confirmed for 2018. Among these, of particular importance is the introduction and implementation of the revolving pledge (as per Ministerial Decree of 26 July 2016): a technical form of financing designed to improve the correlation between the volume of financing granted and the value of production provided as a guarantee. This contributes to improving the economic and financial balance of companies that have significant time deviations in the flow of revenue compared to costs, linked to maturation of the product. The delicacy of the economic sector and the turbulence of the market are eased thanks to these important financial instruments, with clear economic and social repercussions on the entire territory.

Farming sector

The various activities aimed at promoting funding for agricultural operators are still fully operational, thanks to the agreement on the Rural Development Plan signed with the Sardinia Region to promote access to credit for agricultural businesses and the initial entry of young people into agriculture. The instruments envisaged are the farm management loan, which provides for an interest rate subsidy for short-term credit and loans to agricultural companies for the construction of mini-wind plants with a maximum power of 60 kWp and a regional guarantee from the SFIRS Fund.

5.3 ESG investments

What does investing responsibly mean? It means respecting the environment and human rights, investing in the real economy and rewarding companies and countries that adopt virtuous practices (without renouncing opportunities for returns, in the medium to long term). Companies that have excellent forms of governance and are sensitive to environmental and social issues have a long-term vision and minimise risks, factors that directly affect performance of the business and, therefore, the relative securities issued. BPER Banca is commercial partner of Etica Sgr and Banca Etica. Etica Sgr has developed a process for analysis of ESG aspects (social, environmental and governance aspects), of issuers (see next paragraph).

The Group holds an ethical portfolio as at 31/12/2018 of € 154,630,011, equal to **0.91%** of the total portfolio invested (considering Green Bonds, the equity funds of Etica Sgr and the investments in Etica Sgr and Banca Etica). As evidence of its commitment to ethical investments, the Group's objective is to increase SRI by **20%** within 2021.

FONDO SI

BPER Banca has joined Fondo SI Social Impact promoted and managed by Sefea Impact S.p.A., asset management company based in Padua.

The fund invests in SMEs which, as part of their business activities, are able to generate social, environmental and cultural impacts.

The Bank participated in the initiative by subscribing a total of € 2/mln (of which € 1/mln subject to achievement of a defined volume target by the fund).

5.4 Banca Etica and Etica Sgr

In 2019, the Banca Etica Group turns 20. Banca Etica, born from the movements of civil society which in the nineties had raised the necessary share capital among thousands of people and organisations, is now a solid and growing reality, with the presence, alongside the bank, of asset management company Etica SGR. The Banca Etica group currently manages approximately 5 billion in assets (1.5 billion as bank and 3.5 billion as Etica Sgr), using them for initiatives with high social and environmental impact. Banca Etica is currently the only Italian group entirely dedicated to ethical finance. As mentioned above, BPER Banca is a member of Banca Etica and Etica Sgr.

Banca Etica

Banca Etica is active all over Italy with 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. The bank is also present in Spain, with a large group of shareholders, as well as with a branch of Fiare-Banca Etica in Bilbao and two offices, respectively in Madrid and Barcelona.

Banca Etica continues to have as its main interlocutors the organisations of the Third Sector, which constitute the majority of the bodies entrusted and whose activities are closely followed thanks to a number of important partnerships (Iris Network, ISNET Observatory on Social Enterprise, EURICSE).

Moreover, in the last few years, the bank has strengthened its attention with regard to responsible profit, from the Benefit B-CORP companies to innovative start-ups and to those organisations currently defined as hybrid.

Since 1999, each company that proposes credit to Banca Etica has been evaluated, not only from an economic-financial point of view, but also in terms of its social and environmental responsibility profile, with a procedure that has evolved into the new Impact Assessment, carried out thanks to the work of the voluntary partners who, based on questionnaires completed by the customer, assess the orientation of the requesting body for the generation of common good.

Banca Etica's approach to credit has been expressly recognised since 2016 in the Consolidated Banking Law (Art. 111-bis), while 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.

Attentive to the opportunity provided by new financial instruments to implement initiatives in line with its values, again in 2018, Banca Etica continued its commitment with regard to crowdfunding, though both the reward method (via calls for proposals designed to select innovative projects, which can raise funds through the dedicated page on the “Produzioni dal Basso” reward portal and benefit from the contribution of the Etica SGR microcredit Fund) as well as equity (thanks to the partnership signed with the “Stars-Up” portal).

In its business activities, Banca Etica confirms its attention to orienting finance to contribute to tackling the most socially relevant issues of today: from work to the environment and legality, and to the integration of migrants.

With regard to this last issue, Banca Etica developed its initiatives through microfinance, with assignments to 165 organisations engaged in welcoming migrants, for a total of Euro 47 million used in projects to benefit approximately 12,000 migrants.

In 2018, Banca Etica also decided to grant a credit line to support the launch of the “Mediterranea Rescue” project, as well as to host on its own page the “Produzioni dal Basso” crowdfunding campaign to collect funds to support the initiative.

Etica SGR

Since its establishment in 2000, Etica Sgr exclusively offers the market sustainable and responsible mutual investment funds. The core activity is the ESG selection of issuers, a process that takes place through a double screening. In the first screening, negative criteria leading to exclusion are applied, which eliminate all issuers involved in controversial activities (for example, for companies, weapons, gambling, nuclear energy, pesticides and human rights abuse) or which have violated international standards and conventions. In the second screening, positive criteria are applied, analysing companies and countries in a more detailed manner based on environmental, social and governance parameters. Only issuers with an adequate qualitative profile and quantitative score may enter the Investible Universe of Etica Sgr.

With the companies in which the funds invest, Etica Sgr establishes constructive, patient and long-term communication. An engagement activity of which Etica Sgr is pioneer in Italy. This responsible investment strategy is implemented through dialogue between Etica Sgr and management of the companies in which the funds invest and the active shareholders that exercise voting rights with regard to the share capital of these companies.

According to Etica Sgr's idea of responsible investment, the objective of achieving **positive potential financial performance** must be associated with that of generating **positive effects for the environment and society**.

Choosing to invest in SRI funds also means considering the **ESG impact** (environmental, social and governance). A significant initiative in this respect is certainly the **Impact Report**, document that illustrates the results of the equity investments of funds of Etica Sgr from the ESG standpoint compared to the reference market. The Impact Report is a fundamental tool in terms of transparency with customers and also includes the results of the engagement activity.

The results of the study have shown that, for example, the companies in which Etica Sgr funds invest have average CO2 emissions of **70% lower** compared to the reference market and that the number of companies that have set emission reduction targets is 49% higher than the reference market. It has also been revealed that companies that invest in Etica Sgr funds have created an average of 1,689 jobs (+202% compared to the market).

Modern for twenty years now, Etica Sgr does not renounce innovation and continuous improvement. At the end of 2018, **Etica Impatto Clima** was launched, a new balanced fund dedicated to investments in favour of development of a “low carbon” economy and of low impact with regard to climatic change. The fund invests in securities with a high sustainability profile, focussing on particularly performing issuers or in any case on those strongly committed to decarbonisation, i.e. in the reduction of carbon dioxide emissions. In 2018, the Banca Etica Group launched “Valori.it”, newspaper published by Fondazione Finanza Etica and promoted by Banca Etica and Etica SGR, which inherits the work of critical analysis and reporting on the issues of finance and economics first carried out by the paper magazine and now available through digital tools, new media and social platforms.

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.

Placement of funds of the Etica system carried out by the BPER Group in the period 01/01/2018 - 31/12/2018

Name of Fund	Net collections
Azionario	12,596,910.38
Bilanciato	63,034,541.98
Impatto Clima	13,297,827.45
Obb. Breve Termine	-25,373,222.82
Obbligazionario Misto	10,253,421.55
Rendita Bilanciata	96,146,784.31
TOTAL	169,956,262.85

Fondi Valori Responsabili of Etica Sgr

Subscribers can choose to donate 0.1% of the subscribed capital (1 euro per thousand) to a fund that guarantees microcredit projects in Italy, currently managed by Banca Popolare Etica. The beneficiaries of the amounts collected are:

- people who are under serious social and economic hardship
- people who want to start entrepreneurial activities
- social cooperatives that require recapitalisation.

Placements made by BPER have totalled Euro 150,343 to be deposited into the Fund.



6. Our employees

6.



People are the most precious resource of the Group companies and represent a true competitive advantage. The changes in the last few years and the consequent intensification of production and operating requirements have not reduced the significant attention paid to Human Resource management, particularly in the development of processes to enhance and increase professional and personal skills.

The relationship between the company and the employee is characterised by three basic elements, which have always inspired the Group's management policies: a contractual element, which generates obligations that mutually bind the two parties; the technical-professional aspect, aimed at identifying suitable profiles for individual organisational positions and training courses capable of developing the various growth potentials and, lastly, the personal aspect, for which the company is also in a position to favour the employee's personal development and social fulfilment (Group Guidelines for the management of Human Resources).

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.

Employees by contract type²⁷

	31/12/2016		31/12/2017		31/12/2018	
	M	F	M	F	M	F
On temporary contract	7	8	8	9	3	1
On permanent contract	6,666	4,897	6,552	5,070	6,517	5,084
Apprenticeship	21	36	19	28	17	26
TOTAL INTERNAL EMPLOYEES BY GENDER	6,694	4,941	6,579	5,107	6,537	5,111
part-time employees	1%	17%	1%	19%	1%	19%
TOTAL INTERNAL EMPLOYEES	11,635		11,686		11,648	
Temporary workers	108	150	97	156	128	185
Self-employed workers	0	0	0	0	2	1
Internships	0	0	0	0	3	5
TOTAL WORKFORCE BY GENDER	6,802	5,091	6,676	5,263	6,670	5,302
TOTAL WORKFORCE	11,923		11,939		11,972	

²⁷ Employee data for FY 2016, where reported in the following document, do not include personnel on leave of absence.

In 2018, the BPER Group counted on a workforce of nearly 12,000 people, of which 99.6% employed under permanent contracts and 9% under part-time contracts.

Part-time contracts



The company is constantly evolving and this dynamic, apart from being organisational, is managerial as well: the attention to adequacy of the staff, necessary for proper management of the costs they generate, is also reflected in the use of contractual forms that ensure agility and flexibility in response.

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 (with individual negotiation of the economic and entry conditions, with a view to safeguarding, as far as possible, the internal balance, including remunerative)
- professional apprenticeship contracts for junior type requirements
- in the remaining cases (temporary substitutions), temporary contracts were used, mainly leased staff and, marginally, fixed-term contracts.

New hires by gender



	2016		2017		2018	
	M	F	M	F	M	F
New hires by age						
<30	31	47	43	49	32	30
30-50	46	36	39	44	44	35
>50	3	0	3	1	2	0
Termination by age						
<30	3	2	6	6	7	2
30-50	29	26	38	18	49	30
>50	64	39	421	180	66	27

In 2018, 143 new employees joined the BPER Group, down by 20% compared to the previous year, of which 45% female and 55% male. A high percentage, approximately 43% of newly hired staff, belongs to the younger age groups (<30 years). The turnover rate, on the other hand, was 1.6%, down compared to the prior year.

New hires by age



6.1 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 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 structures to operate. Company practices, internal regulations and external ones provide the rules of behaviours with which the companies of the Group, through human resource managers, operate during these times of change, combining company values with the search for 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. For activities regulated by internal and external regulations, the rigour and control by internal functions or external controllers are stringent. For example, in application of Legislative Decree 231/01, specific 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 governance bodies offer direction and guidelines for the management of human resources when individual management events, in terms of importance, are such as to require the intervention of a decision by Top Management: the hiring of resources with a high profile and high gross annual salary and appointments to positions of high responsibility are two significant examples. Top Management is also involved in defining the outcome of disciplinary procedures that result in the issuance of expulsive measures. During the year several meetings are held between Top Management and Management (5 meetings, of which 4 quarterly and 1 year-end), between General Management and the Territorial Divisions in which all branch managers take part, and annual meetings of individual central departments.

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.

2019-2021 Business Plan

The projects under the 2019-2021 Business Plan regard the following three main initiatives:

1. Strong involvement of personnel
 - Launch of initiatives for recognition and enhancement of diversity and inclusion of all personnel (i.e., gender, age, nationality)
 - Ongoing dialogue with personnel and maintenance of strong industrial relations
 - Evolution of company welfare
 - Introduction of an incentive system (LTI) linked to achievement of the objectives of the plan
2. Training and growth of staff
 - Ad hoc design of training and coaching initiatives
 - Particular attention to the development of digital and leadership skills
 - Definition of specific training programmes for development of key figures (e.g., Private and Corporate managers)
 - Enhancement of the skills of employees from Unipol Banca
3. Flexibility programmes
 - Activation of flexible work models:
 - Decentralisation of certain activities in territorial hubs (hub working)
 - Development of smart working

6.2 Enhancing the value of employees

6.2.1 Training and growth of employees

The BPER Group continues to pay great attention to training and continuing professional development. The training provided in 2018, designed in accordance with the strategic guidelines of the 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 the change projects that are transforming the Group. 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 over two hundred internal teachers; these are experienced colleagues 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 by all employees, mainly to deliver specialised training and regulatory content.

The Recruitment and Training Office annually identifies, in collaboration with the Human Resources Management and Development Service and the Service/Department/Division Managers of the Parent Company, the personnel training requirements, both in terms of technical knowledge as well as behavioural and managerial skills. This analysis of training needs determines the structure and type of training courses, which are then published in the annual Course Catalogue and made available to all colleagues to choose and set their annual training programme, shared with the Head of the Organisational Unit to which they belong.

The Parent Company's Course Catalogue, upon publication on the BPER Banca intranet, is made available to the personnel departments of the other Group companies.

In addition, in the case of requests for specific external training (seminars and courses provided by ABI, training at Bocconi University, etc.), the Recruitment and Training Office carries out the evaluation and issues the authorisation (or rejection) to participate.

The training of personnel and consequent management plays a decisive role in the prevention and adequate control of the risks of non-compliance, implemented through the dissemination of a corporate culture based on the principles of honesty, fairness and respect for the spirit and content of national and EU 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			2018		
	M	F	Total	M	F	Total	M	F	Total
Executives	7,317	619	7,936	7,909	940	8,849	8,443	882	9,324
Managers	107,621	40,322	147,943	134,212	61,189	195,401	152,899	72,952	225,851
Professional staff	154,467	141,519	295,986	174,849	181,068	355,917	191,571	206,357	355,917
TOTAL	269,405	182,459	451,864	316,971	243,197	560,168	352,913	280,190	633,103

In 2018, over 633,000 hours of staff training were provided, an increase of 13% compared to 2017. The number of average hours per employee is 54.



TOTAL TRAINING HOURS
633,103

AVERAGE TRAINING HOURS PER EMPLOYEE
54

Average training hours provided

	2016	2017	2018
Executives	33	39	42
Managers	41	53	60
Professional staff	38	46	52
TOTAL	39	48	54

Average training hours provided by gender and category in 2018



MEN



WOMEN

EXECUTIVES	42	44
MANAGERS	60	61
PROFESSIONAL STAFF	51	53

The main training initiatives developed in 2018 include:

Exemplae

The Exemplae project involves all managers of the Group. After an initial assessment phase in terms of management skills, numerous training sessions began on all of the skills identified. Moreover, the project envisages participation in external events on the topics of scenario analysis and innovation.

Initiatives for the distribution network

The distribution network was involved in continuous training initiatives designed to strengthen the skills necessary to adequately cover its role. Particular attention was paid to the credit area, with initiatives referring to management of Non-Performing Exposures and to the relationship with Corporate customers. Training continued on the Global Advisory platform, which provides customers with 360° consulting, not only of a financial nature.

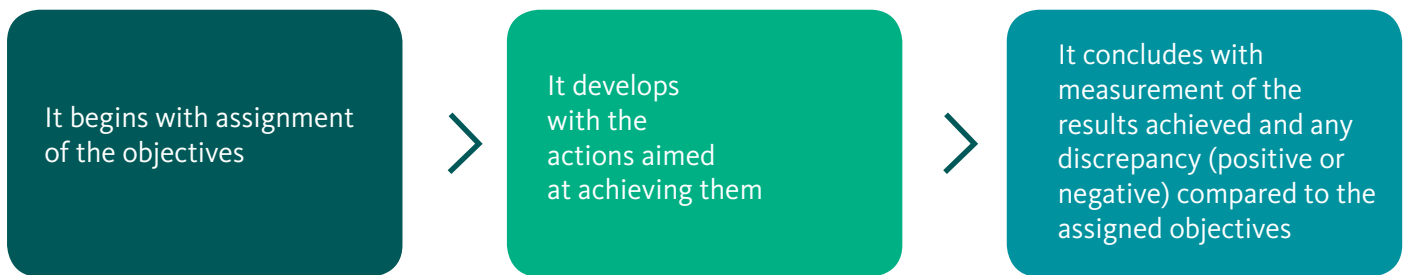
Training initiatives focused on compliance with regulatory standards

Significant attention in 2018 was also paid to legislative and regulatory issues, such as privacy, market abuse, cyber security, anti-money laundering, the MiFID regulations, consumer equipment loans, transparency, updating of the OMM pursuant to Italian Legislative Decree no. 231/01 and the State-Regions Agreement regarding Law no. 81/06.

Moreover, to carry out the numerous training projects 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.

6.2.2. Assessment and development of skills

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



The process 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 (year $x+1$) often coincides with the year-end interview (year x). 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 BPER Banca 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.

In the performance of management activities, constant attention is paid to the development of employee skills. The proper and balanced assignment of roles alone already gives people the opportunity to make the most of their background, but also to strengthen their skills in areas in which they are lacking. This experience is often combined with the provision of 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, the aforementioned 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 interpretation.

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.

Indeed, in 2018, 91.5% of the company population received assessments of their performance broken down as follows for the various professional categories: 99% of executives, 93% of managers and 91% of remaining employees. The figure is also quite balanced, looking at the breakdown by gender: 89% of women receive performance evaluations compared to 94% of men.

Percentage of employees receiving regular performance and career development reviews²⁸

	2016		2017		2018	
	M	F	M	F	M	F
Executives	100%	90%	99%	95%	100%	95%
Managers	90%	97%	99%	99%	93%	91%
Professional staff	97%	94%	96%	93%	93%	88%
TOTAL	98%	95%	97%	95%	94%	89%

On the other hand, with reference to career advancements in 2018, a total of 1,357 promotions were recorded, up significantly compared to the previous year. Some 78% of career advancements took place between various levels within the professional staff categories.

Promotions

	2016		2017		2018	
	M	F	M	F	M	F
From managers to executives	11	3	10	2	2	0
From professional staff to managers	40	34	80	38	71	22
Within professional staff	309	234	242	158	503	550
Within managers	111	52	97	45	140	68
Within executives	15	1	10	1	1	0

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.

²⁸ The 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.



6.2.3 Remuneration policies

The BPER Group's remuneration policy is based on solid principles, shared and firmly anchored in the awareness of being a strongly-rooted company in the areas in which it operates and which plays a role in supporting the development of local economies. In this scenario, the remuneration policy is designed with the objective of ensuring an aligned balance between the total remuneration paid and the creation of value for shareholders, with a view to long-term sustainability.

The objectives of the BPER Group's remuneration policy are summarised as follows:

- directing behaviour towards the Group's and company's priorities
- attracting and supporting highly qualified personnel and supporting people's motivation, recognising merit and enhancing professional development
- developing and improving 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 objective of the 2018 Remuneration Report is to make the policies adopted by the BPER Group as transparent as possible, in order to increase awareness among our shareholders with regard to our remuneration and incentive schemes.

In light of the positive results obtained and the high level of consensus reached at the 2017 Shareholders' Meeting, the decision was made to confirm the remuneration structure adopted last year, whilst introducing some refinements aimed at ensuring a gradual improvement, more precise planning and increasing simplification, also drawing on ex post verifications of the results of previous years.

Specifically, the main changes introduced and contained in the 2018 Report regard:

- the introduction of social and environmental sustainability objectives in the qualitative assessment of the Chief Executive Officer and top management involved in CSR (Corporate Social Responsibility) projects
- the activation of LTI (long-term incentive) plans for some specialist figures, to then assess their possible extension to top management in connection with the Business Plan
- expansion of the scope of the MBO system to managers and professionals of the

Loans Department, in accordance with the strategic plans for management of non-performing loans, and of the Business Area, in order to ensure full governance of the business world

- progressive approach of the incentive systems to the results of each figure involved, through the targeted use of multiplier mechanisms connected to company profitability and a different weighting of quantitative and qualitative objectives.

The use of virtual shares (Phantom Stock) for disbursement of part of the bonus is confirmed for the year 2018 as well.

All of the above measures were carried out with a view to continuously improving the remuneration policy and incentive systems, in order to ensure constant alignment with best market practices and to strengthen the link between the creation of value for the Group and the recognition of personnel.

The commitment on the communication front, with the aim of offering increasingly complete, usable and transparent information, was confirmed for 2018, also through a careful and timely listening to stakeholders and care of the disclosure through:

- preparation of an executive summary that represents, in table form, the remuneration policy envisaged for the various categories of personnel
- communication of the remuneration envisaged by the policy for the corporate bodies
- in relation to the Group MBO system, a table representation of the target and maximum bonuses broken down by category of personnel
- ex-ante communication of the entry gates identified and thresholds envisaged
- representation in table form of the correlation between the multiplier and the bonus pool created
- ex-post communication on the achievement of the thresholds for entry gates and multipliers
- ex-ante and ex-post communication on the target sheet assigned to the Chief Executive Officer.

6.3 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.

Recall that 2017 was characterised by realisation of the first opinion survey at Group level, which regarded over 11,000 colleagues.

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.

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.

In 2018, in fact, over 100 network and central department colleagues, identified as a representative sample of personnel, participated in a series of workshops to examine and collect proposals and ideas for improvement actions in various areas, such as Communication, Organisational Development, Performance and Benefit Management, Mobility Management and Equal Opportunity.

The various internal communication campaigns implemented include the one on Company Welfare, Quality of service and Cyber risk.

6.4 Diversity and enhancement of female talent

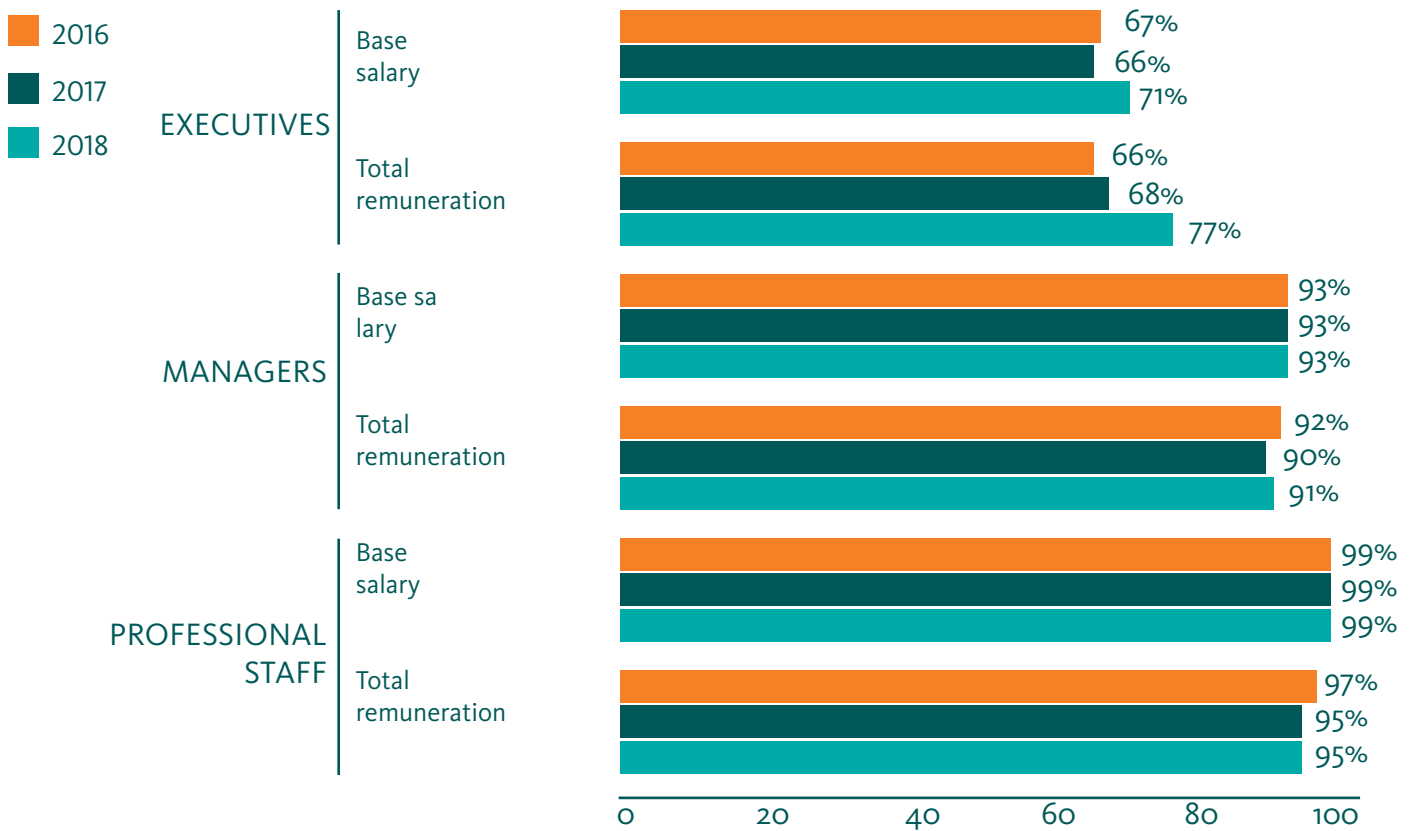
In terms of equal opportunity, a series of activities supporting the recognition and enhancement of diversity within the BPER Group have been in place for some time now. The cyclical training courses on leadership addressed to company management have been reviewed with the introduction of gender issues to raise management's

awareness of fairer assessment and allocation of talent. The management policies have been implemented with the introduction of specific objectives on gender issues assigned to the individual managers and integrated with a specific monitoring activity. Also on the subject of diversity, 2018 was characterised by an in-depth assessment phase, conducted in collaboration with ValoreD, aimed at generating a new phase of the equal opportunity project and which will run from 2019 to 2021. 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.

Total workforce



Ratio of remuneration of men/women²⁹



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. 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, where new mothers may:

- be updated on the latest company news and read the Group's daily press review
- acquire all of the information needed to best prepare them for their return to work
- join the team coaching path which has been tailored for new mothers.

²⁹ The base salary corresponds to the Gross Annual Salary and remuneration to the taxable income.

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. With ValoreD, in 2018 BPER Banca launched the “A pari merito” project, starting from a process of listening and in-depth analysis with the involvement of BPER Banca’s people.

A PARI MERITO



A PARI MERITO

“A pari merito” is 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 launch of the project, included in the 2019-21 Business Plan, the Group aims to increase the share of female managers to 15%, through specific programmes of management development and work-life balance.

6.5 The Welfare Plan

The BPER Group strongly believes in the wellbeing of its own resources and tangibly implements this belief, providing them with a series of welfare initiatives that constitute the **BPER Group’s Welfare Plan**.

The Company Welfare Plan is the series of products and services that the company provides to employees and their families and are the same for full-time and part-time workers.

Advantages for employees:

- increase in purchasing power due to the exemption from taxes and contributions of the amounts allocated to the Welfare Plan and to the increase in value of the Company Bonus possibly converted into Welfare
- better corporate climate and wellbeing at work
- improvement of work-life balance.

The Welfare Plan of the BPER Group includes:

- benefits offered by the company in which the company bears the cost: supplementary pension fund³⁰, complementary pension fund³¹ set up according to the defined contribution scheme to which the employee contributes as well, health and dental policy, long-term care, accident insurance, meal and gift vouchers, special employee conditions, etc.
- benefits provided by the employer that the employee can purchase for themselves or their family using the Welfare Credit (consisting of the company bonus for the employee's welfare and other welfare benefits): reimbursement of education and healthcare costs for families, health backpacks, supplementary payments to the pension fund for themselves or their families, reimbursement of public transport passes, purchase of shopping vouchers and petrol, vouchers for recreational, sports, cultural and leisure-related activities, holidays, etc.

Also envisaged are facilities and provisions for students and disabled workers, scholarships for employees' children, a company canteen and a company childcare centre in Modena, a library service and a company CRAL, as well as events to raise awareness on health (prevention days) and environmental protection (Bike to work, M'illumino di meno, etc.).

³⁰ It is a pension plan activated according to the defined benefit system, with a Total Reserve of € 129,930,888 allocated to its coverage. The total benefits disbursed in 2018 amounted to € 6,533,000. There is no separate equity pursuant to Article 2117 of the Italian Civil Code. The reserve is merely an entry in the liabilities of the bank's financial statements. Each year, the reserve is adjusted and certified by an actuarial company in accordance with IAS 19 and verified by the independent auditors.

³¹ The average percentage allocation to pension fund by employees is 2.20%, equal to € 6,955,000 in 2018. The average percentage of payments by the company is 3.6%, equal to € 11,812,046 in 2018. Participation is voluntary and 8,066 employees are enrolled in the pension fund, corresponding to 97% of staff.

All Group employees can access the Welfare Portal on the company intranet, a dedicated area that can also be accessed from home. The platform contains all the information on company benefits grouped by area of interest (health, social security, staff conditions and agreements, the stork lands at work). The "Use your welfare credit" area allows you to benefit from the various services provided by the Plan.

In particular, in 2018, intensive work was carried out on the development of the Welfare Plan, following precise guidelines:

- expansion of the benefits that can be purchased with the Welfare Credit: reimbursement of public transport passes, purchase of shopping vouchers and petrol, reimbursement of medical devices and many services in the travel and leisure sector
- innovative communication campaign dedicated to the Welfare Plan
- revision of the Welfare Portal in order to improve the web experience of the end user.

Data on participation of the Parent Company's employees in the Welfare Plan and use of the many services were comforting:

- 46% (+26% compared to 2017) allocated at least part of the Company Bonus to Welfare, for about 41% of the amount (+28%)
- the age group with the highest participation was that of 40-50 year-olds (50/52%), but there was a sharp increase among young people (average participation of 35% with +65/70% over 2017 in the 26-35 year-old category)
- there is greater participation among employees with children than those without (56% versus 31%) but, compared to 2017, there was also a sharp increase among the latter (+52%)
- participation is still strongly characterised by geographical data (54% in the North, 40% in the Centre and 32% in the South), although in 2018 the Centre and the South grew by +50% and +23% respectively compared to 2017.

As regards the use of Welfare Credit, the most popular were the traditional areas: education and family (48% of uses), health backpacks (22%) and complementary pensions (20%). However, there was a sharp increase in the sector of vouchers linked to the world of travel, sport, culture and leisure (+60% on 2017) and an excellent result for the two new services in 2018, reimbursement of public transport passes and purchase of shopping and petrol vouchers (5% of total uses, with 22% of employees purchasing shopping vouchers and petrol). In 2018, Euro 9.2 million were directed in the Welfare Plan (of which Euro 4 million from the converted Company Bonus).

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

- days dedicated to the prevention of thyroid tumours and melanomas were organised in collaboration with the ANT Foundation
- "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.

Sustainable Mobility Activities

In the BPER Group, as required by the regulations, the Head of Corporate Mobility, referred to as the "Mobility Manager", has been appointed, with the task of coordinating initiatives to optimise the systematic movement of personnel, promote collective transport and introduce innovative forms of transport that are less polluting, in order to reduce individual use of private means.

Issues linked to sustainable mobility within the Welfare Plan, to combine employee wellbeing with attention to the environment in the cities in which we live and work.

In this initial phase, we focused mobility projects on those who work and live in the municipality of Modena. Numerous colleagues expressed their opinions with a Survey and several Focus Groups and, together with a study of the territory, the first Home Work Commuting Plan was drawn up, submitted to the Municipality of Modena.

The Plan presents the initiatives that will be activated, in Modena or in the rest of Italy, during 2019 and is constantly evolving, spread over increasingly large geographical areas that correspond to the cities where several colleagues live or work.



6.6 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 ("Group Policy for governing the risk of non-compliance with occupational health and safety regulations") 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 wellbeing 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 wellbeing 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]).

In particular, for the year 2018, inspections to assess safety and security risks in the branch network continued, and activities relating to the risk of exposure to video terminals and the relative work-related stress were implemented. The System for the management of health and safety issues, described in the DVR (Risk Assessment Document), is governed by a level 2 company policy to be followed by more detailed regulatory instruments. It envisages the identification and 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 (not certified). 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.

Workers can also report hazards through the BHELP procedure and by e-mail to the Safety Office and use (for hazard reporting) the figure of the Workers' Safety Representative (trade union figure of guarantee provided by law) while maintaining anonymity and also fulfilling the reporting obligation under Article 19 and 20 of Italian Legislative Decree no. 81/08.

Employees are involved in the development, implementation and assessment of the occupational safety and health management system through training, information and specific questionnaires relating to specific risk categories, as well as through the Safety Office (which collects reports and/or contributions from workers on issues concerning

occupational safety) and the periodic meeting pursuant to Art. 35 of Italian Legislative Decree 81/08 and the other meetings held periodically with the Worker Safety Representatives. Access to information is managed through the company intranet. 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 2018, 135 accidents were recorded. The total accident rate was therefore 1.58.



Workplace accidents are assessed individually by the Safety Office (by the person in charge of the Prevention and Protection Service) to assess the presence of any "near misses" and take appropriate preventive measures through measures by the prevention managers and their structures. The trend in accidents is assessed annually by the relative physician and discussed at the annual meeting required under Art. 35, Italian Legislative Decree 81/08 with the Employer and the Worker Safety Representatives.

The courses held in 2018 are those required by the 2016 State-Regions agreement and those specific to the risks managed in the emergency management plans. Specifically, they regarded: General training of Officers, Special training of Officers, Fire Officers for site with low fire risk, Fire Officers for sites with medium fire risk, First Aid Officers, First Aid Update, Exposure to Robbery Risk, Update of Worker Safety Representatives, Update on Workers, Officers and Managers.

2018 saw the implementation of anti-theft procedures and technologies, thanks to a specific risk assessment. In 2019, exposure to physical and verbal violence in business relationships will be monitored and addressed. The cashless and cashlight model, which reduces the negative impact of commercial activities, is also being continued.

6.7 “Sportello di ascolto”

Activities of the “Sportello di Ascolto” (counselling service) continued in 2018, 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.

The branch, active since 2016, 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.

	Employees		
	2016	2017	2018
Total number of fatalities as a result of work-related injury ³³	-	-	-
Total number of high-consequence work-related injuries (excluding fatalities)	-	-	-
Total number of recordable work-related injuries	125	120	135
Hours worked	16,945,229	16,209,943	17,055,024
Multiplier	200,000	200,000	200,000

	Employees		
	2016	2017	2018
Fatality rate as a result of work-related injury	-	-	-
Rate of high-consequence work-related injuries (excluding fatalities)	-	-	-
Rate of recordable work-related injuries ³⁴	1.5	1.5	1.6

Of the total number of accidents recorded in 2018, 37% were due to falls and slips, 39% to accidents on the road and 24% to collisions and similar cases. In addition, in 2018 there were 3 cases of occupational disease, 2 of which were physical and 1 psychological. No cases were reported for the previous two years.

6.8 Human rights and protection of workers' rights

In 2018, the company based its personnel management procedures on full respect for the rights of workers as provided for by law, by the National Collective Labour Agreement and by company regulations. Appropriate corrective actions are also taken to ensure equal opportunities to all workers without distinction of age, gender, religious or political beliefs, as well as to ensure compliance with the BPER Group's Code of Ethics. Also in 2018, the BPER Group's industrial relations developed in accordance with the principles of fairness and loyalty towards trade unions, in respect of the different roles that the parties hold within the Group.

The company's approach is therefore 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.

³² From this Sustainability Report, it was decided to proceed with the reporting of accident data using the new Standard GRI 403, published by the Global Reporting Initiative (GRI) in 2018 to replace the version published in 2016, used in the 2017 Sustainability Report.

³³ In the 2016 Sustainability Report of BPER Banca S.p.A., one death was reported not attributable to work causes.

³⁴ Injury rate = (no. of workplace injuries recorded/total no. of hours worked) * 200,000.

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. Mention also goes to the Group's climate survey conducted in 2017, already mentioned in this chapter, which inspired concrete actions and measures, some of which have been added as projects in the new business plan. Particular attention is obviously 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).

6.9 Labour relations

The Company's negotiations with trade unions are inspired by the objective of maintaining strong industrial relations based on respect and loyalty. Relations with the trade unions are based on 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, renewed on 22/02/2018 and 18/12/2018. 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. There were no hours of strike related to labour disputes during 2018. Over 78% of BPER Banca Group employees are members of an Italian trade union organisation. On 02/08/2018, an Agreement was signed with the Group's trade union delegations on the subject of Trade and Labour Organisation Policies, through which the provisions of the national agreement signed on 08/02/2017 between ABI and the National Secretariats of the trade union organisations were fully implemented. With this agreement, the BPER Group intends to promote application of the principles of the Protocol on Sustainable Development of the banking system dated 16/06/2004, through the identification of actions and behaviours that can favour the development of sustainable commercial policies that respect the dignity of workers and the needs of customers. In accordance with the commitments set out in the National Agreement, the commercial policies of the BPER Group aim to foster relationships with customers aimed at creating lasting, positive and constructive relationships, based on trust and on the ability to respond to customer needs with competence, transparency and efficiency, in full compliance with current regulations and ethical values.

6.10 Performance indicators

Distribution of employees by gender

	31/12/2016		31/12/2017		31/12/2018	
	M	F	M	F	M	F
Executives	220	21	206	20	203	20
Managers	2,505	1,113	2,519	1,179	2,564	1,194
Professional staff	3,969	3,807	3,854	3,908	3,770	3,897
TOTAL	6,694	4,941	6,579	5,107	6,537	5,111

Distribution of employees by region

	31/12/2016		31/12/2017		31/12/2018	
	M	F	M	F	M	F
North	3,184	2,330	3,262	2,595	3,238	2,615
Centre	322	273	315	268	318	262
Islands	1,403	1,443	1,277	1,355	1,274	1,345
South	1,774	888	1,714	882	1,694	882
Outside Italy	11	7	11	7	13	7
Total	6,694	4,941	6,579	5,107	6,537	5,111

Distribution of employees by company function and gender

Company function	31/12/2016		31/12/2017		31/12/2018	
	M	F	M	F	M	F
Distribution ³⁵	3,994	3,345	3,791	3,428	3,681	3,358
Business Unit ³⁶	1,153	707	1,148	657	1,264	711
Staff ³⁷	527	398	531	381	530	407
Operational services ³⁸	934	464	955	477	1,035	603
Other	86	27	154	164	27	32
Total	6,694	4,941	6,579	5,107	6,537	5,111

³⁵ Distribution: Branches and other distribution channels.

³⁶ Business Unit: Finance, credit, commercial and market governance.

³⁷ Staff: human resources, organisation, strategic planning, legal and general affairs, internal audit, risk management, compliance, communication, marketing.

³⁸ Operational services: administration and control, information systems, logistics.

Diversity of the workforce

	31/12/2016	31/12/2017	31/12/2018
EXECUTIVES			
Non-Italian citizenship	0	0	0
Belonging to protected categories	5	4	4
MANAGERS			
Non-Italian citizenship	5	5	0
Belonging to protected categories	176	182	192
PROFESSIONAL STAFF			
Non-Italian citizenship	23	22	0
Belonging to protected categories	652	665	663

Total number and rates of new employee hires and employee turnover by gender and region³⁹

	31/12/2016				31/12/2017				31/12/2018			
	New hires		Terminations		New hires		Terminations		New hires		Terminations	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
North	139	3%	96	2%	140	2%	309	5%	105	2%	102	2%
Men	67	2%	53	2%	70	2%	235	7%	55	2%	71	2%
Women	72	3%	43	2%	70	3%	74	3%	50	2%	31	1%
Centre	7	1%	5	1%	4	1%	18	3%	5	1%	6	1%
Men	5	2%	4	1%	1	0%	11	3%	5	2%	5	2%
Women	2	1%	1	0%	3	1%	7	3%	-	0%	1	0%
South	3	0%	22	1%	2	0%	92	4%	8	0%	37	1%
Men	-	0%	17	1%	-	0%	79	5%	4	0%	30	2%
Women	3	0%	5	1%	2	0%	13	1%	4	0%	7	1%
Islands	11	0%	38	1%	32	1%	249	9%	22	1%	35	1%
Men	6	0%	21	1%	13	1%	139	11%	12	1%	16	1%
Women	5	0%	17	1%	19	1%	110	8%	10	1%	19	1%
Outside Italy	3	17%	2	11%	1	6%	1	6%	3	15%	1	5%
Men	2	18%	1	9%	1	9%	1	9%	2	15%	-	0%
Women	1	14%	1	14%	-	0%	-	0%	1	14%	1	14%
Total	163	1%	163	1%	179	2%	669	6%	143	1%	181	2%
Men	80	1%	96	1%	85	1%	465	7%	78	1%	122	2%
Women	83	2%	67	1%	94	2%	204	4%	65	1%	59	1%

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

³⁹The percentages reported within the table are the result of the ratio with total number of employees subdivided by gender and region.

Total number and rates of new employee hires and employee turnover by age group⁴⁰

	31/12/2016				31/12/2017				31/12/2018			
	New hires		Terminations		New hires		Terminations		New hires		Terminations	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Total	163	1%	163	1%	179	2%	669	6%	143	1%	181	2%
< 30 years	79	25%	5	2%	92	32%	12	4%	62	26%	9	4%
30 - 50 years	81	1%	55	1%	84	1%	55	1%	79	1%	79	1%
> 50 years	3	0%	103	2%	3	0%	602	12%	2	0%	93	2%

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

Distribution of employees by age

	31/12/2016			31/12/2017			31/12/2018		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Executives	0	51	190	0	43	183	0	45	178
Managers	0	1,426	2,192	0	1,492	2,206	0	1,578	2,180
Professional staff	321	4,851	2,604	287	4,906	2,569	239	4,934	2,494
TOTAL	321	6,328	4,989	287	6,441	4,958	239	6,557	4,852

Number of terminations by reason

	2016		2017		2018	
	M	F	M	F	M	F
Reductions from business plan	30	17	379	158	8	6
-of which solidarity fund	1	0	250	113	1	4
-of which leaving with incentives	28	18	129	45	7	2
Voluntary resignations	37	35	50	24	65	32
End of contract	1	1	0	1	3	2
Retirement	7	9	16	12	23	8
Other	21	5	20	9	22	12
TOTAL	96	67	465	204	121	60

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

⁴⁰ The percentages reported within the table are the result of the ratio with total number of employees subdivided by age group.

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

Number of people	Men	Women	Total
Employees who took parental leave in 2018	4	225	229
of which status as at 31/12/2018			
still on leave	-	120	120
returned and still employed	4	105	109
resigned	-	-	-
Return to work rate as at 31/12/2018	100%	100%	100%
Employees who took parental leave in 2017	3	253	256
of which status as at 31/12/2017			
still on leave	-	118	118
returned and still employed	3	135	138
resigned	-	-	-
Return to work rate as at 31/12/2017	100%	100%	100%
Employees who took parental leave in 2017 net of resignations	3	253	256
of which status as at 31/12/2018			
still on leave	-	25	25
returned and still employed	3	225	228
resigned	-	3	3
Work retention rate as at 31/12/2018	100.00%	98.68%	98.70%

Following improvement of the reporting system, the 2017 data have been restated compared to those published in the previous Sustainability Report, also including the data relative to the companies Numera S.p.A. and Cassa di Risparmio di Saluzzo S.p.A. For the previously published data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>

Number of employees who received leaves

	2016	2017	2018
	TOTAL	TOTAL	TOTAL
Compulsory and optional parental leave (including breast-feeding) and child care	805	781	872
Study	53	45	50
Other	9,789	9,071	9,587
TOTAL	10,647	9,897	10,509

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



7. Environmental impacts



In line with the Paris Agreement on Climate Change and the United Nations Agenda 2030, the European Commission, on 8 March 2018, issued the **Action Plan to finance sustainable growth** as a strategy for the implementation of a financial system that supports the activities and commitments of the Union for climate and sustainable development. The Plan also contributes to the sustainable development objectives set out in the Commission's communication "The sustainable future of Europe: next steps. European action in favour of sustainability". The Italian National Energy Strategy is part of this European framework and sets challenging objectives for increasing the country's competitiveness, 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.

In order to meet the objectives set by the European Commission, substantial additional investment is needed, which can only be made with the help of the financial sector. The reorientation of private capital towards more sustainable investments therefore requires a broad change in the way the financial system operates.

Above all, it is important to recognise that taking into account longer-term sustainability interests is economically reasonable and does not necessarily lead to a lower return for investors.

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. On 31 January 2018, the Group published its final report, in which it proposes eight priority actions, as well as a number of transversal recommendations and targeted initiatives, to achieve significant action on sustainable finance in Europe. The European Commission's Action Plan builds on the recommendations of this report.

Specifically, the Plan aims to meet three challenges via 10 specific actions.

The 3 challenges:

1. to redirect capital flows towards sustainable investments in order to achieve sustainable and inclusive growth
2. to manage the financial risks arising from climate change, resource depletion, environmental degradation and social issues
3. to promote transparency and a long-term vision in economic and financial activities.

Initiatives have already been taken in the form of legislative proposals, second-level measures and non-legislative measures that regard:

- drafting of a "taxonomy" at the European level to define what is sustainable and identify areas where sustainable investment can have the greatest impact
- the creation of standards and labels for sustainable financial products (green bonds)
- measures to improve the effectiveness and impact of sustainable investment support instruments in the EU and partner countries
- integration of sustainability in providing investment consulting
- preparation of sustainability indices
- better integration of sustainability in ratings and research
- clarification of the obligations of institutional investors and asset managers
- integration of sustainability in the prudential requirements
- strengthening of communication on sustainability and preparation of the accounting regulations

- promotion of sustainable corporate governance and mitigation of the short-term vision in capital markets.

In his State of the Union speech in 2017, Jean-Claude Juncker set out Europe's ambition to take a leading role in the fight against climate change. In this way, it can become the chosen destination for sustainable investments.

The European Banking Federation is another active player on these issues, creating 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 there is a need to account for our progress in building value and in redistributing it to the community, not only through economic performance but also by enhancing the Group's environmental policies.

As underlined above, the role of the financial industry is crucial, according to two different viewpoints:

- reduction of the direct impact of companies through energy saving measures
- 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.

The Group's commitment, already expressed in general terms in the Code of Ethics, is formalised in the document "BPER Group commitments towards the environment".

In 2018, as per 2017 and 2016, no sanctions were incurred for non-respect of the regulations and laws on environmental issues, nor did we receive any complaints.

7.1 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.

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

- efficiency of paper utilisation processes to reduce consumption
- purchase of products with environmental quality mark
- energy saving measures
- production of renewable energy.

Specifically, to reduce its direct impact on the environment and simultaneously implement cost-saving measures, BPER Banca has added the "Riduzione spesa no core banking" project to its 2019-2021 Business Plan, with a site dedicated to energy efficiency (objective of 10% efficiency compared to the 2016 consumption baseline), in line with the objectives of the National Energy Strategy, in conjunction with a site on dematerialisation of services.

As early as in 2014, Banco di Sardegna launched a similar energy efficiency project ("Switch off" project) to monitor energy consumption and achieve greater energy efficiency.

7.1.1 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.

The use of recycled paper in the offices and branches of the Group's banks will continue for 2018, amounting to 93%. Of the remaining 7% of office paper and advertising material, approximately 50% is internationally certified, which ensures that the wood and/or paper materials used to produce the products come from responsibly managed forests. A policy of dematerialisation has also been pursued both to save raw materials and to increase "resilience in terms of business continuity" (upon dematerialisation of a document, we attempt to ensure its replicability at any time, saving it on digital media).

The projects for the reduction of paper consumption are listed below:

- "Edicola Digitale": envisages the dissemination of certain newspapers in digital format. Today, 66 colleagues and 33 central offices use Edicola Digitale. Moreover, in 2017, the branches were given access to the websites of local newspapers on the intranet: the estimated savings in printed newspapers amounted to approximately 90 newspapers per day for a total of almost 33,000 newspapers/year. The 2019 target is to replace the paper newspapers in all central offices
- replacement of printers with night-time printing block and elimination of faxes in all branches
- F24 dematerialisation with reinternalisation of processing in the branch: updating of the F24 digitisation procedure makes it possible to avoid processing by the external service with consequent savings in paper, which is not sent: estimated reduction in paper use of 20,000 sheets (1.5 t)
- BPER CARD account statement online
- replacement of ordinary mail communications with electronic certified mail or PEC (involving 5,000 suppliers), saving almost 6,500 letters
- promotion of the use of FEA (Advanced Electronic Signature), method that allows bank documents to be signed without printing them on paper: this reduced paper consumption by approximately 323 tonnes in 2016, 883 tonnes in 2017 and 1,205 tonnes in 2018. Use of the FEA also reduces toner consumption
- rationalisation of postal charges⁴¹.

The commitment to dematerialisation involves all Group companies. A very concrete example is the WIP (Webfactor Interactive Platform) of Emilia Romagna Factor. This tool improves the interaction between customers and the Company, so much so that over 70% of customers benefit from it. Through WIP, client companies can manage all operations online.

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

To date, the number of purchased toners has dropped considerably 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. In 2018, the relationship with a supplier of printers certified according to the ENERGY STAR standard was consolidated, guaranteeing lower use of electricity compared to current printers.

To date, these printers have been installed in all central offices and Territorial Divisions of the Parent Company.

⁴¹ Through urging of 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".

Raw materials purchased⁴²

	2016	2017	2018
Total amount of office paper used	1,219,500 kg	1,187,127 kg	1,141,049 kg
of which solely FSC certified paper	213,435 kg	68,771 kg	39,825 kg
of which solely FSC certified paper (%)	17.5%	5.8%	3.5%
of which recycled paper	974,362 kg	1,084,967 kg	1,061,554 kg
of which recycled paper (%)	79.9%	91.4%	93%
of which paper with other certifications excluding FSC	31,703 kg	33,389 kg	39,670 kg
of which paper with other certifications excluding FSC (%)	2.6%	2.8%	3.5%



RECYCLED PAPER

93%

CERTIFIED PAPER

7%

Reduced paper consumption thanks to the advanced electronic signature



➔ 1206.5 t

7.1.2. 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 eliminated waste considered to be hazardous in 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. In order to improve separate waste collection in the offices of the Parent Company, a project is underway, involving the elimination of wastebaskets under the desks. Often in fact, for pure 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 executive offices, while containers for paper and plastic were supplied to the offices as replacement.

⁴² Following improvement of the data reporting system, the 2017 and 2016 data have been restated compared to those published in the previous Sustainability Report. For the previously published historic data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>.

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).

During 2018, following the closure of a number of branches, part of the furniture, still in good condition, was donated to the Association "Emporio Solidale Vignola".

Waste by disposal method - 2018

Disposal method	Unit of measure	Hazardous	Non-hazardous	Total
Recycle	t	4	2,083	2,087
Composting	t	-	-	-
Energy recovery	t	-	3	3
Incineration	t	-	-	-
Landfill	t	-	10	10
Deposit on site	t	1	8	9
Other	t	-	5	5
TOTAL	t	5	2,109	2,114

Paper waste sent for recovery



7.1.3 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.

As part of the various activities implemented to reduce and facilitate the home-work and internal travel of employees, BPER Banca has signed an experimental agreement with Share'ngo, one of the most well-known European car-sharing companies, present in Italy with a fleet of 1500 electric model ZD cars.

The Bank's objective is to provide its employees in Modena with four branded cars, to be used mainly for travel between work sites. If the exclusive use cars are not available, any other Share'ngo vehicle may be used, at the same conditions, even in the cities of Milan, Rome and Florence.

In 2018, the vehicle fleet of the BPER Group consists of 200 cars for business use and 245 cars for mixed personal-business use.

In the Regulation for management of the allocation of cars for mixed use, a constraint linked to the CO₂ emissions of the vehicles has been included. In fact, the assignment of so-called "spider", "cabriolet" or "super-sporty" cars or cars with power and CO₂ emission higher than the following limits is not envisaged: power under 190 kw and CO₂ under 180 g/km for cars in category C or higher and 135 kw - 140 g/km for cars in categories A and B.

Consumption of the fleet of company vehicles (Gj)⁴³

		2016	2017	2018
Business use	Diesel oil	16,080	6,420	7,046
	Gasoline	2,001	1,398	1,251
	LPG	600	145	127
	Methane	917	413	434
Mixed personal-business use⁴⁴	Diesel oil	12,026	24,565	10,360
	Gasoline	629	203	154
	LPG	34	0	0
	Methane	77	0	0

2018 Activities

- Disposal of 6 cars and replacement with hybrid cars
- Purchase of bicycles for company use
- Experimental launch with Share'ngo of exclusive use by BPER Banca of 4 electric cars.



2019 Activities

- further replacement of cars with hybrid cars
- car pooling
- 4 electric vehicle charging stations for employee and company cars
- car policy
- purchase of electric bicycles.

In 2018, the BPER Group launched a pilot project in collaboration with DKV Euro Service for the use of DKV CARD CLIMATE fuel paper, an eco-sustainable paper that certifies that the vehicle fleet travels completely at zero impact: in fact, for every litre purchased, BPER makes an additional contribution to environmental protection projects certified by *myclimate*.

⁴³ Sources of the conversion factors: 2016 and 2017: "UK Government GHG conversion factors for company reporting"; 2016 (for diesel oil, LPG and methane) and US Energy Information Administration (for gasoline); 2018: "Linee guida ABI 2018".

⁴⁴ Note that for mixed personal-business use cars, 70% of total consumption was considered, as indicated by the Linee guida ABI 2018.

DKV Euro Service and *myclimate* provide certification that states the total offsetting of CO₂ emissions. *Myclimate* is one of the main providers of offsetting measures and satisfies the most stringent standards (CDM, Gold Standard, Plan Vivo). The project enabled the offsetting of 43.49 t of CO₂ in 2018.

Electricity and thermal energy consumption

The total energy consumption (electricity and heat) of the BPER Group for 2018 dropped by 14% compared to 2017 and was 347,972 GJ, of which 62% from renewable energy sources. As regards electricity consumption, the % of renewables was 88%.

Energy consumption⁴⁵

GJ	2016	2017	2018
Heating	85,084	109,651	81,298
of which natural gas	79,742	106,932	78,332
of which diesel oil	4,565	2,137	2,123
of which propane air	778	582	843
Electricity purchased	225,196	256,145	238,427
of which from renewable sources	218,126	212,950	210,945
Electricity self-produced	1,868	1,866	1,864
of which from renewable sources	1,868	1,866	1,864
Renewable electricity produced and sold/fed into the grid	242	363	280
District heating	3,519	5,605	7,290
of which non-renewable	3,519	5,605	3,374
Non-renewable fuel consumption by car fleet	32,364	33,144	19,373
Total energy consumption	347,789	406,048	347,972
% renewable over total	63%	53%	62%

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	2018
Total energy consumption	GJ	347,789	406,048	347,972
Total sqm ⁴⁶	sqm	703,782	712,082	717,478
Energy intensity per employee ⁴⁷	GJ/man	29.6	34.7	29.9
Energy intensity per sqm	GJ/sqm	0.49	0.57	0.48

⁴⁵Sources of the conversion factors: 2016 and 2017: "UK Government GHG conversion factors for company reporting", 2016 and US Energy Information Administration; 2018: "Linee guida ABI 2018".

⁴⁶ total gross sqm of BPER Group's properties.

⁴⁷ Calculated on the number of employees as at 31 December 2018.

Production of renewable energy

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

Renewable energy systems as at 31/12/2018

Type	Company	Installed power (kWp)	kWh produced
FTV System – Centro Servizi Ed C.	BPER Banca	111	110,608
FTV System - Carpi Ag	BPER Banca	10	4,982
FTV System – Modena – Via Ramelli	BPER Banca	5	4,982
FTV System – BPER Banca Daycare	BPER Banca	5	4,982
FTV System - Pianoro	BPER Banca	19	15,714
FTV System - Vignola	BPER Banca	10	9,965
FTV System - Via Principi 12	Cassa di Risparmio di Bra	20	11,200
FTV System - Via Sarti	Cassa di Risparmi di Bra	20	16,700
FTV System	Modena Terminal	338	338,557
TOTAL		538	517,691

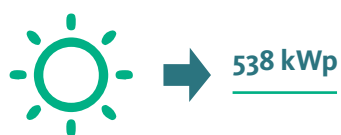
In 2018 the production of renewable energy amounted to 517,691 kWh, in 2017 it was 518,253 and in 2016 it was 173,037 kWh.

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 31/12/2018

		Unit of measure	31/12/2017	31/12/2018
BPER Group	Number of systems	no.	9	9
	Installed power	kWp	541	538
	Production	kWh	518,253	517,691

Photovoltaic systems





7.1.4 Energy saving measures

As indicated above, the Parent Company's Energy Plan aims to reduce BPER Banca's energy expenditure by 10% by 2021, equal to approximately 4,200,000 kWh saved. Although the plan is included within the pipeline of the Business Plan (2019-2021), the efficiency projects were launched in 2018.

In prior years, 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.

Following this monitoring activity, the following activities were identified in 2018 and various sites were launched with regard to:

- implementation of the control and monitoring system (BEMS) on 115 branches
- implementation or integration of the control and monitoring system (BEMS) in the 13 Management Centres
- conditioning and modification of the layout of the data centre room of the Modena Service Centre
- implementation of a dedicated application that allows the shutdown of personal computers, printers, etc. during non-use
- launch of a project to raise awareness by Group employees in order to disseminate good energy-saving behaviour practices, with a contest for the 200 most energy-intensive branches excluded from the BEMS
- technological energy efficiency: implementation of the best available technologies (BAT) giving priority to those that benefit from economic incentives.

The main energy efficiency activity concerns the remote management of 70 sample branches of the company. The results, although down compared to the previous year, have made it possible to reduce unnecessary and off-time consumption of the sites, with a reduction of 17% compared to the baseline (2015), and to ensure optimal and

monitored management of branches, allowing remote feedback on a single portal. The assessment was conducted on the variation in total annual consumption of the offices involved.

With regard to Banco di Sardegna, it is important to note how in 2018 the “Switch Off” energy consumption reduction project generated electricity savings of approximately 22%. 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 Switch Off project involved all branches with annual consumption $\geq 30,000$ kWh; in 2019, Banco di Sardegna will expand the project to another 25 branches.

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 2,439.5 MWh, in 2017 it reduced it by 2,641.6 MWh and in 2018 it reduced it by 4,384.2 MWh.

Personnel awareness

In 2018, BPER Banca participated in various events to increase awareness, such as M'illumino di meno and Bike to work. Moreover, as indicated above, a personnel awareness initiative entitled “Piantiamola” is in the pipeline, involving all employees in an energy-saving contest.

The project will be implemented in 2019.



7.1.5. Emissions generated

To objectively identify and monitor emission performance, Scope 1, Scope 2 and Scope 3 emissions were calculated.

In particular, Scope 1 indicates the CO₂e emissions caused directly by the Group, deriving from the consumption of fuel used for heating, fuel of the car fleet and losses of refrigerant gas. Scope 2, on the other hand, indicates indirect CO₂ emissions from the consumption of purchased electricity and heat.

Lastly, for the calculation of Scope 3, i.e. the other types of indirect emissions, the emissions deriving from business travel by train and plane and from the production of paper purchased were taken into account.

Scope 1⁴⁸

	2016	2017	2018
Total Scope 1 (t CO ₂ e)	9,726	11,105	7,589

Source of emission factors: ISPRA, with transformation into CO₂ equivalent according to the procedure set out in the ABI Guidelines version 13.12.2018 for 2018 data, version 2017 for 2017 data and version 2016 for 2016 data. In addition, it should be noted that following a process of improvement of the reporting system, the data relating to the BPER Group's CO₂e Scope 1 emissions also include emissions deriving from refrigerant gases as of this year. For comparative purposes, the 2016 and 2017 data were consequently restated. For the previously published data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>.

Scope 2⁴⁹

	2016	2017	2018
Tot. Scope 2 (t CO ₂ e) electricity purchased - Location Based	21,412	22,947	21,364
Tot. Scope 2 (t CO ₂ e) thermal energy purchased - Location Based	214	341	206
Total Scope 2 (t CO ₂ e) electricity purchased - Market Based	925	5,760	3,664
Total Scope 2 (t CO ₂ e) thermal energy purchased - Market Based	214	341	206

The reporting standard used from this year (GRI Sustainability Reporting Standards 2016) envisages two different Scope 2 emissions calculation approaches: "Location-based" and "Market-based".

The "Location-based" approach envisages the use of average emission factors relative to the specific national energy mixes for the generation of electricity (emission coefficient used for Italy equal to 321.3 gCO₂/kWh, Source for the three years: ISPRA 2018, with transformation into CO₂ equivalent according to the procedure set out in the ABI Guidelines. The "Market-based" approach envisages the use of emissions factors defined on a contractual basis with the provider of electricity. In the absence of specific contractual agreements between Group Companies and the electricity provider (e.g., purchase of Guarantees of Origin), the emission factor relative to the national "residual mix", equal to 480 gCO₂e/kWh was used for this approach for 2018 and 2017 (Source: European Residual Mixes 2017, AIB) and 471 gCO₂e/kWh for 2016 (Source: European Residual Mixes, 2016). For comparative purposes, the 2016 and 2017 data were consequently restated, indicating the detail "Location-based" and "Market-based".

For the previously published data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>

Scope 3⁵⁰

	2018
Airplanes (t CO ₂ e)	354
Trains (t CO ₂ e)	103
Purchased paper (t CO ₂ e)	920
Total Scope 3 (t CO ₂ e)	1,377

⁴⁸ Following improvement of the reporting system and in order to provide a more exhaustive and complete response to the requests of the GRI indicator, the 2016 and 2017 data have been restated compared to those published in the previous Sustainability Report, including refrigerant gases. For the previously published data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>.

⁴⁹ Following improvement of the reporting system, the 2016 and 2017 data have been restated compared to those published in the previous Sustainability Report. For the previously published data, refer to the 2017 Sustainability Report, in the Sustainability section of the web site <https://istituzionale.bper.it/>.

⁵⁰ Source of emission factors: "UK Government GHG conversion factors for company reporting", 2018.

Climate-altering gases

In calculating total climate-altering emissions, we must necessarily take into account the use of refrigerant gases for the conditioning of Group offices and, especially, for the Modena Terminal cold rooms. In fact, Modena Terminal manages warehouses and cold rooms that in 2018 had a 43% impact on emissions related to refrigerant gases. (270 kg out of 660 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.

Emissions from climate-altering gases⁵¹

Type of Gas	2016		2017		2018	
	t	t CO2e	t	t CO2e	t	t CO2e
R-407C	0.59	897.31	0.21	322.87	0.19	337.06
R-410A	0.24	417.86	0.36	617.55	0.17	346.61
R-22	0.02	39.82	0.02	39.82	0	
R-427A	0.28	598.64	0.72	1,539.36	0.16	342.08
R-507A	0.24	792.00	0.18	594.00	0.06	239.1
R-422D	0.02	63.89	-		0.03	92.79
R-404A	0.05	147.35	-		-	-
R-407	0.02	40.71	-		-	-
R-410	0.00	2.07	-		-	-
Ammonia					0.05	0
TOTAL	1.46	3,000	1.49	3,114	0.66	1,358

Emission intensity

	2016	2017	2018
	t CO2e		
Scope 1 + Scope 2 Location Based			
Emission intensity per sqm	0.05	0.05	0.04
Emission intensity per employee	2.7	2.9	2.5
Scope 1 + Scope 2 Market Based			
Emission intensity per sqm	0.02	0.02	0.02
Emission intensity per employee	0.93	1.47	0.98

⁵¹ Source of emission factors: "ASHRAE Standard 34, UK Government GHG Conversion Factors for Company Reporting, Greenhouse Gas Inventory Guidance (EPA), Refrigerants Environmental Data (Linde)". Source of emission factors for 2018: "IPCC 4th Assessment Report, 2007".

Emissions saved

Emissions saved 2016

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

Emissions saved 2017

Method	Quantity	CO ₂ e saved
Renewable energy used	59,571,700 kWh	32,407 t
Energy saved	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

Emissions saved 2018⁵²

Method	Quantity	CO ₂ e saved
Energy saving (in kWh)	4,152,260 kWh	1,993 t
Reduction in paper consumption (in t)	1206.5 t	973 t
Electricity purchased from renewable sources (in kWh)	58,595,906 kWh	28,126 t
Electricity self-produced from renewable sources (in kWh)	517,691 kWh	249 t

In 2018, 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 **31,341 t** of CO₂e, which is equivalent to planting 44,773 trees. Thus, it is as if we had planted a forest of more than 45 hectares (about 64 football pitches).



⁵² Emissions saved in relation to energy efficiency, purchase of electricity from renewable sources and self-produced electricity from renewable sources have been calculated using the Market Based methodology using the "European Residual Mixed 2017, AIB" emission factors. The emissions saved with regard to the reduction of paper consumption were calculated using the emission factors "UK Government GHG conversion factors for company reporting, 2018".

7.2. 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 evident in the marketing of low-carbon products, 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. 5) which we are not currently able to report in terms of CO₂ emissions.





8. Relations with the community

8.



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

The BPER Group's propensity 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 social initiatives and 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 actually 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 macro-categories, we can thoroughly describe the commitment made in social and environmental projects.

Euro 5,824,634
in 2018



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 2017 figure differs from that of 2018 because it also contains the funds allocated for the celebratory events for the 150-year anniversary of the Parent Company. The overall data relating to the above-mentioned categories are reported below:

Relations with the community (Euro)

	2016	2017	2018
Donations	1,350,766	1,116,756	1,401,474
Investments in the community	3,502,999	5,509,016	3,440,878
Commercial initiatives in the community	1,065,659	873,703	982,282
Innovative products and services ⁵³	985,005	376,541	-
TOTAL	6,903,336	7,876,016	5,824,634

Each company can have positive or negative impacts on the community in which it operates. In fact, in certain cases unfavourable conditions are generated by the Group’s strategic decisions.

The BPER Group did not receive any complaints regarding negative impacts on the community for 2018.

8.1 Economic support to the community



8.1.1 Donations

The Code of Ethics of the Parent Company indicates 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”

This statement, which applies for all Group companies, is embodied in the activities implemented to support the local community.

Donations of charitable amounts during the last three years were in favour of a number of initiatives in the scientific, welfare and solidarity sectors. The high number of beneficiaries makes it difficult to list all the activities supported.

In compliance with the provisions of the Code of Ethics, no donations were made to political parties or representatives.

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

⁵³ The amount of total investment in innovative products and services with social content cannot be easily determined. The products are described in the chapter “Our Customers”.

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, etc.).

Donations in favour of the promotion of culture, for the purchase of diagnostic tools and for allocations to scholarships were especially relevant.

For years, the Group has made important contributions to deserving secondary school students in unfavourable economic situations, allocating Scholarships in their favour. In addition, in order to promote research in the field of sustainability, BPER Banca supports a scholarship in favour of graduates from the Emilia Romagna Region who have completed theses on Corporate Social Responsibility issues.

In 2018, the Parent Company sought a new model of support for associations committed in particular to involving young people in education, culture and the environment, through promotion of the first **crowdfunding call** on the “Produzioni dal Basso” platform.

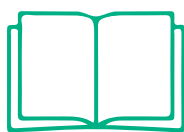
Four associations among the 160 participants succeeding in achieving their objectives.

Consequently, BPER Banca donated 50% of the amount indicated as target by the designers, allowing them to achieve their projects.

Recipes, multiculturalism, special skills, music, theatre and circular economy were the themes recognised by the public as deserving to be supported and subsequently rewarded.

The “Renken” association of Turin, “Helpcode Italia” of Genoa, “Onlus SONG del Coro Manos Blancas” and “Cooperativa Sociale La Lumaca” of Modena were therefore able to implement their projects.

8.1.2 Investments in the community



#LaBancaCheSaLeggere

The BPER Group has always worked with the firm belief that inclusion and the reduction of social inequalities also require the widespread organisation of cultural events open to citizens and accessible to all. Consequently, #LaBancaCheSaLeggere is more than just a slogan; it represents the capacity to not only promote the dissemination of culture but to comprehend and interpret the reality in which it exists as well.

The policy of support for various national theatres is accompanied by an important activity for the organisation of cultural, artistic and musical events in all the regions where the Group operates.

We should mention the Group’s participation in events promoted 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 in its various components (Premio Strega Ragazze e Ragazzi and Premio Strega Giovani), the Premio Estense, the Laudomia Bonanni Poetry Award, the Premio Flaiano and the Premio Nazionale di Divulgazione Scientifica Giancarlo Dosi.

In 2018, BPER Banca also promoted the literary award “Sognalib(e)ro”, created through an initiative of the Municipality of Modena, in collaboration with the Ministry of Justice, whereby the prisoners of eight Italian prisons participated in reviewing the books of popular authors, as well as writing their own texts.

These activities have been for many years now accompanied by presentations of new books as part of the “Meetings with the author” series at the BPER Forum Monzani of Modena. 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.

The development and dissemination of culture are also achieved through participation in local and national events, such as:

- Ravenna Festival
- “Palio di Ferrara”
- Philosophy Festival of Modena, with master classes, exhibitions and shows
- “Sogno o son d'Este”, 3D projections project to recreate the architecture of the Casa d'Este dynasty
- Giffoni Film Festival, for children and youth
- Time in Jazz, travelling music festival organised in Sardinia, with a preview in Modena in 2018
- Mantua Literature Festival, with meetings and presentations by national and international authors.

The contribution to art through the support of the Padua exhibition "Gauguin and the Impressionists" and the exhibition on the De Filippo family of artists in Naples are also significant.

Moreover, in order to create value for the areas in which it operates, the bank has for years promoted a series of round tables on mainly economic issues, in collaboration with QN - il Resto del Carlino.

As part of this collaboration, two awards were also dedicated to young people, with secondary school youth engaging in the publication of articles (“Cronisti in classe” - Class reporters) and young people aged between 14 and 29 years participating in a national photo contest from which some of the photographs published in this Sustainability Report were selected (see page 2).

A journalism project (“BFREE”) was also developed for youth registered in a Master in Media Relations, who participated in compiling an issue of “Per Voi”, quarterly magazine of the BPER Group.

Other projects

- Push to open: university orientation project that involved about 200 students (the Social Return on Investment or SROI will be calculated)
- promotion of amateur sports activities through sponsorship of numerous sports associations and clubs as well as national sports events such as the BPER Banca Beach Volley Italia Tour
- publication of the "libro strenna": every year, BPER Banca produces a prestigious volume dedicated to the excellence of the territory. For several years now, the Motor Valley has been promoted with titles dedicated to the most famous car manufacturers. The 2018 volume is entitled “Lancia, 7 storie straordinarie” (Lancia, 7 extraordinary stories).

Other local initiatives

There are numerous local initiatives for promotion of the local territories and typical products supported by Banks of the Group, as well as the most famous trade fairs in the areas where the Group is present. In addition, the Group's banks, as part of the collaboration with local universities and other bodies, promote meetings and conferences on economic issues and not only those in which many citizens participate.

Support for “Empori solidali” (Charity supermarkets)

BPER Banca is among the key partners of “Il Mantello” in Ferrara, “Eko” in Vignola (MO) and “Portobello” in Modena: initiatives aimed at concretely supporting families in difficult situations, also following the impoverishment caused by the recent economic crisis. All of the projects also promote supplementary services for individuals, designed to enhance and strengthen empowerment of the beneficiaries.

“La Galleria. Collezione e Archivio Storico”



On 2 December 2017, at the bank’s headquarters in Modena, the doors of the “La Galleria: Collezione e Archivio Storico”; cultural project of BPER Banca, were opened to the public, aimed at the enhancement, protection, preservation and optimisation of the artistic portfolio and archives of the Institute.

In the first year, over 7,400 visitors attended the Gallery, with 100 days open to the public, including special openings, and 42 group guided tours organised. The high number of visitors was a success for the art project promoted by BPER Banca, which aims to highlight one of the biggest corporate collections in Italy.

The programme of activities in 2018 was full of projects and events, including presentation to the public of works of art from the collections of the BPER Group, setting up exhibitions that provided the opportunity to admire masterpieces by Tiziano, Jean Boulanger and Cola dell'Amatrice. Another achievement was the realisation of the first study related to the Historic Archives of the Bank, entitled "Le Signorine della Banca Popolare di Modena" (The Ladies of Banca Popolare di Modena), which discusses the presence of women among bank staff from the historical standpoint. Transfer of the Historic Archives to a new location is also being assessed, with the aim of ensuring that scholars and researchers have the opportunity to consult documents relating not only to the history of the Bank, but also to the territory in which it was founded in 1867. Thanks to the various initiatives carried out by La Galleria, collaborations have been established and relations with associations, schools, private individuals and tourist organisations have been consolidated.

La Galleria can be visited with free admission every first weekend of the month, including Friday, and the catalogue of works of art is now also available online at www.lagalleriabper.it

Support to the community - Banco di Sardegna

The bank supported numerous cultural events: for 2018, mention goes to the contribution to the musical event “Voci di Maggio” and support to the MURATS of Samugheo for the exhibition "Tempo sospeso" (Suspended time). This year, Banco di Sardegna has continued with Amphitheatre of Tharros project, born from the desire to enhance a local reality of particular natural and archaeological value, with the construction of an amphitheatre within the archaeological area of Tharros.

Similarly, the Bank also participates in the key events linked to the island's tradition, such as the Sartiglia of Oristano and the Girotonno of Carloforte, as well as in the promotion of culture and music, as demonstrated by participation, as sponsor, in the thirty-first edition of International Festival Time in Jazz, for which a prepaid card has been created with the graphics of the event.

The round tables organised as part of the "Autumn in Barbagia" event in Oliena, Ottana, Nuoro and Fonni are also very significant.

A prepaid card and payment bracelet was also dedicated to the event, both free of charge, with the graphics of Autumn in Barbagia.

Banco di Sardegna also makes donations to charities and during extraordinary events. For 2018, mention goes to the basketball game played on 23 September in La Spezia between Dinamo Sassari and Pesaro as part of the charity initiative “Genova nel cuore”: the proceeds of the game were donated to support of the displaced population following the collapse of the Morandi viaduct in Genoa, with the bank making an additional donation of the same amount.

Banco di Sardegna places great importance on attention to youth and to the future. Consequently, it favours sports clubs that invest in youth sectors and in activities for the physically challenged.

The main activity regards the collaboration with Fondazione Dinamo for charity and solidarity initiatives.

Financial education

The GRANDE! project

GRANDE! is the financial education initiative of BPER Banca to explain the economy to children. For the 2017/2018 school year, 2,000 teaching kits were distributed to 1,802 classes (some classes asked for two kits) for 802 schools, reaching approximately 45,000 children.



The mission of GRANDE! is to explain the simplest economic notions to children in primary school with fun and interactive teaching. Accompanied by Billo and Perla, the two testimonials of the project, children are guided in the learning process, with games and cartoons, to build a culture of “economic citizenship” that focuses on the values of lawfulness and sustainability, with an accurate perception of the value of money and of one’s own civil and social responsibilities (grande.bper.it).

At the end of the course, the classes participate in a workshop competition to consolidate the concepts learned: the classes that present the best works receive a prize of high educational value useful to enrich the wealth of experience of the children and their schools.

The site also contains the Genitori Super! and Insegnanti Mega! sections, with useful content for parents and teachers.



Teen! Project

Teen! demonstrates BPER Banca’s commitment to adolescents from 13 years of age and up. The mission of Teen! is to help youth cultivate their talents and passions, with useful tips on how to enhance and share them through the knowledgeable use of social media. At the centre of the project we find the site teenspace.it and the Instagram page [@teenspaceofficial](https://www.instagram.com/teenspaceofficial/), two virtual areas that feature the comments of several influencers, highlights, interviews and articles. With a language more suitable for youth and a stimulating storytelling, the economy quietly enters teenspace.it to explain to young people the importance of having knowledge and financial skills in order to achieve their dreams or find the ideal job. Instagram, in particular, allows the bank to talk to youth in their language and on their channels. Moreover, the Instagram channel is functional in handling the topic of financial and banking education, providing youth with useful instruments for their future. Talents and passions can transform into work if supported by the appropriate economic knowledge. In fact, the project envisages the definition and creation of contests that invite youth to try their hand and experiment with their talents, such as photography or video creation. Each contest awards the three best talents, with a prize to help them develop and further increase their capabilities.

The photographs taken by young people as part of the #VersoScuola contest were also used within this Sustainability Report (see page 2)



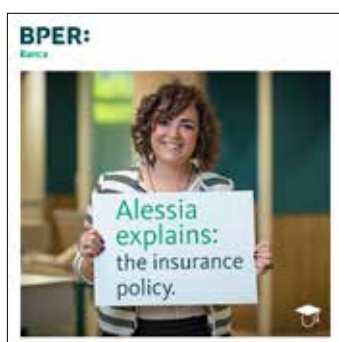
FEduF - Fondazione per l'Educazione Finanziaria e per il Risparmio (Foundation for Financial Education and Saving)

Collaboration with the FEduF on the issues of financial education and behavioural economics continues. This year, during financial education month, BPER Banca and FEDUF organised an event in Modena on behavioural economics, offering approximately 500 youth the opportunity to participate in the talk proposed by Taxi 1729, scientific information company focused on these issues.

In addition, in the 2018/2019 school year, the project of alternating school and work was launched with FEduF, which will allow secondary school classes to challenge each other in the creation of a business plan.

The meetings are attended by employees of the Parent Company, specially trained to support school children.

Also worth mentioning is the project of Cassa di Risparmio di Bra in collaboration with the Bra Foundation and FEduF. Again in 2018, the school project "Noi e il risparmio" (Savings and us) involved preadolescents on the subject of saving (economic, energy and environmental) through the production of works. Now at its seventh edition, the project is aimed at the fourth grades of primary schools in the area and, in 2018, involved 320 pupils from 10 schools, for a total of 16 classes.



Financial education on social media and in the branch

On social media, in particular the Facebook page, three sections approach the topic of economics. In the BPER U section, the key financial tips feature exceptional testimonials: employees of BPER Banca who share their professional knowledge. With the "Secondo voi" (According to you) section, BPER Banca is committed to sharing and disseminating, through the involvement of young people, videos in which the meaning of a financial word is explained with an ironic and intuitive tone of voice. Lastly, the Glossary gives a paradoxical and then real definition of the words of the economy. LinkedIn, on the other hand, is a channel dedicated to the dissemination and development of employer branding activities: from bike-to-work day to welfare day with the children of employees, all initiatives are enhanced thanks to LinkedIn, contributing to defining the brand positioning as a reality that is attentive to employees. Lastly, as reported in the section dedicated to the project Teen! Space, even Instagram encourages the dissemination of a culture of citizenship and awareness with regard to economic decisions.



The project launched in 2017 to interpret the space within the branches, both the New Concept ones but not only, as areas for gathering and sharing, was renewed. In particular, in the series of events called "The ant and the grasshopper. How nature plans for the future", an entomologist uses the metaphor of the ant and the grasshopper to explain, with an effective analogy, the need to protect nature and man. The entomologist highlights the importance of proper risk assessment to plan the future of adults and children. To involve everyone, including families, educational workshops are envisaged for children. About 400 customers participated in the 10 events of 2018, held in different areas of the country. As part of its financial education activities, for 15 years now, Banco di Sardegna, together with Associazione Amici del Banco, has organised the "Il Banco di Sardegna per la scuola" competition, which, with a prize pool of Euro 50,000 for the most original business ideas aimed at optimising local resources, is part of the wider context of the Bank's focus on the development potential of the area. The competition is reserved for high school students of the Island: each school that registers receives the support of a tutor identified within the

bank. Moreover, the winners have the possibility to take out a low-interest loan to be used to launch start-ups.

Projects for the environment

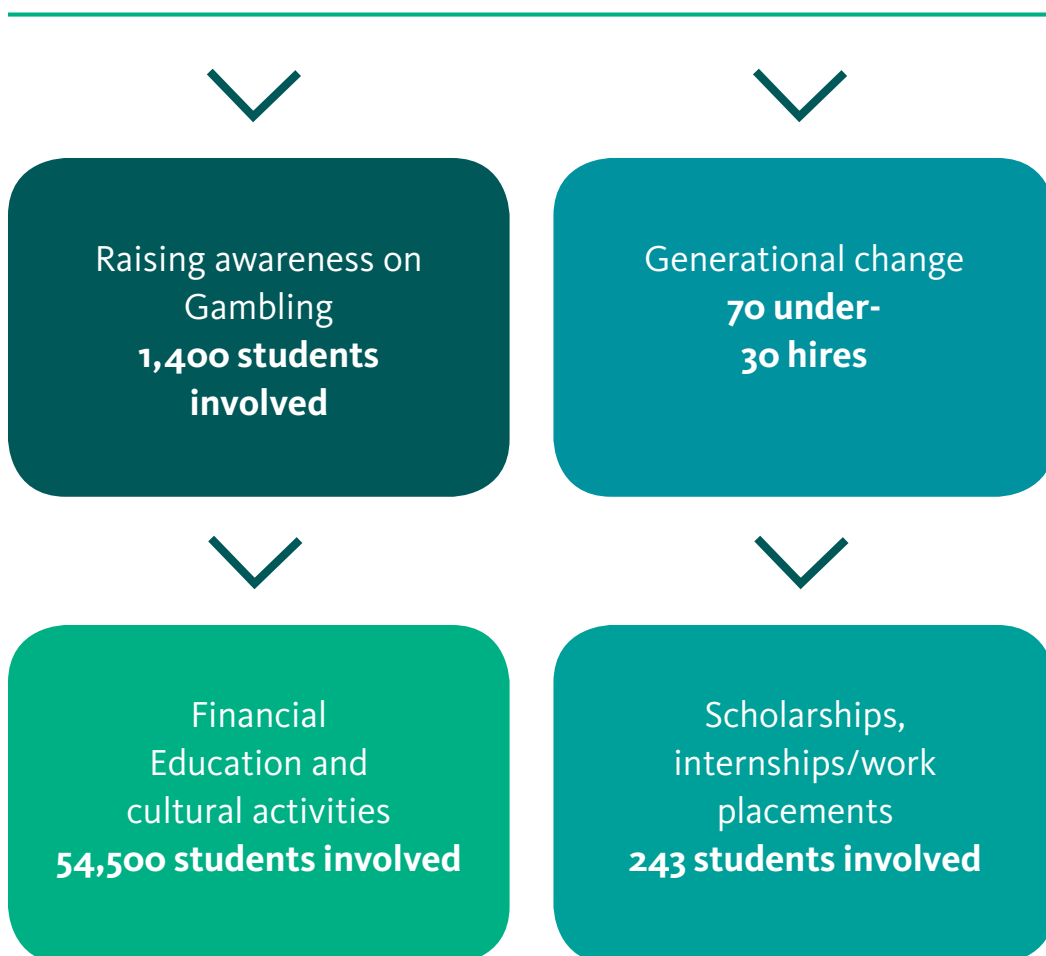
BPER Banca is committed to supporting various projects in favour of environmental protection, and to achieve this goal we have once again focused on the new generations. One example is the support by BPER Banca's "La scuola per l'Appennino" (The school for the Apennines), a sustainability education programme of the National Park of the Tuscan-Emilian Apennines, a UNESCO Biosphere Reserve. As part of this project, a prepaid co-branding card entitled "I care Appennino" is being produced.

The project "Circolare please", on the circular economy, also proposes to high schools the creation of a theatrical performance in which to stage an exciting journey within the innovative world of recycling and resource saving. This project was carried out by Cooperativa Sociale La Lumaca and participated in the financing provided through the bank's crowdfunding call for proposals.

Finally, we would like to mention the sponsorship of car sharing⁵⁴.

FOCUS ON YOUNG PEOPLE 2018

56,000
total young people involved



⁵⁴ For further details, see Chapter 7 "Environmental impacts".

8.1.3 Commercial initiatives in the community and innovative products and services with social and environmental content

This sector of the pyramid includes both costs regarding the projects/products with significant environmental and social impacts, as well as the energy efficiency measures implemented by the Group in 2018.

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.

For further details on the products and services, see Chapter 5, page 71.



8.2 Responsibility in controversial sectors

8.2.1 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 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 Group 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 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/Our commitment/Guidelines on arms).

8.2.2 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, in 2017, 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 Taxi 1729, 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 preventing the spread of compulsive gambling.

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. The scientific communicators of Taxi 1729 organised didactic laboratories with the youth

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, organising meetings at numerous secondary schools.

In particular, in 2018, in partnership with several local companies, events dedicated to the theme of gambling for schools and citizens were held in Vignola (Mo), as well as in five of the main towns of Abruzzo, in collaboration with the local newspaper Il Centro, and in Sassari, in collaboration with Banca di Sassari.

The bank has also signed an operating collaboration agreement with Agenzia di Tutela della Salute (ATS) of Bergamo for an awareness campaign and active support to citizens, promoting the dissemination of the guidelines produced by BPER Banca.

During 2018, a challenge was proposed to employees on a platform owned by the bank, with numerous colleagues from the Contact Centre of BPER Banca and Banca di Sassari competing on issues relating to loans. Points were earned through games and challenges and were later transformed into a donation to two local associations active in the fight against gambling.



2019-2021 Objectives


Report on 2018 objectives and identification of 2019-2021 objectives

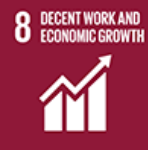




(B): BPER Banca objectives

The objectives were recalibrated on the three-year Business Plan (2019-2021).

Percent achieved:

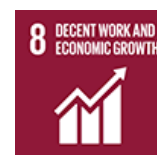






Topic	%	2018-2020 Objectives	2019-2021 Objectives	SDGs
Governance	<ul style="list-style-type: none"> ● ● ● ● ● ● ● ● 	<ol style="list-style-type: none"> 1. To draw up the 2018-2020 Business Plan 2. To update the internal regulation on the protection of personal data 3. To update the internal regulation on environmental issues 4. To update the internal regulation on anti-corruption issues 5. To update the Risk Appetite Framework 6. To implement the operational risk management framework 7. To implement the reputational risk management framework 8. To increase the indicators reported in the consolidated Sustainability Report 	<ol style="list-style-type: none"> 1. To define an operational control model to manage the anti-corruption issue 2. To review the operational control model to manage the anti-trust and unfair competition issue 3. To update the Risk Map 4. To update the Risk Appetite Framework 5. To implement the operational risk management framework 6. To implement the reputational risk management framework 	
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 (B) 2. To update the internal regulation on how to support the Community 3. To review the Guidelines on Arms 4. To launch Crowdfunding projects to support Third Sector organisations (B) 5. To start a project for the reporting of social impacts 6. To start collaborations with Local Authorities in support of compulsive gambling prevention activities 	<ol style="list-style-type: none"> 1. To introduce into the Business Plan a structured Financial Education project for first-level and second-level secondary schools (B) 2. To launch projects for the support and dissemination of reading by the young generations (B) 3. To report on the “social impacts” of the projects supported by the bank (B) 4. To implement projects to raise awareness on Compulsive Gambling (B) 5. To create new products and services for the visually impaired 	   

<h2>Suppliers</h2>	<ul style="list-style-type: none"> ● 1. To complete a vendor rating model ● 2. To conduct a feasibility analysis to establish a sustainability rating with a view to reputation 	<ul style="list-style-type: none"> 1. To launch a sustainability rating project for the 200 main suppliers 	  
<h2>Personnel</h2>	<ul style="list-style-type: none"> ● 1. To organise social and environmental initiatives for employees ● 2. To launch Mobility Management projects and to draft the Home Work Commuting Plan (PSCL) ● 3. To expand and further structure the testing of solutions and innovative approaches to work, which encourage a better work-life balance ● 4. To launch a project for the enhancement of female talent ● 5. To strengthen activities for the development of managerial skills ● 6. To strengthen internal communication to support improved engagement and business ● 7. To define an internal communication plan on social responsibility issues 	<ul style="list-style-type: none"> 1. To implement the sustainable mobility activities identified by the Home Work Commuting Plan (B) 2. To expand the initiatives to raise personnel awareness with regard to sustainability issues 3. To launch the “A pari merito” project with the objective of achieving 15% female executives 	 

Customers

1. To strengthen the culture of Customer Centricity by strengthening customer listening and customer satisfaction management systems
 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
 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
 5. To improve the positioning and proposition towards the minors segment, including by activating new communication and engagement channels (B)
 6. To strengthen the advisory services (Global advisory) to support the complex needs of business and private customers
 7. To Introduce pre-acceptance credit systems for Private and Small Business customers
 8. To implement processes, instruments and behavioural models aimed at excellence of services throughout the entire distribution network
 9. To review the entire system of identification, management and prevention of inefficiencies
 10. To expand and improve the Value Proposition with regard to specific customer targets (e.g., teenagers)
 11. To further develop the remote channels to facilitate access to banking services
1. To expand “branded content” with regard to saving education, insurance education and digital education, through proprietary digital channels as well as physical events on the territory (B)
 2. To develop the cash service model with the introduction of technological innovation in-branch, aimed at encouraging the dematerialisation of cash and improving the customer processes



<h2>Financial Market</h2>	<ul style="list-style-type: none"> ● 1. To develop relations with new investors ● 2. To improve web communications 	<ol style="list-style-type: none"> 1. To obtain the Standard Ethics Rating (SER) for BPER Banca and achieve EE rating (B) 2. To participate in the CDP (Carbon Disclosure Project) and achieve level C- (B) 3. To increase the SRI portfolio of the Parent Company by 20% (B) 	 
<h2>Environment</h2>	<ul style="list-style-type: none"> ◐ 1. To implement the control and monitoring system (BEMS) on the other 115 branches ● 2. To monitor the various types of waste every four months ◐ 3. To implement the control and monitoring system (BEMS) on the other 13 executive offices ◐ 4. To implement energy savings measures in offices and branches ◐ 5. To implement energy savings measures in Data Centres ◐ 6. To switch off personal computers, printers, etc. via dedicated application when not in use ◐ 7. To launch activities for the reduction of paper consumption 	<ol style="list-style-type: none"> 1. To launch activities aimed at raising employee awareness with regard to energy saving 2. To implement an Environmental Management System (B) 	 

GRI Content Index

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GRI 306: Waste (2016)	306-2 Waste by type and disposal method	117	
MATERIAL TOPIC: ENVIRONMENTAL COMPLIANCE			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	114	
	103-3 Assessment of the management approach	50; 114	
GRI 307: Compliance with environmental regulations (2016)	307-1 Non-compliance with environmental laws and regulations	114	
MATERIAL TOPIC: EMPLOYMENT			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	91-93; 99	
	103-3 Assessment of the management approach	50; 91-93; 99	
GRI 401: Employment (2016)	401-1 New employee hires and employee turnover	92; 109-110	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	101	
	401-3 Parental leave	111	
MATERIAL TOPIC: LABOUR/MANAGEMENT RELATIONS			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	107	
	103-3 Assessment of the management approach	50; 107	
GRI 402: Labour/management relations (2016)	402-1 Minimum notice period for operational changes	93	
MATERIAL TOPIC: OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	103-107	
	103-3 Assessment of the management approach	50; 103-107	
GRI 403: Occupational health and safety (2016)	403-1 Occupational health and safety management system	103-105	
	403-2 Hazard identification, risk assessment and incident investigation	31; 105	
	403-3 Occupational health services	104-105	
	403-4 Worker participation, consultation, and communication on occupational health and safety	104-105	
	403-5 Worker training on occupational health and safety	105	
	403-6 Promotion of worker health	106-107	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	103-105	
	403-8 Workers covered by an occupational health and safety management system	104	
	403-9 Work-related injuries	106	
	403-10 Work-related ill health	106	
MATERIAL TOPIC: TRAINING AND EDUCATION			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	94-97	
	103-3 Assessment of the management approach	50; 94-97	

GRI Standard	Indicator description	Page	Omissions
GRI 404: Training and education (2016)	404-1 Average hours of training per year per employee	94-95	
	404-2 Programmes for upgrading employee skills and transition assistance programs	95	
	404-3 Percentage of employees receiving regular performance and career development reviews	97	
MATERIAL TOPIC: DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	99-101	
	103-3 Assessment of the management approach	50; 99-101	
GRI 405: Diversity and equal opportunity (2016)	405-1 Diversity of governance bodies and employees	27-28	
	405-2 Ratio of basic salary and remuneration of women to men	100-101	
MATERIAL TOPIC: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	Low risk due to activities being circumscribed to Italy	
	103-2 Management of the topic and its components	106-107	
	103-3 Assessment of the management approach	50; 106-107	
GRI 407: Freedom of Association and Collective Bargaining (2016)	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Low risk due to activities being circumscribed to Italy	
MATERIAL TOPIC: CHILD LABOUR			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	Low risk due to activities being circumscribed to Italy	
	103-2 Management of the topic and its components	32; 41	
	103-3 Assessment of the management approach	32; 41; 50	
GRI 408: Child labour (2016)	408-1 Operations and suppliers at significant risk for incidents of child labour	Low risk due to activities being circumscribed to Italy	
MATERIAL TOPIC: FORCED OR COMPULSORY LABOUR			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	Low risk due to activities being circumscribed to Italy	
	103-2 Management of the topic and its components	32; 41	
	103-3 Assessment of the management approach	32; 41; 50	
GRI 409: Forced or compulsory labour (2016)	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Low risk due to activities being circumscribed to Italy	
MATERIAL TOPIC: LOCAL COMMUNITIES			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	128-130	
	103-3 Assessment of the management approach	50; 128-130	
GRI 413: Local Communities (2016)	413-2 Operations with significant actual and potential negative impacts on local communities	128-129	
Specific Sector Indicators - G4	FS 14 Initiatives to improve access to financial services for disadvantaged individuals	72-73	
MATERIAL TOPIC: PUBLIC POLICY			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	107	
	103-3 Assessment of the management approach	50; 107	
GRI 415: Public policies (2016)	415-1 Political contributions	107	
MATERIAL TOPIC: MARKETING AND LABELLING			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	65-68	
	103-3 Assessment of the management approach	50; 65-68	
GRI 417: Marketing and Labelling (2016)	417-1 Types of product and service information required by the company's information and labelling procedure as well as 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 respected by the BPER Group	

GRI Standard	Indicator description	Page	Omissions
GRI 417: Marketing and Labelling (2016)	417-2 Incidents of non-compliance concerning product and service information and labelling	66	In 2018, there were no incidents of non-compliance concerning product and service information and labelling
	417-3 Incidents of non-compliance concerning marketing communications	67	In 2018, there were no incidents of non-compliance concerning marketing communications
Specific Sector Guide for disclosure of Management Approach - G4	ex FS 15 Policies for proper development and marketing of financial products and services	65-66	
	ex FS 16 Initiatives to enhance financial literacy by type of beneficiary	73	
MATERIAL TOPIC: CUSTOMER PRIVACY			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	68-69	
	103-3 Assessment of the management approach	50; 68-69	
GRI 418: Customer privacy (2016)	418-1 Complaints regarding breaches of customer privacy and loss of customer data	69	
MATERIAL TOPIC: SOCIOECONOMIC COMPLIANCE			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	65-67	
	103-3 Assessment of the management approach	50; 65-67	
GRI 419: Compliance with socioeconomic rules (2016)	419-1 Non-compliance with laws and regulations in the social and economic area	67	In 2018, there were no cases of non-compliance with laws and regulations in the social and economic area
MATERIAL TOPIC: PRODUCTS PORTFOLIO			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	71-86	
	103-3 Assessment of the management approach	50; 71-86	
Sector Specific Supplement Indicators - G4	FS 6 Percentage of the portfolio segmented by business lines by specific regions, sizes (e.g. micro/SME/ large) and by sector	58-60	
	FS 7 Monetary value of products and services designed to deliver a specific social benefit for each business line and purpose	73-74	
	FS 8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line and purpose	81-83	
MATERIAL TOPIC: PROTECTION OF FINANCIAL STABILITY			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	52-54	
	103-3 Assessment of the management approach	50; 52-54	
MATERIAL TOPIC: CUSTOMER SATISFACTION			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	61-62	
	103-3 Assessment of the management approach	50; 61-62	
MATERIAL TOPIC: GOVERNANCE AND DECISION-MAKING PROCESSES			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	26	
	103-3 Assessment of the management approach	26; 50	
MATERIAL TOPIC: PUBLIC POLICY AND COLLABORATION WITH THE INSTITUTIONS			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	37-38	
	103-3 Assessment of the management approach	37-38; 50	
MATERIAL TOPIC: CORPORATE IDENTITY			
GRI 103: Management approach (2016)	103-1 Explanation of the materiality of the topic and its scope	48-50	
	103-2 Management of the topic and its components	99	
	103-3 Assessment of the management approach	50; 99	

**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 OF JANUARY 2018**

**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 "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of BPER Banca S.p.A. and its subsidiaries (hereinafter "BPER Banca Group" or "Group") as of December 31, 2018 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 5, 2019 (hereinafter "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 "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), 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.

Ancora Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Verona

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Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the *GRI Standards*. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

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

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the 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.

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

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.C.p.A., Banco di Sardegna S.p.A., Banca di Sassari S.p.A., Tholos S.p.A. 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., Banco di Sardegna S.p.A., Banca di Sassari S.p.A., Tholos S.p.A. 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 visits on site, 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, 2018 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the *GRI Standards*.

Other Matters

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 26, 2019

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
<https://istituzionale.bper.it/sostenibilita>



We would like to thank our colleagues
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